

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
June 30, 2007



Bill Richardson, Governor

Prepared by Department of Finance and Administration

*Katherine Miller
Cabinet Secretary*

*Anthony I. Armijo, CPA
State Controller*

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i
State of New Mexico Selected State Officials	iv
State of New Mexico Organizational Chart.....	v

FINANCIAL SECTION

Independent Accountants' Report.....	1
Management's Discussion and Analysis	3

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets	19
Statement of Activities.....	21

Fund Financial Statements:

Balance Sheet—Governmental Funds	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	25
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Net Assets—Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Net Assets—Proprietary Funds	30
Statement of Cash Flows—Proprietary Funds.....	31
Statement of Fiduciary Net Assets—Fiduciary Funds.....	33
Statement of Changes in Fiduciary Net Assets—Fiduciary Funds.....	34
Notes to the Financial Statements.....	35

Other Required Supplementary Information

Budgetary Comparison Schedules:

Major Governmental Funds—

General Fund.....	117
Education	118
Health and Human Services.....	119
Highway and Transportation.....	120

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

Other Required Supplementary Information (Continued)

Budget to GAAP Reconciliation—General Fund and Major Special Revenue Funds.....	121
Note A—Budgetary Reporting	122
Actuarial Analysis by Type —	
Analysis of the Educational Employee Retirement System (EERS).....	124
Analysis of the Public Employees Retirement System (PERS).....	125
Analysis of the Judicial Retirement System (JRS)	126
Analysis of the Magistrate Retirement System (MRS).....	127
Analysis of the Volunteer Firefighters Retirement System (VFRS)	128
Revenues and Expenses by Type —	
The Educational Employee Retirement System (EERS).....	129
The Public Employees Retirement System (PERS).....	130
The Judicial Retirement System (JRS)	131
The Magistrate Retirement System (MRS).....	132
The Volunteer Firefighters Retirement System (VFRS)	133

Other Supplementary Information

Non-Major Governmental Funds:	
Combining Balance Sheet by Fund Type—Non-Major Governmental Funds.....	134
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances by Fund Type—Non-Major Governmental Funds	135
Combining Balance Sheet—Non-Major Special Revenue Funds	136
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Non-Major Special Revenue Funds.....	138
Combining Balance Sheet—Non-Major Capital Projects Funds.....	140
Combining Statement of Revenues, Expenditures, and Changes in Funds Balances—Non-Major Capital Project Funds	142
Combining Balance Sheet—Non-Major Debt Service Funds	144
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Non-Major Debt Service Funds.....	146

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

Other Supplementary Information (Continued)

Non-Major Proprietary Funds:	
Combining Statement of Net Assets—Non-Major Proprietary Funds	150
Combining Statement of Revenues and Expenses and Changes in Net Assets— Non-Major Proprietary Funds.....	152
Combining Statement of Cash Flows—Non-Major Proprietary Funds.....	154
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets—	
Private Purpose Trust Funds	159
Pension and Other Employee Benefits Trust Funds	162
External Trust Funds.....	167
Agency Funds	170

STATISTICAL SECTION

Financial Trends Information	
Schedule A-1 Net Assets by Component.....	172
Schedule A-2 Changes in Net Assets.....	173
Schedule A-3 Fund Balances Governmental Funds	175
Schedule A-4 Changes in Fund Balances Governmental Funds	176
Revenue Capacity Information	
Schedule B-1 Revenues by Source and Expenditures by Function	177
Schedule B-2 Schedule of Revenues, State General Fund	179
Schedule B-3 Revenue Base	183
Schedule B-4 Revenue Payers by Industry – Taxable Sales, Services and Use Tax Purchases	184
Schedule B-5 Revenue Payers – Personal Income Tax	185
Schedule B-6 Personal Income Tax Rates	186
Debt Capacity Information	
Schedule C-1 Ratios of Outstanding Debt by Type.....	187
Schedule C-2 Other Long-Term Liabilities	188
Schedule C-3 Legal Debt Margin	190
Schedule C-4 Pledged Revenue Bond Coverage	191
Schedule C-5 Statutory Debt Limit.....	192

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION (CONTINUED)

Demographics and Economic Information	
Schedule D-1 Demographic and Economic Indicators	193
Schedule D-2 Principal Employers	194
Schedule D-3 Composition of Labor Force	195
Schedule D-4 Public Higher Education Enrollment	196
Operating Information	
Schedule E-1 Full-Time Equivalent State Employees by Function.....	197
Schedule E-2 Operating Indicators by Function	198
Schedule E-3 Capital Assets Statistics by Function	201
Other Information	
Schedule F-1 Expenditures - Historical and Constant Dollars	202
Schedule F-2 Per Capita Expenditures - Historical and Constant Dollars.....	203



New Mexico

Bill Richardson Governor

Department of Finance and Administration

407 Galisteo Street
Bataan Memorial Building, Room 180
Santa Fe, New Mexico 87501

Katherine B. Miller
Cabinet Secretary

Anthony I. Armijo, CPA, CGFM
State Controller

July 31, 2008

To the Citizens, Governor Bill Richardson, and Members of the Legislature
of the State of New Mexico:

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico for the fiscal year ended June 30, 2007, the State's official annual report. This report is prepared by the Department of Finance and Administration Financial Control Division/Controller's Office as required by Section 6-5-4.1 of the New Mexico Statutes Annotated, 1978. The State Controller is responsible for managing the finances and financial affairs of the State and is committed to sound financial management and governmental accountability.

The purpose of the CAFR is to report the financial position and results of operation of the State of New Mexico. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State's management. To the best of our knowledge and belief, the enclosed data accurately presents the State's financial position and results of operations in all material respects in accordance with generally accepted accounting principles (GAAP). We believe that all disclosures necessary to enable the reader to gain an understanding of the State's financial activities are included.

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with GAAP applicable to government as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements include the Management Discussion and Analysis, financial statements, notes to the financial statements, and Required Supplementary Information. The schedules comparing budgeted to actual activity, included in the section titled Required Supplementary Information, are not presented in accordance with GAAP; rather, they reflect budgetary basis of accounting, which defers certain payable accruals to the following fiscal year. In addition to the basic financial statements, the CAFR includes combining financial statements that present information by fund category; certain narrative information that describes the individual fund categories; supporting schedules; and statistical tables that present financial, economic, and demographic data about the State.

The funds and entities included in the CAFR are those for which the State is financially accountable based on criteria for defining the financial reporting entity as prescribed by GASB. The primary government is the legal entity that comprises the major and nonmajor funds of the State, its departments, agencies, and state funded

institutions of higher education. It also includes certain university foundations that have been included with the institution that is financially accountable for the foundation.

The State's elected officials are financially accountable for legally separate entities that qualify as component units. Financial results of the State's component units are discretely presented in the financial statements. The following entities qualify as component units of the State.

New Mexico Finance Authority
New Mexico Mortgage Finance Authority

Additional information about these component units and other related entities is presented in Note 1 of the financial statements. Audited financial reports are available from each of these entities.

Internal Control. The CAFR consists of management's representations concerning the finances of the State of New Mexico. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework. The framework is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. Since the cost of internal controls should not outweigh the benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

Management's Discussion and Analysis (MD&A). The MD&A beginning on page 3 provides an overview and analysis of the State's Basic Financial Statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

New Mexico became the forty-seventh state of the United States of America when it was admitted to the union in 1912. Its borders encompass 121,598 square miles of the Great Plains, Rocky Mountains and the Rio Grande River with elevations ranging from 2,842 to 13,161 feet above sea level. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, mining, and services. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate, and other services.

Structure. As shown in the organizational chart on page iv, state governmental is divided into three separate branches: legislative, executive, and judicial. The duties of each branch are outlined in the *Constitution of the State of New Mexico*, which can be amended only by a majority vote of the State's citizens. State government services provided to citizens include building and maintaining roads; providing public safety, health, and environmental protection services to protect the general welfare of the State's citizens; helping adults, children and families through difficult times such as abuse, divorce, illness, death, and unemployment; fostering an attractive business climate to encourage economic growth; and protecting public lands and natural resources for

conservation and recreational activities. The State also provides significant financial support to its higher education institutions, local governments, and school districts to help those entities meet the specific needs of their constituents.

ECONOMIC CONDITIONS AND OUTLOOK

Economy. Nationally, corporate before-tax profits increased 14.3 percent in 2006 and are expected to rise only 2.2 percent through the end of 2007 as the economy continues to slow. The national unemployment rate was 4.6 in 2006, and is expected to stay at 4.6 percent in 2007, and increase to 5.0 percent in 2008. The State of New Mexico's growth rate was in a state of restraint for fiscal year 2007.

The population increased by approximately 15,500 through natural increase of greater births than deaths. The State's contribution to the nation's Gross Domestic Product grew by 5.6 percent (adjusted for inflation) between 2006 and 2007. This growth rate was nearly one percent greater than that of the national average of 4.7 percent. In 2007, personal income and nonagricultural wages rose by 6.7 percent and 4.9 percent, respectively. The economy added 15,800 jobs from 2006 to 2007, resulting in a 1.5 percent increase. New Mexico's employment sectors with the greatest increases from 2006 were government, education and health service, and professional and business services with all other sectors remaining constant. The unemployment rate decreased by 0.8 percent from 2006 supporting the state of slow and steady growth the State of New Mexico is currently experiencing.

Outlook. The overall picture of the New Mexico economy remains satisfactory. Growth has slowed, but not distressingly so, and is not likely to slow further in the near term. The State continues to enjoy high bond ratings indicative of its strong capacity to meet financial commitments. The State New Mexico is one of the few states with an operating surplus within its general fund. These factors are the result of the State's continued commitment to sound fiscal management under the leadership of Governor Bill Richardson and the New Mexico Legislature.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Department of Finance and Administration Financial Control Division. We also express our appreciation to the budget and accounting officers throughout state government for their dedicated efforts in assisting us in the preparation of this report.

Respectfully submitted,



Katherine B. Miller
Cabinet Secretary



Anthony I. Armijo, CPA, CGFM
State Controller

STATE OF NEW MEXICO

June 30, 2007

Selected State Officials

Executive

Bill Richardson, Governor • **Diane Denish**, Lieutenant Governor • **Mary Herrera**, Secretary of State • **Gary K. King**, Attorney General • **Hector H. Balderas**, State Auditor • **Patrick H. Lyons**, Commissioner of Public Lands • **James B. Lewis**, State Treasurer • **Jason A. Marks**, Public Regulations Commission • **David W. King**, Public Regulations Commission • **Ben R. Lujan**, Public Regulations Commission • **Carol K. Sloan**, Public Regulations Commission • **Sandy R. Jones**, Public Regulations Commission

Judicial

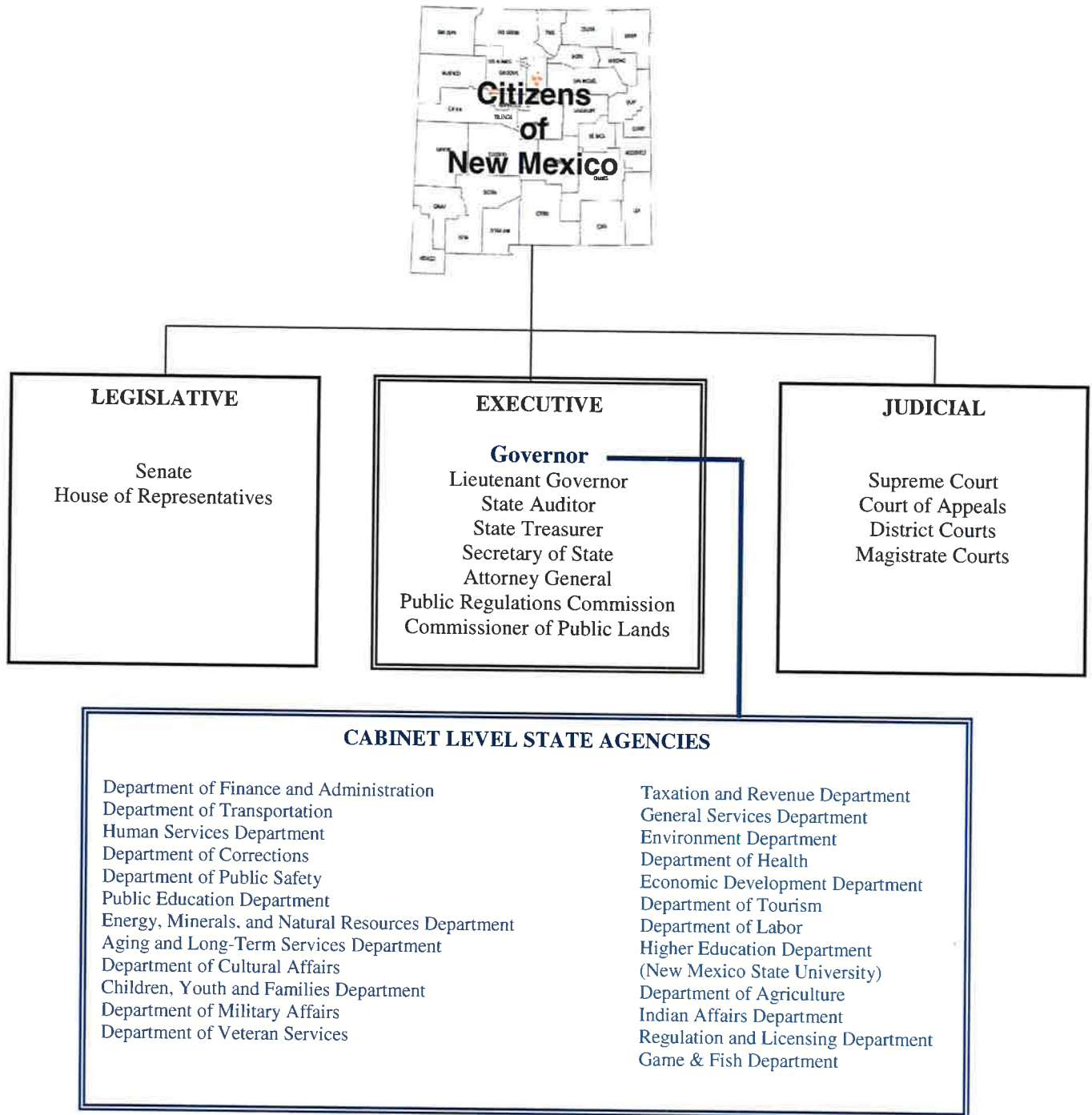
Richard C. Bosson, Chief Justice of the Supreme Court • **Petra J. Maes**, Justice of the Supreme Court • **Pamela B. Minzner**, Justice of the Supreme Court • **Patricio M. Serna**, Justice of the Supreme Court • **Edward L. Chavez**, Justice of the Supreme Court • **Michael D. Bustamante**, Chief Judge of the Court of Appeals • **James J. Wechsler**, Judge of the Court of Appeals • **A. Joseph Alarid**, Judge of the Court of Appeals • **Lynn Pickard**, Judge of the Court of Appeals • **Jonathan B. Sutin**, Judge of the Court of Appeals • **Cynthia A. Fry**, Judge of the Court of Appeals • **Ira Robinson**, Judge of the Court of Appeals • **Cecilia Foy Castillo**, Judge of the Court of Appeals • **Roderick T. Kennedy**, Judge of the Court of Appeals • **Michael E. Vigil**, Judge of the Court of Appeals

Legislative

Senate: **Ben D. Altamirano**, President Pro-Tempore • **Michael S. Sanchez**, Majority Floor Leader • **Stuart Ingle**, Minority Floor Leader • **Mary Jane M. Garcia**, Majority Whip • **Leonard Lee Rawson**, Minority Whip • **Lidio G. Rainaldi**, Majority Caucus Chair • **Dianna J. Duran**, Minority Caucus Chair

House of Representatives: **Ben Lujan**, Speaker of the House • **W. Ken Martinez**, Majority Floor Leader • **Thomas C. Taylor**, Minority Floor Leader • **Sheryl Williams Stapleton**, Majority Whip • **Daniel R. Foley**, Minority Whip • **John A. Heaton**, Caucus Chair • **Anna M. Crook**, Caucus Chair

Organizational Chart





**FINANCIAL
SECTION**

Independent Accountants' Report

T 505-830-6200

F 505-830-6282

The Honorable Bill Richardson, Governor of the State of New Mexico
Ms. Katherine Miller, Secretary of the
New Mexico Department of Finance and Administration,
Mr. Anthony I. Armijo, CPA, Director/State Controller, and
Mr. Hector Balderas, New Mexico State Auditor

We have reviewed the accompanying basic financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Mexico (State), as of and for the year ended June 30, 2007, which collectively comprise the State's basic financial statements as listed in the table of contents. Our review was conducted in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the responsibility of management of the State of New Mexico.

A review consists principally of inquiries of government personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The General Services Department, Department of Labor and Department of Transportation had not reconciled their accounting records to the Statewide Human Resources Accounting and Reporting (SHARE) accounting system as of the date of our review. Consequently, the above mentioned funds may require adjustments once the reconciliations are completed.

Based on our review, except for the effects of the matters discussed in the preceding paragraph, we are not aware of any material modifications that should be made to the accompanying basic financial statements or combining financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the State has restated certain July 1, 2006 net asset and fund balances. Governmental activities net assets and special revenue fund balances were increased by \$135 million due to errors made in certain revenue accruals. Also, the General Fund fund balance was decreased and special revenue fund balances increased by \$46 million due to the reclassification of the underlying activities. Finally, trust fund net assets were increased by \$697 million due to the addition of two funds previously excluded.

The Honorable Bill Richardson, Governor of the State of New Mexico
Ms. Katherine Miller, Secretary of the
New Mexico Department of Finance and Administration,
Mr. Anthony I. Armijo, CPA, Director/State Controller, and
Mr. Hector Balderas, New Mexico State Auditor

Management's Discussion and Analysis, Schedule of Funding Progress for Employee Retirement Systems and Plans, and Budgetary Comparison Information as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not review the information and express no opinion on it.

The accompanying statistical information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements and, accordingly, we express no opinion on it.

Moss Adams LLP

Albuquerque, New Mexico
July 25, 2008

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

INTRODUCTION

The following is a discussion and analysis of the State of New Mexico's (State) financial performance that provides an overview of the activities for the fiscal year ended June 30, 2007. This discussion and analysis should be read in conjunction with the State's financial statements and the notes to the basic financial statements, which begin after this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

The State's basic financial statements are presented within the financial section of this Comprehensive Annual Financial Report (CAFR). The components of the financial statements include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Other Required Supplementary Information (RSI)

The MD&A, a component of Required Supplementary Information (RSI), introduces the basic financial statements and provides an analytical overview of the State's financial activities.

HIGHLIGHTS

- Total net tax collections for fiscal year 2007 were \$7.5 billion.
- Corporate income tax collections grew by 21 percent. This compares to the prior year growth of 42 percent. Much of the decline in growth is attributable to the decline in oil and gas profits. Approximately two thirds of prior year's growth came from mineral extraction firms.
- The State issued \$700 million in tax and revenue anticipation notes that matured on June 30, 2007.
- Capital assets continued to increase significantly due to the continuing work on the Statewide Human Resources, Accounting and Management Reporting (SHARE) Project. The Project has been funded through the sale of Severance Tax Bonds pursuant to the laws of 2004, Chapter 26, Section 11 and 561 and contributed funds for purchase of additional modules for other agencies. SHARE was implemented on July 1, 2006 and depreciation was calculated based on a ten year service life with no residual value. The phase two portion of SHARE was not depreciated in 2007, but will be depreciated using the same life as the phase one portion beginning in 2008.
- The State ended the year with reserves of 17.0 percent of recurring prior year appropriations, a decline of 1.2 percent of the prior year. The decline is mainly due to expenditures exceeding revenues.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

- The Taxation and Revenue Department continued its initiative to enhance tax collections efforts in fiscal year 2007. As part of the enhanced collections effort, the Audit and Compliance Division collected an additional \$31 million in back taxes, of which \$28 million was distributed to the State General Fund.
- In October 2007, the Motor Vehicle Division has reduced the uninsured rate in New Mexico from a national high of 33 percent to 11 percent equating to an additional 444,381 vehicles that have become insured based on the notification and suspension letters that have been mailed out to uninsured vehicles.
- The cash overdraft increased significantly during 2007 as a result of policy change. This change requires state agencies to request an allotment from the State General Fund immediately after the allotment becomes available by law.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements – Reporting the State as a Whole

Government-wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar with a private-sector business.

The *statement of net assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the State include general government, public safety, transportation and highways, culture and recreation, judicial, legislative, regulation and licensing, health and human services and education. The business-type activities of the State include unemployment and public schools insurance, educational institutions, medical center, magazine publication, lottery authority, state fair, state infrastructure bank, environment department, corrections industries and industries for the blind.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The government-wide financial statements include not only the State itself (known as the *primary government*), but also a legally separate finance authority and a legally separate mortgage finance authority for which the State is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The New Mexico Lottery Authority, although also legally separate, functions for all practical purposes as a department of the State, and therefore has been included as an integral part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like any other state, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The State maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Education Fund, Health and Human Services, Highway and Transportation, Severance Tax Permanent Fund and Land Grant Permanent Fund, all of which are considered to be major funds. Data on the other fifteen governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The State adopts an annual appropriated budget. A budgetary comparison statement has been provided for the major funds with approved budgets, to demonstrate compliance with this budget.

Proprietary funds. The State maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The State uses enterprise funds to account for its unemployment and public schools insurance, educational institutions, medical center, magazine publication, lottery authority, state fair, state infrastructure bank, environment department, corrections industries and industries for the blind. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses an internal service fund to account for its data processing, voice and data telephone systems and various insurances. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Educational Institutions, which is considered to be a major fund for the State and the Internal Service Funds. Individual fund data for the nonmajor proprietary funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) such as budgetary comparison schedules for the General Fund and major Special Revenue Funds with legally adopted budgets.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Immediately following the notes to the financial statements and budgetary information is other supplementary information. In this section of the financial statements, the combining statements referred to earlier in connection with nonmajor governmental, proprietary and fiduciary funds are presented. Also presented is the State's progress in funding its obligation to provide pension benefits to its employees.

Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements. Table 1 below summarizes the major features of the basic financial statements.

Table 1: Major Features of the Basic Financial Statements					
		Fund Financial Statements			
		Government-wide Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope		Entire State government (except fiduciary funds) and State's component units	Activities of the State that are not proprietary or fiduciary	Activities of the State that are operated similar to private businesses	Instances in which the State is the trustee or agent for someone else's resources
Required financial statements		<ul style="list-style-type: none"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus		Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information		All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term obligations are included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information		All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> Revenues for which cash is received during or soon after the end of the year Expenditures when goods or services have been received and payment is due during the year or soon thereafter 	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Adjustments to Beginning Net Assets and Fund Balances

As discussed in Note 1, the State has restated certain July 1, 2006 net asset and fund balances. Governmental activities net assets and special revenue fund balances were increased by \$135 million due to errors made in certain revenue accruals. Also, the General Fund fund balance was decreased and special revenue fund balances increased by \$46 million due to the reclassification of the underlying activities. Finally, trust fund net assets were increased by \$697 million due to the addition of two funds previously excluded.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Government-wide Financial Analysis

Condensed Statement of Net Assets

The largest component (\$10,055 million or 58.0 percent) of the State's net assets is its restricted net assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation regarding how the assets may be used. The next largest component totaling \$6,458 million or 37 percent of the State's net assets is its investment in capital assets (e.g. land, infrastructure, buildings, equipment and others), net of any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to the citizens and businesses in the State; consequently, these net assets are not available for future spending. The remaining 5.0 percent of net assets is unrestricted, which may be used to finance government operations.

Table 2 below presents the State's condensed Statement of Net Assets as of June 30, 2007, derived from the government-wide Statement of Net Assets.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006 (as restated)	2007	2006	2007	2006 (as restated)
Current and other assets	\$ 12,647,708	10,617,428	3,461,871	3,191,325	16,109,579	13,808,753
Capital assets, net	<u>7,997,321</u>	<u>8,029,730</u>	<u>1,776,524</u>	<u>1,559,129</u>	<u>9,773,845</u>	<u>9,588,859</u>
Total assets	<u>20,645,029</u>	<u>18,647,158</u>	<u>5,238,395</u>	<u>4,750,454</u>	<u>25,883,424</u>	<u>23,397,612</u>
Current liabilities	4,520,191	3,424,336	442,856	373,185	4,963,047	3,797,521
Long-term liabilities	<u>2,761,344</u>	<u>2,183,963</u>	<u>774,967</u>	<u>796,271</u>	<u>3,536,311</u>	<u>2,980,234</u>
Total Liabilities	<u>7,281,535</u>	<u>5,608,299</u>	<u>1,217,823</u>	<u>1,169,456</u>	<u>8,499,358</u>	<u>6,777,755</u>
Net assets						
Invested in capital assets, net of related debt	5,516,914	5,724,003	940,608	945,920	6,457,522	6,669,923
Restricted	7,632,435	6,562,251	2,422,434	2,145,306	10,054,869	8,707,557
Unrestricted	<u>214,145</u>	<u>752,605</u>	<u>657,530</u>	<u>489,772</u>	<u>871,675</u>	<u>1,242,377</u>
Total net assets	<u>\$ 13,363,494</u>	<u>13,038,859</u>	<u>4,020,572</u>	<u>3,580,998</u>	<u>17,384,066</u>	<u>16,619,857</u>
Percent change in total net assets from prior year	3.6%		12.3%		5.5%	

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

At the end of the current fiscal year, the State was able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

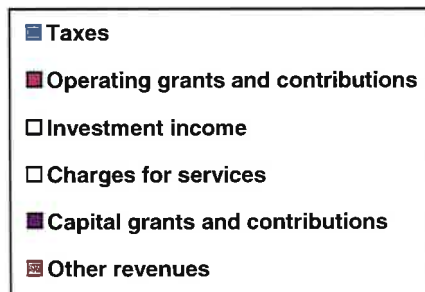
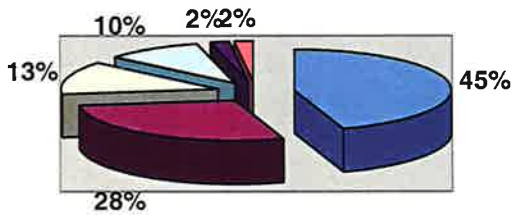
There was an increase in restricted net assets of approximately \$1,070 million in connection with the State's governmental activities. Both the Severance Tax Permanent Fund and Land Grant Permanent Fund experienced an increase of approximately \$559 million and \$111 million, respectively, in restricted assets from the severance tax revenues that exceeded the debt service requirements for fiscal year 2007.

The State's governmental activities net assets increased by \$325 million during the current fiscal year. The net increase is due to the above documented increase in restricted net assets.

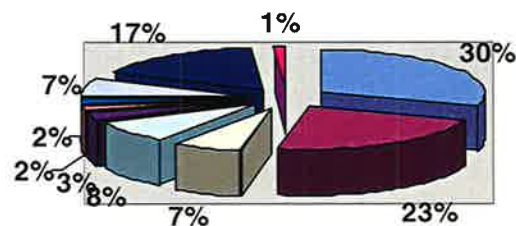
Condensed Statement of Activities

Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased by \$325 million or 2.5 percent, and the net assets of the business-type activities increased by \$440 million or 12.3 percent. Table 3 below presents the State's condensed Statement of Activities for the fiscal year ended June 30, 2007, as derived from the government-wide Statement of Activities. Key elements of this increase are as follows in Table 3 and graphs below.

Total Revenues - FY 2007



Total Expenses - FY 2007



**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

**Table 3: Condensed Statement of Activities
As of June 30, 2007 & 2006
(in thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage
	2007	2006 (as restated)	2007	2006	2007	2006 (as restated)	Change 2006 to 2007
Revenues							
Program revenues:							
Charges for services	\$ 1,205,421	1,297,926	1,986,387	1,866,396	3,191,808	3,164,322	0.9%
Operating grants and contributions	3,416,802	3,283,620	143,300	120,205	3,560,102	3,403,825	4.6
Capital grants and contributions	290,317	323,013	30,924	28,934	321,241	351,947	(8.7)
Total program revenues	<u>4,912,540</u>	<u>4,904,559</u>	<u>2,160,611</u>	<u>2,015,535</u>	<u>7,073,151</u>	<u>6,920,094</u>	2.2
General revenues:							
Individual income tax	1,520,214	1,543,262	-	-	1,520,214	1,543,262	(1.5)
Corporate income tax	453,857	374,957	-	-	453,857	374,957	21.0
Sales and use tax	403,909	388,739	-	-	403,909	388,739	3.9
Business privilege tax	2,962,550	2,370,530	-	-	2,962,550	2,370,530	25.0
Other taxes	30,683	31,694	-	-	30,683	31,694	(3.2)
Investment income (loss)	1,622,183	1,203,881	261,374	129,014	1,883,557	1,332,895	41.3
Other (expenses) revenues	290,160	136,527	296,767	259,303	586,927	395,830	48.3
Total general revenues	<u>7,283,556</u>	<u>6,049,590</u>	<u>558,141</u>	<u>388,317</u>	<u>7,841,697</u>	<u>6,437,907</u>	21.8
Total revenues	<u>12,196,096</u>	<u>10,954,149</u>	<u>2,718,752</u>	<u>2,403,852</u>	<u>14,914,848</u>	<u>13,358,001</u>	11.7
Program expenses:							
General government	950,600	869,013	-	-	950,600	869,013	9.4
Culture , recreation and natural resources	263,457	202,330	-	-	263,457	202,330	30.2
Highway and transportation	1,126,085	1,027,618	-	-	1,126,085	1,027,618	9.6
Judicial	215,954	194,452	-	-	215,954	194,452	11.1
Legislative	22,079	14,052	-	-	22,079	14,052	57.1
Public safety	451,320	390,557	-	-	451,320	390,557	15.6
Regulatory , licensing, etc.	115,717	97,956	-	-	115,717	97,956	18.1
Health and human services	4,534,851	4,055,602	-	-	4,534,851	4,055,602	11.8
Education	3,083,845	2,975,293	-	-	3,083,845	2,975,293	3.6
Educational institutions	-	-	2,273,301	2,142,898	2,273,301	2,142,898	6.1
Other	547,366	421,089	566,064	533,039	1,113,430	954,128	16.7
Total program expenses	<u>11,311,274</u>	<u>10,247,962</u>	<u>2,839,365</u>	<u>2,675,937</u>	<u>14,150,639</u>	<u>12,923,899</u>	9.5
Excess (deficiency) before transfers	<u>884,822</u>	<u>706,187</u>	<u>(120,613)</u>	<u>(272,085)</u>	<u>764,209</u>	<u>434,102</u>	76.0
Transfers	<u>(560,187)</u>	<u>(533,035)</u>	<u>560,187</u>	<u>533,035</u>	<u>-</u>	<u>-</u>	-
Change in net assets	<u>324,635</u>	<u>173,152</u>	<u>439,574</u>	<u>260,950</u>	<u>764,209</u>	<u>434,102</u>	76.0
Net assets, beginning, as restated	<u>13,038,859</u>	<u>12,865,707</u>	<u>3,580,998</u>	<u>3,320,048</u>	<u>16,619,857</u>	<u>16,185,755</u>	2.7
Net assets, ending	<u>\$ 13,363,494</u>	<u>13,038,859</u>	<u>4,020,572</u>	<u>3,580,998</u>	<u>17,384,066</u>	<u>16,619,857</u>	4.6%

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Changes in Net Assets. This year the entire State received 36.0 percent of its revenues from state taxes and 21.5 percent of its revenues from grants and contributions, mostly from federal sources. In the prior year, state taxes accounted for 35.3 percent, and grants and contributions were 28.1 percent of total revenues. Charges for services such as licenses, permits, state parks, and court fees, combined with other miscellaneous collections, comprised 21.4 and 23.7 percent of total revenues for fiscal year 2007 and 2006, respectively.

Governmental Activities

The State's total governmental revenues from all sources increased \$1,242 million or 11.3 percent.

- The collection of taxes increased by approximately \$662 million or 14.1 percent.
- The State's investment income increased by approximately \$418 million or 34.7 percent due to gain on performance in the various markets the State has placed its investments in.
- The operating grants and contributions increased by approximately \$133 million due to the increased efforts of the Health and Human Services Fund to maximize federal funds matched by available other revenues in the Medicaid program.
- The expenses for program highway and transportation increased approximately \$98 million.
- The health and human services expense increased by approximately \$479 million. This was the result of increased costs of services provided for social care to the citizens of the state.

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. Overall, program revenues were not sufficient to cover program expenses for governmental activities. The net program expenses of these governmental activities were therefore supported by general revenues, mainly taxes.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

**Table 4: Program Expenses and Revenues for Governmental Activities
As of June 30, 2007
(in thousands)**

	Program Expenses	Program Revenues	Net Program Costs		Program Revenues to Program Expenses	
	2007	2007	2007	2006	2007	2006
State Programs						
General government	\$ 950,600	863,392	(87,208)	484,025	90.8%	155.7%
Culture, recreation, and natural resources	263,457	117,707	(145,750)	(54,349)	44.7	73.1
Highway and transportation	1,126,085	315,305	(810,780)	(657,231)	28.0	36.0
Judicial	215,954	19,035	(196,919)	(141,898)	8.8	27.0
Legislature	22,079	1,378	(20,701)	(14,052)	6.2	-
Public safety	451,320	78,699	(372,621)	(285,775)	17.4	26.8
Regulatory licensing etc.	115,717	70,206	(45,511)	(30,140)	60.7	69.2
Health and human services	4,534,851	2,980,557	(1,554,294)	(1,685,386)	65.7	58.4
Education	3,083,845	466,261	(2,617,584)	(2,537,508)	15.1	14.7
Interest	547,366	-	(547,366)	(421,089)	-	-
Totals	\$ 11,311,274	4,912,540	(6,398,734)	(5,343,403)	43.4%	47.9%

Business-type Activities

Revenues from the State's business-type activities increased by \$315 million or 13.1 percent from the prior year.

- Charges for services for business-type activities increased by \$120 million or 6.4 percent from the prior year. Approximately half of the increase was due to the University of New Mexico experiencing approximately \$57 million in higher fees due to the inclusion of Carrie Tingley Hospital for the current fiscal year.
- The expenses for the educational institutions increased by \$130 million or 6.1 percent as a result of the increase in revenues from the clinical operations and increased enrollment.

Table 5 below presents program expenses and revenues for business-type activities. With the exception of unemployment compensation, program revenues generated from business-type activities were not sufficient to cover program expenses. Program expenses not covered by program revenues are supported by fund reserves.

**Table 5: Program Expenses and Revenues for Business-type Activities
As of June 30, 2007
(in thousands)**

	Program Expenses	Program Revenues	Net Program Costs		Program Revenues to Program Expenses	
	2007	2007	2007	2006	2007	2006
State programs						
Educational institutions	\$ 2,273,301	1,567,640	(705,661)	(688,149)	69.0%	67.9%
Other	566,064	592,971	26,907	27,747	104.8	105.2
Totals	\$ 2,839,365	2,160,611	(678,754)	(660,402)	76.1%	75.3%

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Fund Analysis

Funds that experienced significant changes during the year are as follows:

At June 30, 2007, the State's governmental funds reported combined ending fund balances of \$8,441 million. Of this amount \$938 million or 11.1 percent is reserved for specific programs by state law, by external constraints, or by contractual obligations. Unspent bond proceeds, balances of restricted accounts, and agencies' nonlapsing balances are included in reserved fund balance. An additional \$5,807 million or 68.8 percent of total fund balance has been segregated through internally imposed limitations on uses of certain funds. Note 1.R. contains more details about reserved and segregated fund balances at June 30, 2007. The remaining \$1,696 million or 20.1 percent of fund balance is available for appropriation for the general purpose of the funds.

General Fund. Fund balance at June 30, 2007 totaled \$754 million, a decrease of \$136 million during the fiscal year. This decrease was due to expenditures exceeding revenues. See additional analysis below. The General Fund ended the fiscal year 2007 with a "surplus" from unreserved and undesignated sources of \$681 million. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance.

Total General Fund revenues decreased \$480 million or 7.6 percent. The change was due to the reclassification of the presentation of the general operating activity of the Education and Health and Human Services out of the General Fund and to their respective funds.

The General Fund expenditures decreased \$885 million or 43.2 percent of which is due to the reclassification of the presentation of the general operating activity of the Education and Health and Human Services out of the General Fund and to their respective funds.

Education. Fund balance at June 30, 2007 totaled \$202 million, a decrease of \$34 million or 14.3 percent. The Public School Facilities Authority also reported a prior period adjustment of \$90 million in the Special Revenue Fund for a special appropriation for making local share advances for qualified high-priority projects not recorded as of June 30, 2006. Total revenues decreased by \$72 million or 15.6 percent. This was a result of a decrease in the amount of capital project appropriations for the year. Total expenditures increased by \$204 million or 7.1 percent. There were additional expenditures of \$156 million relating to the Public Education Department for fiscal year 2007.

Health & Human Services. Fund balance at June 30, 2007 totaled \$401 million, an increase of \$121 million or 43.3 percent during the fiscal year. Total revenues increased by \$757 million or 32.5 percent, with total expenditures increasing proportionately with total revenues.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Highway & Transportation. Fund balance at June 30, 2007 totaled \$787 million, due to an increase of \$103 million or 15.1 percent. Total expenditures increased by \$156 million or 14.8 percent.

Severance Tax Permanent Fund. Fund balance at June 30, 2007 totaled \$4,710 million, due to an increase of \$559 million or 13.5 percent. The increase relates to unrealized gains on investments, which is consistent with the overall success that the State had with all other investments. During fiscal year 2007, the fund did not experience any significant fluctuation from the prior fiscal year.

Land Grant Permanent Fund. Fund balance at June 30, 2007 totaled \$732 million, due to an increase of \$111 million or 17.8 percent. The increase is a result of the investment income and unrealized gains on investments, which is consistent with the overall success that the State had with all other investments. During fiscal year 2007, the fund did not experience any significant fluctuation from the prior fiscal year.

Proprietary Funds

The State's proprietary funds reported net assets of \$3,998 million, this includes an increase of \$446 million or 12.6 percent. The above net assets include \$4,021 million for enterprise funds.

Educational Institutions. Net assets at June 30, 2007 totaled \$3,055 million. Current period activity increased the net assets of the State's educational institutions by \$368 million or 13.7 percent. For the fiscal year 2007 the State transferred \$596 million to the State's educational institutions from the State General Fund, an increase of \$26 million or 4.5 percent from fiscal year 2006.

See additional analysis in the business-type activities in the preceding pages.

Discretely Presented Component Units

These are operations for which the State has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. Both of the State's discrete component units are presented in the financial statements.

The State's discretely presented major component units are:

- New Mexico Finance Authority
- New Mexico Mortgage Finance Authority

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about State's component units are presented in the notes to the financial statements.

Budget Variances in the General Fund

The Legislature adopted the initial fiscal year 2007 budget during the 2006 General Session. The original General Fund budgeted revenues at the start of fiscal year 2007 was 47.7 percent lower than the final fiscal year 2006 budget basis revenues. During the year the actual revenue was \$125 million lower than final approved budget, with the most significant change coming from grants. The original budgeted expenditures for fiscal year 2007 were similar to the final fiscal year 2006 budget basis expenditures taking into account the reclassification of the general operating activities for the Education and Health and Human Services funds out of the General fund for the fiscal year 2007. After budget amendments, the actual charges (expenditures) in the General Fund were \$210 million below the final budgeted amounts. This is mainly the result of lower than expected operating expenditures. On the other hand, resources available for appropriation were \$7 million below the final budgeted amount. This is primarily due to less tax revenues than anticipated even though collections were higher as documented in the analysis on previous pages. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At June 30, 2007, the State reported \$7,997 million in capital assets net of accumulated depreciation for governmental activities and \$1,767 million in capital assets net of accumulated depreciation for business-type activities. This investment in capital assets includes land, buildings, improvements, machinery and equipment, mineral rights, roads, highways and bridges. The change in the State's investment in capital assets for the current fiscal year was a decrease of 0.4 percent for governmental activities and an increase of 13.3 percent for business-type activities.

Major capital asset events during the current fiscal year included the following:

- The Department of Transportation spent \$13 million on pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc.
- The New Mexico Institute of Mining and Technology is in the construction phase of Magdalena Ridge Observatory with an estimated total cost of \$50 million.
- At the end of the fiscal year 2007, the Corrections Department had invested a total of \$33.8 million in governmental-type activities and \$0.5 million in business-type activities for a total of \$34.3 million in a variety of capital assets.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

- The University of New Mexico (University) largest capital asset additions were for construction in progress (CIP). The University's increase was primarily due to large expenditures for the Architecture and Planning Building, the Centennial Engineering Building, and the Scholes Hall renovation. Capital expenditures for Clinical Operations were \$110.1 million in 2007.

At June 30, 2007, the State had \$363 million in commitments for building projects in the state universities. Funding for these commitments will come from existing resources from bond proceeds.

The State has elected to account for its infrastructure assets using the depreciation method. This method requires the State to allocate the cost of the infrastructure assets over their useful lives as depreciation expense.

Refer to Note 1.K. and 2.D. of the financial statements for additional information on capital assets and Note 2.D. to the financial statements for additional information on construction commitments.

Long-Term Debt Activity

The State Constitution authorizes the State to issue general obligation bonds and revenue bonds to finance or refinance the cost of State capital outlay projects authorized by law. General obligation bonds are secured by the full faith and credit of the State and payable from legally restricted revenues. During the past year, the State continued to maintain a high bond rating from Moody's Investors Services (Moody's) and Standard & Poor's Corporation, (S&P) on all State bonds. The State had the following bond ratings at June 30, 2007:

	<u>Moody's</u>	<u>Standard & Poor's</u>
General Obligation Bonds	Aa1	AA+
Severance Tax Bonds	Aa2	AA
Supplemental Severance Tax Bonds	Aa3	AA-
Enhanced 911 Revenue Bonds	Aa3	AA

Table 6 represents the outstanding bond debt:

**Table 6: Net Outstanding Debt
As of June 30, 2007
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change 2006 to 2007</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
General obligations bonds	\$ 371,874	274,735	-	-	371,874	274,735	35.4%
Severance tax bonds	669,686	577,935	-	-	669,686	577,935	15.9
Revenue bonds	1,829,528	1,453,057	699,453	719,799	2,528,981	2,172,856	16.4
Total bonds payable	<u>\$ 2,871,088</u>	<u>2,305,727</u>	<u>699,453</u>	<u>719,799</u>	<u>3,570,541</u>	<u>3,025,526</u>	18.0%

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The governmental activities issued General Obligation Bonds Series 2007 Debt Service for \$134.9 million. The governmental activities issued the Severance Tax Bonds Supplemental Series 2007A for \$162.8 million.

Refer to Notes 1.Q., 2.E., 2.F., and 2.G. to the financial statements for additional information on the State's long-term debt and other liabilities.

Economic Conditions and Outlook

New Mexico remains one of the fastest job producing states in the nation, although the rankings have fallen somewhat from peaks achieved during fiscal year 2005. The State's unemployment rate dropped to 3.5 percent for 2007. New Mexico is ranked 15th in the nation for job growth. Employment in New Mexico increased by 1.9 percent or 15,800 (not in thousands) new jobs on an annualized basis through 2007. Non-farm employment growth for 2007 was 4.9% as provided by the Bureau of Business and Economic Research. Employment growth remains broad-based, with 12 of 13 industry groups expanding. However, three industries account for about 82.0 percent of added jobs. The health services and professional and business services industries, along with the moderately sized accommodation and food services industry, added a total of 14,800 jobs in the last year. The outlook remains favorable, with many companies expanding their workforces.

Both crude oil and natural gas prices have declined from peak levels reached during mid-summer of 2006. High summer prices were driven by unusually warm weather conditions, concerns over potential hurricane-related production cutbacks (the so-called "risk premium") and geo-political risks to crude oil suppliers. The absence of hurricane-related outages and positive news on inventory levels allowed prices to drop sharply in October. However, prices for both natural gas and crude oil have firmed since the December 2006 revenue estimate.

Consensus revenue estimates were revised upward from the December 2006 estimates. Most of the revision is due to higher oil and gas revenue. Broad-based revenues, including gross receipts tax and personal income tax, are mixed with gross receipts adjusted slightly downward and personal income tax (PIT) and corporate income tax (CIT) adjusted significantly upwards.

Gross receipts tax (GRT) collections posted another strong year in fiscal year 2007, growing by almost 9.0 percent after almost 12.0 percent growth in fiscal year 2006. Growth in the Administrative Services sector was a major factor, contributing almost 30.0 percent of total growth. Other sectors making major contributions were retail trade, construction and mining.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Net receipts from the compensating tax posted another strong year in fiscal year 2007, growing by almost 16.0 percent after 17.0 percent growth in fiscal year 2006. Industries making major contributions to this revenue were mining, utilities, and transportation.

Net PIT collections for fiscal year 2007 are up by about \$12 million compared with the latest forecast, reflecting strength in withholding, quarterly estimated payments and payments with returns. Some of the strength in estimated payments appears to be due to large one-time transactions, but the strength in withholding collections indicates that income gains are broad-based.

Net CIT collections in fiscal year 2007 are expected to be \$25 million over the latest forecast amount. A large portion of this excess is attributable to collection activity undertaken by the Tax and Revenue Department. Total CIT collections generated by compliance initiatives were \$27 million in fiscal year 2007, \$23 million higher than the baseline amount expected for that revenue.

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1.8 million. In the 1990's, the State was the 12th fastest growing state, as the population increased 20.1 percent from the 1990 population of 1.5 million. Over the same period of time, the national population grew 13.2 percent.

Contact the State's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

Department of Finance and Administration
Financial Control Division/Office of the State Controller
Bataan Memorial Building Room 166
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2007
(IN THOUSANDS)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,955,385	1,014,283	2,969,668
Investments	1,669,839	245,085	1,914,924
Deferred charges and other assets	55,834	25,184	81,018
Intergovernmental receivables	277,146	100,180	377,326
Internal balances	(445)	445	-
Due from external parties	1,792,058	-	1,792,058
Inventories	28,240	23,775	52,015
Loans receivable, current	34,166	41,251	75,417
Receivables, net of allowance for uncollectible	575,467	286,561	862,028
Total current assets	6,387,690	1,736,764	8,124,454
Non Current Assets			
Restricted cash and cash equivalents	688,835	59,463	748,298
Restricted investments	5,558,581	1,530,275	7,088,856
Capital assets, not being depreciated	537,034	234,590	771,624
Capital assets, net of depreciation	7,460,287	1,531,934	8,992,221
Loans receivable, long-term	-	131,382	131,382
Other non-current assets	12,602	13,987	26,589
Total noncurrent assets	14,257,339	3,501,631	17,758,970
Total assets	\$ 20,645,029	5,238,395	25,883,424
LIABILITIES			
Current Liabilities			
Cash overdraft	\$ 699,015	-	699,015
Accounts payables	615,552	119,968	735,520
Accrued liabilities	629,404	70,938	700,342
Claims payable	165,475	-	165,475
Deferred revenue	100,210	135,486	235,696
Due to external parties	162,708	-	162,708
Intergovernmental payables	768,415	-	768,415
Security lending	1,038,875	-	1,038,875
Funds held for others	8,743	10,083	18,826
Other obligations	25,868	20,697	46,565
Bonds payable, current	243,312	23,930	267,242
Other liabilities, current	62,614	61,754	124,368
Total current liabilities	4,520,191	442,856	4,963,047
Noncurrent Liabilities			
Bonds payable, long-term	2,627,776	675,523	3,303,299
Other liabilities, long-term	133,568	99,444	233,012
Total noncurrent liabilities	2,761,344	774,967	3,536,311
Total liabilities	7,281,535	1,217,823	8,499,358
NET ASSETS			
Investment in capital assets, net of related debt	5,516,914	940,608	6,457,522
Restricted for			
Capital projects	172,468	-	172,468
Debt service	249,890	1,646	251,536
Other purposes	1,651,496	897,502	2,548,998
Permanent trusts			
Expendable	-	372,777	372,777
Nonexpendable	5,558,581	1,150,509	6,709,090
Unrestricted net assets	214,145	657,530	871,675
Total net assets	13,363,494	4,020,572	17,384,066
Total net assets and liabilities	\$ 20,645,029	5,238,395	25,883,424

See Notes to Financial Statements and Accountants' Report.

Component Units			
	New Mexico		
New Mexico	Mortgage		
Finance	Finance		
Authority	Authority		Total
\$	40,346	33,011	73,357
	1,137	-	1,137
	94,263	1,143	95,406
	-	-	-
	-	-	-
	-	-	-
	44,919	-	44,919
	19,629	7,899	27,528
	<u>200,294</u>	<u>42,053</u>	<u>242,347</u>
	230,797	491,202	721,999
	9,472	13,491	22,963
	-	512	512
	438	1,515	1,953
	644,925	205,935	850,860
	-	887,430	887,430
	<u>885,632</u>	<u>1,600,085</u>	<u>2,485,717</u>
\$	<u>1,085,926</u>	<u>1,642,138</u>	<u>2,728,064</u>
\$	-	-	-
	1,051	2,875	3,926
	2,926	12,965	15,891
	-	-	-
	-	-	-
	-	-	-
	1,740	-	1,740
	-	-	-
	74,937	-	74,937
	74,965	-	74,965
	37,194	12,465	49,659
	343	704	1,047
	<u>193,156</u>	<u>29,009</u>	<u>222,165</u>
	772,989	1,478,570	2,251,559
	1,705	4,401	6,106
	<u>774,694</u>	<u>1,482,971</u>	<u>2,257,665</u>
	967,850	1,511,980	2,479,830
	438	(463)	(25)
	-	-	-
	(110,577)	12,475	(98,102)
	222,553	13,720	236,273
	-	-	-
	-	-	-
	5,662	103,914	109,576
	<u>118,076</u>	<u>129,646</u>	<u>247,722</u>
\$	<u>1,085,926</u>	<u>1,641,626</u>	<u>2,727,552</u>

STATE OF NEW MEXICO
STATEMENT OF ACTIVITIES
JUNE 30, 2007
(IN THOUSANDS)

Primary Government	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 950,600	804,054	59,338	-	(87,208)
Culture, recreation, natural resources	263,457	101,262	16,445	-	(145,750)
Highway and transportation	1,126,085	24,988	-	290,317	(810,780)
Judicial	215,954	5,555	13,480	-	(196,919)
Legislative	22,079	-	1,378	-	(20,701)
Public safety	451,320	50,527	28,172	-	(372,621)
Regulation, licensing, etc.	115,717	62,983	7,223	-	(45,511)
Health and human services	4,534,851	73,499	2,907,058	-	(1,554,294)
Education	3,083,845	82,553	383,708	-	(2,617,584)
Interest	547,366	-	-	-	(547,366)
Total governmental activities	11,311,274	1,205,421	3,416,802	290,317	(6,398,734)
Business-Type Activities					
Educational institutions	2,273,301	1,405,045	131,671	30,924	(705,661)
Nonmajor enterprise funds	566,064	581,342	11,629	-	26,907
Total business-type activities	2,839,365	1,986,387	143,300	30,924	(678,754)
Total primary government	\$ 14,150,639	3,191,808	3,560,102	321,241	(7,077,488)
Discretely Presented Component Units					
New Mexico Finance Authority	\$ 94,214	27,412	12,579	-	(54,223)
New Mexico Mortgage Finance Authority	113,915	38,382	-	-	(75,533)
Total component unit activities	\$ 208,129	65,794	12,579	-	(129,756)

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF ACTIVITIES (CONTINUED)
JUNE 30, 2007
(IN THOUSANDS)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	New Mexico Finance Authority	New Mexico Mortgage Finance Authority
Changes in net assets					
Net (expense) revenue	\$ (6,398,734)	(678,754)	(7,077,488)	(54,223)	(75,533)
General revenues					
Taxes					
Individual income tax	1,520,214	-	1,520,214	-	-
Corporate income tax	453,857	-	453,857	-	-
Sales and use tax	403,909	-	403,909	34,033	-
Business privilege	2,962,550	-	2,962,550	-	-
Other taxes	30,683	-	30,683	-	-
Investment income (loss)	1,622,183	261,374	1,883,557	11,362	(6,629)
Other revenue	290,160	296,767	586,927	-	82,919
Transfers, net	(560,187)	560,187	-	20,493	-
Total net general revenues and transfers	6,723,369	1,118,328	7,841,697	65,888	76,290
Change in net assets	324,635	439,574	764,209	11,665	757
Net assets at beginning of year, as restated	13,038,859	3,580,998	16,619,857	106,411	128,889
Net assets at end of year	\$ 13,363,494	4,020,572	17,384,066	118,076	129,646

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007
(IN THOUSANDS)

	General Fund	Education	Health and Human Services	Highway and Transportation
ASSETS				
Cash and cash equivalents	\$ -	234,043	-	775,960
Deferred charges and other assets	1,824	6	303	53,637
Intergovernmental receivables	13,751	94,559	129,471	-
Due from other funds	1,044,755	199,705	688,575	260,176
Inventories	6,963	-	6,491	14,330
Investments, at fair value	803,741	-	2,032	-
Receivables, net	82,694	297,602	68,294	98,808
Total assets	\$ 1,953,728	825,915	895,166	1,202,911
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash overdraft	\$ 697,648	-	1,367	-
Accounts payable	113,528	125,795	119,725	82,731
Accrued liabilities	51,340	170,560	246,119	153,379
Deferred revenue	51,414	4,164	6,711	20,941
Due to other funds	274,033	18,595	85,797	158,243
Due to beneficiaries	-	-	-	-
Due to brokers	-	-	-	-
Intergovernmental payables	2,948	302,920	33,568	-
Funds held for others	3,417	-	98	-
Other obligations	5,360	1,898	444	484
Total liabilities	1,199,688	623,932	493,829	415,778
Fund Balances				
Fund balances reserved for				
Capital projects	8,793	-	7,898	-
Inventories	6,963	-	-	14,330
Encumbrances	9,072	62,822	101,467	-
Subsequent years' expenditures	12,963	-	11,143	-
Special projects	6,354	92,000	298,373	-
Other	28,834	65	1,754	53,637
Fund balances segregated for				
Debt service funds	-	-	-	-
Pool participants	-	-	-	-
Unreserved - special revenue	-	47,096	(19,298)	719,166
Unreserved - debt service	-	-	-	-
Unreserved - capital projects	-	-	-	-
Unreserved - general revenues	681,061	-	-	-
Total fund balances	754,040	201,983	401,337	787,133
Total liabilities and fund balances	\$ 1,953,728	825,915	895,166	1,202,911

See Notes to Financial Statements and Accountants' Report.

	Severance Tax Permanent Fund	Land Grant Permanent Fund	Non-Major Governmental Funds	Totals
\$	130,498	25,622	1,348,073	2,514,196
	-	-	54	55,824
	30,264	-	9,101	277,146
	3,525	502	304,191	2,501,429
	-	-	31	27,815
	5,405,254	857,587	159,806	7,228,420
	11,668	8,499	32,077	599,642
\$	5,581,209	892,210	1,853,333	13,204,472

\$	-	-	-	699,015
	-	-	145,851	587,630
	-	-	2,528	623,926
	-	-	54,013	137,243
	-	-	339,952	876,620
	14,248	2,502	-	16,750
	857,456	157,351	24,068	1,038,875
	-	-	428,979	768,415
	-	-	3,363	6,878
	-	-	32	8,218
	871,704	159,853	998,786	4,763,570

	-	-	41,140	57,831
	-	-	31	21,324
	-	-	14,955	188,316
	-	-	44,937	69,043
	-	-	115,129	511,856
	-	-	5,702	89,992
	-	-	248,348	248,348
	4,709,505	732,357	116,719	5,558,581
	-	-	151,407	898,371
	-	-	1,542	1,542
	-	-	114,637	114,637
	-	-	-	681,061
	4,709,505	732,357	854,547	8,440,902

\$	5,581,209	892,210	1,853,333	13,204,472
-----------	------------------	----------------	------------------	-------------------

STATE OF NEW MEXICO
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007
 (IN THOUSANDS)

Total fund balances - governmental funds \$ 8,440,902

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 17,565,815	
Accumulated Depreciation	<u>(9,608,085)</u>	7,957,730

Assets (receivables) not available to provide current resources are offset with deferred revenues (liability) in the fund statements. The reduction of the liability and recognition of revenue increases net assets in the Statement of Net Assets.		41,739
--	--	--------

Capitalized issuance costs not recorded in the governmental funds as an asset, net of amortization		12,602
--	--	--------

Internal service funds are used to report activities that provide goods and services to other funds or agencies within the State. Therefore, the excess of assets over liabilities of the internal service funds are included as governmental activities on the Statement of Net Assets. (Includes \$39,591 in capital assets)		(22,209)
--	--	----------

Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.		(196,182)
--	--	-----------

Long-term bonded debt is not due and payable in the current period and is therefore not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement.

Bonds, current portion, net	(243,312)	
Bonds, long-term portion, net	<u>(2,627,776)</u>	(2,871,088)

Total net assets-governmental activities		<u>\$ 13,363,494</u>
---	--	-----------------------------

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	General Fund	Education	Health and Human Services	Highway and Transportation
Revenues				
Federal funds	\$ 90,430	383,708	2,907,058	290,317
General and selective taxes	2,805,913	-	24,971	-
Income taxes	1,640,161	-	-	333,910
Interest and other investment income	654,404	4,611	3,303	38,964
Rentals and royalties	563,833	-	1,981	900
Other	4,097	766	111,329	2,750
Charges for services	17,820	-	34,196	39
Licenses, fees and permits	84,142	850	5,835	92,493
Assessments	1,597	-	288	1,460
Other state funds	925	-	519	399
Total revenues	5,863,322	389,935	3,089,480	761,232
Expenditures				
Current				
General control	285,748	-	-	-
Culture, recreation, natural resources	197,279	-	-	-
Highways and transportation	-	-	-	623,619
Judicial	159,233	-	-	-
Legislative	20,564	-	-	-
Public safety	421,519	-	-	-
Regulation, licensing, etc.	80,540	-	-	-
Health and human services	-	-	4,527,036	-
Education	-	3,083,174	-	-
Debt service				
Interest	-	-	-	90,102
Principal	-	-	-	78,756
Bond issuance costs	397	-	-	-
Capital outlay	258	442	4,193	413,792
Total expenditures	1,165,538	3,083,616	4,531,229	1,206,269
Excess (deficiency) of revenues over expenditures	4,697,784	(2,693,681)	(1,441,749)	(445,037)
Other Financing Sources (Uses)				
Bonds issued	21,913	68,849	51,977	483,844
Other non-operating revenues	140,107	-	10,753	-
Other non-operating expenses	(12,855)	-	-	-
Transfers in	977,845	2,707,470	1,717,665	77,945
Transfers out	(5,961,282)	(116,414)	(217,382)	(13,294)
Total other financing sources (uses)	(4,834,272)	2,659,905	1,563,013	548,495
Net change in fund balances	(136,488)	(33,776)	121,264	103,458
Fund balances - beginning, as restated	890,528	235,759	280,073	683,675
Fund balances - ending	\$ 754,040	201,983	401,337	787,133

See Notes to Financial Statements and Accountants' Report.

	Severance Tax Permanent Fund	Land Grant Permanent Fund	Non-Major Governmental Funds	Total
\$	-	-	35,556	3,707,069
	-	-	555,362	3,386,246
	-	-	-	1,974,071
	711,941	111,649	92,163	1,617,035
	-	-	5,205	571,919
	-	-	14,567	133,509
	-	-	5,828	57,883
	-	-	19,577	202,897
	-	-	11,278	14,623
	-	-	-	1,843
	711,941	111,649	739,536	11,667,095
	6,343	1,044	253,755	546,890
	-	-	52,181	249,460
	-	-	-	623,619
	-	-	50,368	209,601
	-	-	-	20,564
	-	-	16,338	437,857
	-	-	32,347	112,887
	-	-	-	4,527,036
	-	-	-	3,083,174
	-	-	457,264	547,366
	-	-	824,533	903,289
	-	-	-	397
	-	-	83,355	502,040
	6,343	1,044	1,770,141	11,764,180
	705,598	110,605	(1,030,605)	(97,085)
	-	-	842,067	1,468,650
	-	-	-	150,860
	-	-	(41)	(12,896)
	24,073	30,059	644,263	6,179,320
	(170,973)	(30,021)	(237,410)	(6,746,776)
	(146,900)	38	1,248,879	1,039,158
	558,698	110,643	218,274	942,073
	4,150,807	621,714	636,273	7,498,829
\$	4,709,505	732,357	854,547	8,440,902

**STATE OF NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)**

Net change in fund balances – total governmental funds \$ 942,073

Amounts reported for governmental activities in the Statement of Activities are different because:

Internal service funds are used by management to charge the costs of goods or services to other funds and agencies within the State. The net revenue (expenses) of the internal services funds is reported with governmental activities, net of transfers 6,860

Revenues recognized in the Statement of Activities that do not provide current financial resources and are not recognized as revenues in the governmental funds, i.e., deferred revenues. 10,896

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. Depreciation expense related to the internal service funds is included above. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (574,382)	
Transfers and other	(2,464)	
Capital outlay	506,616	
Net change	(70,230)	(70,230)

The incurrence of long-term debt (i.e. bonds, leases and notes) provide current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

Proceeds	(1,468,650)	
Bond issuance costs - net of amortization of \$145	397	
Principal payments on debt	903,289	
	(564,964)	(564,964)

Change in net assets of governmental activities \$ 324,635

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007
(IN THOUSANDS)

	Enterprise Funds			Internal Service Fund
	Educational Institutions	Non-Major Enterprise Funds	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 218,831	795,452	1,014,283	130,024
Deferred charges and other assets	20,154	5,030	25,184	10
Intergovernmental receivables	100,180	-	100,180	-
Due from other funds	-	4,015	4,015	8,814
Investments	245,085	-	245,085	-
Inventories	20,924	2,851	23,775	425
Loans receivable, current	21,589	19,662	41,251	-
Receivables, net of allowance for uncollectible	240,661	45,900	286,561	9,991
Total current assets	867,424	872,910	1,740,334	149,264
Non Current Assets				
Restricted cash and cash equivalents	58,856	607	59,463	-
Capital assets, not being depreciated	208,221	26,369	234,590	-
Capital assets, net of depreciation	1,487,925	44,009	1,531,934	39,591
Loans receivable, long-term	20,290	111,092	131,382	-
Other non-current assets	13,981	6	13,987	-
Investments, long-term	1,485,030	45,245	1,530,275	-
Total noncurrent assets	3,274,303	227,328	3,501,631	39,591
Total assets	\$ 4,141,727	1,100,238	5,241,965	188,855
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 108,939	11,029	119,968	27,922
Accrued liabilities	61,055	9,883	70,938	5,478
Claims payable	-	-	-	165,475
Deferred revenues	112,333	23,153	135,486	4,706
Due to other funds	-	3,570	3,570	4,718
Other obligations	19,737	960	20,697	900
Funds held for others	10,083	-	10,083	1,865
Bonds payable, current	22,735	1,195	23,930	-
Other liabilities, current	40,960	20,794	61,754	-
Total current liabilities	375,842	70,584	446,426	211,064
Noncurrent Liabilities				
Bonds payable, long-term	655,857	19,666	675,523	-
Other liabilities, long term	55,038	44,406	99,444	-
Total noncurrent liabilities	710,895	64,072	774,967	-
Total liabilities	1,086,737	134,656	1,221,393	211,064
NET ASSETS				
Investment in capital assets, net of related debt	891,108	49,500	940,608	39,476
Restricted for				
Debt service	785	861	1,646	-
Other purposes	2,212	895,290	897,502	60,910
Permanent trusts	-	-	-	-
Expendable	372,777	-	372,777	-
Nonexpendable, Land Grant Permanent Fund	177,113	-	177,113	-
Nonexpendable, Other	973,396	-	973,396	-
Unrestricted net assets (deficit)	637,599	19,931	657,530	(122,595)
Total net assets	3,054,990	965,582	4,020,572	(22,209)
Total net assets and liabilities	\$ 4,141,727	1,100,238	5,241,965	188,855

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007
(IN THOUSANDS)

	Enterprise Funds			Internal Service Fund
	Educational Institutions	Non-Major Enterprise Funds	Total	
Operating Revenues				
Charges for services	\$ 168,490	470,739	639,229	372,570
Federal funds	507,682	11,629	519,311	50
Interest and other investment income	220,051	41,323	261,374	5,148
Licenses, fees and permits	-	4,450	4,450	152
Net student tuition and fees	167,059	-	167,059	-
Other operating revenues	112,295	106,153	218,448	2,207
Patient services/clinical operations	449,519	-	449,519	-
Total operating revenues	1,625,096	634,294	2,259,390	380,127
Operating Expenses				
Benefits, claims and premiums	-	160,978	160,978	-
Depreciation expense	125,980	3,711	129,691	10
Game expense	-	108,181	108,181	-
General and administrative	12,203	30,129	42,332	67,070
Losses	-	234,262	234,262	-
Other operating expenses	2,093,985	28,803	2,122,788	313,470
Total operating expenses	2,232,168	566,064	2,798,232	380,550
Operating (loss) income	(607,072)	68,230	(538,842)	(423)
Non-Operating Revenues (Expenses)				
Capital appropriations	68,423	-	68,423	-
Capital grants and gifts	30,924	-	30,924	-
Clinical operations non-operating	89,261	-	89,261	-
Private grants, gifts and non-exchange grants	73,495	-	73,495	-
Proceeds from bonds	12,500	-	12,500	-
Government grants and contracts	58,176	-	58,176	-
Interest and other expenses on capital asset related debt	(18,634)	-	(18,634)	-
Permanent fund revenue	57,548	-	57,548	-
Gain on disposal of capital assets	5,322	-	5,322	-
Other nonoperating expenses	(22,499)	-	(22,499)	-
Other nonoperating revenues	24,775	38,938	63,713	14
Total non-operating revenues (expenses)				
income before transfers	379,291	38,938	418,229	14
Transfers in	595,489	-	595,489	21,699
Transfers out	-	(35,302)	(35,302)	(14,430)
Change in net assets	367,708	71,866	439,574	6,860
Net assets at beginning of year	2,687,282	893,716	3,580,998	(29,069)
Net assets (deficit) at end of year	\$ 3,054,990	965,582	4,020,572	(22,209)

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
June 30, 2007
(IN THOUSANDS)

	Enterprise Funds			Internal Service Fund
	Educational Institutions	Non-Major Enterprise Funds	Total	
Cash Flows From Operating Activities				
Amounts paid to third party administrators and other vendors	\$ -	(20,936)	(20,936)	-
Auxiliary sales and services	11,778	-	11,778	-
Cash paid to suppliers and employees	(1,441,904)	(77,463)	(1,519,367)	(391,825)
Cash payments made to borrowers	-	(22,750)	(22,750)	-
Cash received on interest from loans	-	8,853	8,853	-
Collection of loans to students	3,625	-	3,625	-
Disbursement of net aid to students	(54,697)	-	(54,697)	-
Fees received	190,795	-	190,795	388,686
From MUSL	-	17,685	17,685	-
From retailers - sales net of commissions	-	137,671	137,671	-
Grants and contracts received	602,633	-	602,633	-
Insurance and patients	514,938	-	514,938	-
Interest payments received from banks	-	-	-	-
Loans issued to students	(13,689)	-	(13,689)	-
Losses and loss adjustment expenses paid	-	(230,412)	(230,412)	-
Other income	36,799	30,119	66,918	2,208
Other receipts/(payments)	2,031	-	2,031	-
Participant premiums collected	-	287,847	287,847	-
Payments for benefits	(551,777)	-	(551,777)	-
Payments for scholarships & fellowships	(43,910)	-	(43,910)	-
Payments for travel	(14,131)	-	(14,131)	-
Payments for utilities	(35,217)	-	(35,217)	-
Premiums paid to health maintenance organizations	-	(27,716)	(27,716)	-
Receipts from customers	-	41,827	41,827	-
Receipts from sales and services	162,845	-	162,845	-
To prize winners and related taxes	-	(100,724)	(100,724)	-
Net cash provided (used) by operating activities	(629,881)	44,001	(585,880)	(931)
Cash Flows From Investing Activities				
Interest, dividends, gains and losses, net, on investment	30,536	17,873	48,409	5,148
Purchase of equities and bonds	(321,796)	-	(321,796)	-
Realized loss on investments	13,553	-	13,553	-
Receipts of rent	-	126	126	-
Sales of equities and bonds	407,731	(876)	406,855	-
State investment income	8,408	-	8,408	-
Other	22	-	22	-
Net cash provided (used) by investing activities	138,454	17,123	155,577	5,148
Cash Flows From Non-Capital Financing Activities				
Agency payments	(1,100)	-	(1,100)	-
Agency receipts	1,134	-	1,134	-
Appropriation from/reversion to State General Fund	595,919	147	596,066	1,774
Bernalillo County mill levy	75,922	-	75,922	-
State appropriation	29,229	-	29,229	-
Gifts for other than capital purposes	33,119	-	33,119	-
Interest paid on borrowing	-	9	9	-
Local appropriation	4,348	-	4,348	-
Other nonoperating expenses	40,533	-	40,533	14
Principal payments on bank borrowing	-	(5,070)	(5,070)	-
Private gifts for endowment	19,914	-	19,914	-
Transfers	-	(34,350)	(34,350)	-
Unrealized gain (loss) on permanent fund	(2,453)	-	(2,453)	-
Net cash provided (used) by non-capital financing activities	796,565	(39,264)	757,301	1,788

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (CONTINUED)
June 30, 2007
(IN THOUSANDS)

	Enterprise Funds			Internal Service Funds
	Educational Institutions	Non-Major Enterprise Funds	Total	
Cash Flows From Capital and Related Financing Activities				
Building fees received from students	\$ 6,440	-	6,440	-
Capital appropriations	54,348	1,500	55,848	-
Capital expenditures	(297,038)	(25,666)	(322,704)	(10,050)
Capital gifts, grants and contracts	44,356	20,958	65,314	-
Interest and fees paid on capital debt and leases	(27,632)	(152)	(27,784)	2,365
Other receipts/(payments)	13,359	-	13,359	-
Principal paid on capital debt and leases	(28,037)	(106)	(28,143)	-
Principal paid on revenue bonds	3,904	(1,133)	2,771	-
Proceeds from capital debt	617	-	617	-
Proceeds from contributed capital	-	12,361	12,361	-
Proceeds from sale of property, land and equipment	3,610	-	3,610	-
Net cash provided (used) by capital and related financing activities	(226,073)	7,762	(218,311)	(7,685)
Net increase (decrease) in cash	79,065	29,622	108,687	(1,680)
Cash and cash equivalents at beginning of year, as restated	198,622	766,437	965,059	131,704
Cash and cash equivalents at end of year	\$ 277,687	796,059	1,073,746	130,024
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (607,072)	68,230	(538,842)	(423)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Accounts payable and accrued liabilities	1,899	(1,116)	783	3,606
Accrued expenses	10,076	-	10,076	-
Accrued capital purchases	-	43	43	-
Additional contributions to MUSL unreserved accounts	-	(6)	(6)	-
Bad debt expense	91,838	-	91,838	-
Compensated absences	1,701	13	1,714	-
Deferred revenues	25,243	(8,243)	17,000	7,120
Deposits held for others	(5)	2	(3)	-
Depreciation	118,429	3,711	122,140	10
Due from component units	55	-	55	-
Due from other funds	1,172	214	1,386	-
Due to insurance carriers for claims paid	-	1,823	1,823	-
Inventories	(737)	(776)	(1,513)	-
Loans receivable	-	(22,054)	(22,054)	-
Notes receivables	(1,952)	-	(1,952)	-
Other assets	(2,272)	(15)	(2,287)	(20)
Other liabilities	1,167	-	1,167	(170)
Other receivables	872	-	872	-
Patient receivables	(67,950)	-	(67,950)	-
Prepaid expenses and deposits	(286)	15	(271)	-
Provision for bad debts	-	2,619	2,619	-
Prize payables	-	2,081	2,081	-
Receivables, net	(203,908)	(6,453)	(210,361)	(11,054)
Retirement of assets	1,849	-	1,849	-
Reserves for losses and loss adjustment expenses	-	3,850	3,850	-
Vendors non-cash transactions	-	(3)	(3)	-
Unearned premium reserve	-	(33)	(33)	-
Unexpired subscriptions	-	99	99	-
Net cash provided (used) by operating activities	\$ (629,881)	44,001	(585,880)	(931)

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007
(IN THOUSANDS)

	Agency Funds	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 2,172,815	1,065,890	274,958	315,503	3,829,166
Investments, at fair value	18,817	26,485,167	5,379,813	11,372,931	43,256,728
Due from external parties	154,939	377	-	7,392	162,708
Due from brokers	-	2,928,320	7,894	90,836	3,027,050
Due from custodian	-	-	40	-	40
Intergovernmental receivables	1,440	-	-	-	1,440
Other assets	-	19,398	-	1,439	20,837
Receivables, net of allowance	847,889	175,770	3,135	13,266	1,040,060
Total assets	3,195,900	30,674,922	5,665,840	11,801,367	51,338,029
LIABILITIES					
Deposits held in trust	9,432	-	-	-	9,432
Deferred revenues	-	8,278	-	-	8,278
Due to beneficiary	-	-	4,000	30,387	34,387
Due to brokers	-	3,818,473	175,486	1,911,286	5,905,245
Due to external parties	1,791,638	392	-	28	1,792,058
Intergovernmental payables	647,212	-	155	-	647,367
Funds held for others	470,715	693	-	-	471,408
Other liabilities	190,450	15,312	-	2,306	208,068
Payables	86,453	36,921	-	639	124,013
Security lending liability	-	3,547,243	-	-	3,547,243
Total liabilities	3,195,900	7,427,312	179,641	1,944,646	12,747,499
NET ASSETS					
Net assets held in trust for pension	-	23,247,610	-	-	23,247,610
Net assets held in trust for pool participants	-	-	5,486,199	8,995,460	14,481,659
Net assets reserved for other beneficiaries	-	-	-	861,261	861,261
Net assets	\$ -	23,247,610	5,486,199	9,856,721	38,590,530

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Total
ADDITIONS				
Employee contributions	\$ 497,784	-	-	497,784
Employer contributions	578,842	-	-	578,842
Deposits	-	113,618	677,401	791,019
Interest and other investment income	3,436,089	315,975	1,468,194	5,220,258
Other operating revenues	325,099	36,000	-	361,099
Total additions	4,837,814	465,593	2,145,595	7,449,002
DEDUCTIONS				
Benefits and claims	1,252,839	-	-	1,252,839
Distributions	-	624,133	603,982	1,228,115
Expenses and management fees	30	1,249	12,756	14,035
General and administrative	18,033	-	-	18,033
Other operating expenses	188	-	-	188
Refunds	62,204	-	-	62,204
Total deductions	1,333,294	625,382	616,738	2,575,414
Change in net assets	3,504,520	(159,789)	1,528,857	4,873,588
Net assets, beginning as restated	19,743,090	5,645,988	8,327,864	33,716,942
Net assets, ending	\$ 23,247,610	5,486,199	9,856,721	38,590,530

See Notes to Financial Statements and Accountants' Report.

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

INDEX TO NOTES

Note 1. Summary of Significant Accounting Policies:

A. Reporting Entity.....	35
B. Government-Wide and Fund Financial Statements.....	36
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.....	37
D. Cash and Cash Equivalents.....	42
E. Restricted Cash and Cash Equivalents and Investments.....	43
F. Deferred Charges and Other Assets.....	43
G. Investments.....	44
H. Intergovernmental Receivables.....	46
I. Inventories.....	46
J. Receivables and Loan Receivables.....	46
K. Capital Assets.....	47
L. Compensated Absences.....	48
M. Interfund Transactions.....	48
N. Accrued Liabilities.....	49
O. Deferred Revenue.....	49
P. Payables.....	49
Q. Long-term Obligations.....	49
R. Net Assets and Fund Equity.....	50
S. Use of Estimates.....	51
T. Indirect Expenses.....	51
U. Restatements.....	52

Note 2. Detailed Notes on all Funds:

A. Cash and Investments.....	53
B. Receivables.....	69
C. Interfund and Interagency Receivables, Payables, and Transfers.....	71
D. Capital Assets.....	72
E. Bonds Payable.....	76
F. Changes in Long-term Liabilities.....	98
G. Tax and Revenue Anticipation Notes.....	99

Notes 3. Other Information:

A. Risk Management.....	100
B. Employee Retirement Systems and Pension Plans.....	102
C. Post-Employment Benefits Other Than Pensions.....	108

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

INDEX TO NOTES (CONTINUED)

Notes 3. Other Information (Continued):

D. Deferred Compensation Plan	110
E. Arbitrage on Tax-Exempt Bonds	111
F. Commitments and Contingencies	113
G. Deficit Fund Balance	113
H. Land Grant Permanent Fund	113
I. Segment Information	115

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of New Mexico (State) was created on January 6, 1912 and became the Nation's 47th state. The State has a plural executive, with the Governor who is elected by the residents of the State, serving as the Chief Executive.

The State's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements of the State, including its component units, are presented as discussed below.

As indicated in the financial statements, amounts in the notes are also stated in thousands.

The State's significant accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the State's financial reporting entity includes the primary government (i.e., legislative agencies, departments and agencies, commissions, the Governor and Cabinet, boards of the Executive Branch, various offices relating to the Judicial Branch, the educational institutions created by the State Constitution, Articles XII, Section 11), and its component units. The annual financial report does not include the financial statements of the community colleges or public schools.

Component units, as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, are legally separate organizations for which the elected officials of the State are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

Depending upon the significance of the State's financial and operational relationships with various separate entities, the organizations are classified either as blended or as discrete component units. The State had one blended component unit (New Mexico Lottery Authority) and two discrete component units (New Mexico Finance Authority and the New Mexico Mortgage Finance Authority) during the fiscal year ended June 30, 2007.

In the government-wide financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the State. The decision to include a potential component unit in the State's reporting entity is based upon several criteria including legal standing, fiscal dependency, and financial accountability. As the determination was not made until after the component units issued their financial statements, the component units' separate financial statements do not reflect their status as a component unit.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Based on the application of these criteria, the following discretely presented component units are included in these financial statements:

- **New Mexico Finance Authority**
The New Mexico Finance Authority (NMFA) was created by the Laws of 1992, Chapter 61, as amended. The purpose of the New Mexico Authority Act, is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.
- **New Mexico Mortgage Finance Authority**
The New Mexico Mortgage Finance Authority (NMMFA) is a governmental instrumentality of the State, created April 10, 1975 under the Mortgage Finance Authority Act (Act) enacted as Chapter 303 of the Laws of 1975 of the State. Pursuant to the Act, the Authority is authorized to undertake various programs to assist in the financing of housing for persons of low and moderate income in the State. NMMFA has a September 30, 2007 fiscal year end which differs from all other state entities which have a June 30th year end.

Complete financial statements for each of the individual discretely presented component units may be obtained from:

New Mexico Finance Authority
409 St. Michael's Drive
Santa Fe, New Mexico 87505

New Mexico Mortgage Finance Authority
344 4th St., SW
Albuquerque, New Mexico 87102

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made in the Statement of Net Assets to minimize the grossing-up effect on the assets and liabilities within governmental and business-type activities columns. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary (enterprise) funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Thus, the accounting and financial reporting treatment applied to a fund or activity is determined by its measurement focus.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary (enterprise) fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the State first uses restricted resources then unrestricted resources.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. With the exception of the State General Fund, the State generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For this purpose, the State General Fund considers tax revenues to be available if they are collected within 60 days after the end of the fiscal year; reversions, if collected within 90 days of the end of the current fiscal period; and all other revenues to be available if collected prior to completion of the State General Fund's financial statements, which is usually the December 15th

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

following the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received if they are not susceptible to accrual.

The accounts of the State are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures.

Governmental-type funds are those through which most governmental functions of the State are financed. The acquisition, use and balances of the State's expendable available financial resources and the related liabilities (except those accounted for in enterprise funds) are accounted for through governmental-type funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

Fund financial statements report detailed information about the State. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources and uses of current financial resources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

All proprietary (enterprise) fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Changes in Fund Net Assets presents increases and decreases in net total assets. The Statement of Cash Flows provides information about how the State finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

The State reports the following major funds:

Major Governmental Funds

General Fund – This fund accounts for the financial resources of the State, except those required to be accounted for in another fund. This is the State's primary operating fund.

Education Fund – The Education Fund includes funds to operate education related programs.

Health and Human Services Fund – The Health and Human Services Fund includes funds used to operate various health and family service-related programs such as healthcare, elder affairs, and child support, etc.

Highway and Transportation Fund – The Highway and Transportation Fund accounts for the maintenance and development of the State's highway system and other transportation related projects.

Severance Tax Permanent Fund – The Severance Tax Permanent Fund accounts for the severance tax levied by the State on certain natural resources extracted from State lands. Severance tax revenues are first applied to pay the required debt service on Severance Tax Bonds issued by the State. Remaining severance tax revenues are then transferred to the State Investment Council, which adds these amounts to the Severance Tax Permanent Fund.

Land Grant Permanent Fund – Under terms of the Fergusson Act of 1898 and the Enabling Act of 1910, certain lands held by the federal government were granted to the territory of New Mexico. The lands totaling 13.4 million acres, are held in trust for the benefit of the public schools and other specific institutions. Other portions of the fund that benefit the State are presented in governmental funds. The fund is administered by the State Investment Council.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Major Business-Type Funds

Educational Institutions Fund – The Educational Institutions Fund accounts for the activities of the State’s ten educational institutions created by the New Mexico constitution in Articles XII, Section 11: University of New Mexico, New Mexico State University, New Mexico Highlands University, Western New Mexico University, Eastern New Mexico University, New Mexico Tech, Northern New Mexico College, New Mexico Military Institute, New Mexico School for the Visually Handicapped and New Mexico School for the Deaf.

Additionally, the State reports the following governmental fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. The State has many individual Special Revenue Funds; for presentation in this report, the funds have been combined into specific functional areas.

Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources for, and the payment of principal and interest on, general long-term obligations and payments on certain lease-purchase or other contractual obligations of the State. The State has many individual Debt Service Funds; for presentation in this report, the funds have been combined into specific functional areas.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds.) The State has many individual Capital Projects Funds; for presentation in this report, the funds have been combined into specific functional areas.

Tobacco Settlement Permanent Fund – This fund receives monies pursuant to the master settlement agreement, which was executed on November 23, 1998, between the tobacco product manufacturers and various states. Money in this fund is invested pursuant to Chapter 6, Article 8 NMSA 1978. Income from investment of the fund is credited to the fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Proprietary Fund Types

Proprietary-type funds are used to account for the State's ongoing activities where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods and services to other departments or agencies of the governmental unit, or to other unrelated governmental units, on a continuing basis be financed or recovered primarily through user or customer charges. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds include Internal Service Funds and Enterprise Funds.

Internal Service Fund – The Internal Service Fund is primarily used to report activities that provide goods or services to other funds or agencies within the State, rather than to the general public.

Enterprise Funds – Enterprise Funds are used to report activities for which a fee is charged to external users for goods or services.

Fiduciary Fund Types

These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. Trust funds do require the measurement of results of operations.

Private Purpose Trust Funds – used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. These funds include the Scholarship Fund, the Land Grant Permanent Fund, and the Education Trust Fund.

Pension and Other Employee Benefits Trust Funds – used to report resources that are required to be held in trust for the members and beneficiaries of pension plans and other employee benefit plans. These funds account for the activities of the Public and Educational Employees Retirement Systems and the Retiree Health Care System.

Agency Funds – used to report resources held by the State in a purely custodial capacity.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

External Trust Funds – accounts for assets held by the government in a trustee capacity. These funds are used to account for cash, securities and other investments held in custody for participants in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following private-sector guidance issued after November 30, 1989 for its business-type activities and proprietary funds and component units. As allowed by GASB 20, the State has elected to follow only those Financial Accounting Standards Board (FASB) Statement and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB), issued prior to December 1, 1989.

D. Cash and Cash Equivalents

Cash and cash equivalents represent petty cash, cash on deposit with banks, and cash invested in short-term securities. Cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less. This includes amounts on deposit with the Office of the State Treasurer (including the overnight investment pool), and the Northern Trust Company short-term investment funds.

The State is required by statute to deposit any money received into the Treasury. Balances maintained at the end of the day are pooled and invested by the Office of the State Treasurer (State Treasurer) in overnight repurchase agreements. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure these deposits, categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the State. All repurchase agreements are collateralized by U.S. Treasury Securities held by the State Treasurer's custodian bank.

Interest on interest-bearing accounts is credited to the various accounts held by the State Treasurer based on the average monthly balance and average monthly interest rates.

Cash balances not held in the State Treasury and controlled by various State officials are generally deposited in interest-bearing accounts or other legally stipulated investments.

Many of the State's entities maintain cash accounts with various commercial institutions statewide. Amounts on deposit with the commercial institutions are fully insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Amounts over \$100,000 must be secured in accordance with 6-10-17, NMSA 1978.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents (Continued)

Certificates of deposit held by the State Treasurer represent compliance with the requirement that gasoline and special fuel suppliers must post a bond, cash or certificate of deposit for the privilege of receiving or using special fuel in the State. The certificates are held in the name of the taxpayer and/or State Treasurer. The Taxation and Revenue Department maintains control over the bonds, cash and certificates of deposit, but physical custody is maintained by the State Treasurer. Bonds are posted with a surety agency and the Taxation and Revenue Department maintains a record of all bonds posted on its behalf so that, in the case of a taxpayer's nonpayment of their liabilities, it may be able to collect from the bonding or surety agency.

In addition to the overnight repurchase agreements at the State Treasury, the Educational Retirement Board (Board) invests in the Short-term Investment Funds (STIF) at Northern Trust Company. Each internal and external investment manager has a component in the STIF. The STIF is used to facilitate more efficient trade procedures with the Board's external money managers. Net cash balances in each internal and external investment manager's portfolios are swept into the STIF at the end of each day. Overnight investments of \$327,739 for 2007, are reported as cash equivalents and are reported as part of the cash balance in the statement of plan net assets.

Money market mutual funds invest in short term obligations of the U.S. Government or its agencies or other short-term investments and are carried at the lower of cost or market.

E. Restricted Cash and Cash Equivalents and Investments

Restricted assets include monies or other resources restricted by legal or contractual requirements.

F. Deferred Charges and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as deferred charges and other assets in both the government-wide and fund financial statements.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Investments

Fixed-income securities are reported at fair value subject to adjustment for market declines judged to be other than temporary. Gains and losses on sales and exchanges of fixed-income securities are recognized under the completed transaction method.

Equity securities are reported at fair value subject to adjustment for market declines judged to be other than temporary. The cost of corporate stock sold is determined using the average cost of the security. Gains and losses on sales and exchanges of equity securities are recognized under the completed transaction method.

The fair value of investments are stated and reported in accordance with GASB Statement No. 31, with increases or decreases in fair value recognized in the income statement at the end of each month. Investment transactions are recorded on the trade date. If a quoted market price is not available, the fair value is estimated using quoted market prices for similar securities.

Short-term interest bearing securities are stated at fair value. Maturities are generally less than 365 days.

The State Investment Council (Council) is responsible for the investment activities of certain State trust funds. Investment policies specific to monies invested by the Council are as follows:

Investment Pools: The Council's investments are reported in the following categories: private-purpose trust funds and external investment trust funds. Both types of funds are participants in the Council's Large Capitalization Active, Large Capitalization Index, Core Bonds, High Yield Bonds, Mid/Small Capitalization, Non-U.S. Developed Markets Non-U.S. Emerging Markets, Hedge Funds and CDO Equity investment pools. The pools are detailed as follows:

As of June 30, 2007, the Large Capitalization Active Pool was managed internally using fundamental research techniques. This pool seeks to exceed the performance of the S&P 500 Index emphasizing stock selection and by over weighting or under weighting economic sectors.

The Large Capitalization Index Pool is managed internally using complex risk models and optimization software. The objective of the pool is to generate returns within 25 basis points of the S&P 500 Index.

The Core Bonds Pool is managed internally and invests in all major segments of the broad investment-grade debt obligation markets. The primary objective of the Core Bonds Pool is to add significant value over the returns of the broad U.S. bond market and to produce relatively high total returns for the risk assumed. The Core Bonds Pool uses the Lehman Brothers Aggregate Index as its benchmark.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Investments (Continued)

The High Yield Bonds Pool was managed by two active external managers as of June 30, 2007, and invests in corporate bonds rated single B or better by a national rating service. The pool's benchmark is the Merrill Lynch U.S. High Yield Bonds BB-B Index. High yield bonds have both higher expected returns and risk than the investment grade bonds in the Core Bonds pool.

The CDO Equity Pool is managed internally investing in various classes of securities of collateralized debt obligations, collateralized loan obligations and other structured financial instruments.

The Mid/Small Capitalization Pool was managed by external managers during the year. As of June 30, 2007, it had two core managers with broad diversification, two active managers with a value style, and two growth managers. Overall, the manager mix is intended to capture the returns of the Russell 2500 Index.

Non-U.S. Equity Securities Pools:

The Non-U.S. Developed markets pool is an international equity fund with three active external managers that have complementary management styles. As of June 30, 2007, one manager had a value orientation, one was a core manager, and one was a growth manager. This strategy is designed to seek the best investment opportunities around the world, as well as to diversify away from a U.S. only approach. The benchmark is the MSCI EAFE Index. The third-party managers of the described investments trade in foreign exchange contracts in the normal course of investing activities in order to manage exposure to currency risks. Such contracts, which are generally for a period less than one year, are used to purchase and sell foreign currency at a guaranteed future price. These contracts are recorded at fair value using foreign currency forward exchange rates.

The Non-U.S. Emerging Markets Pool is an externally managed international equity fund based upon the MSCI Emerging Markets Free Index. As of June 30, 2007, the fund had one active external manager. The Non-U.S. Emerging Markets Pool began operations in March 2002.

The Hedge Funds Pool is managed by 14 external managers and consists of 16 actual funds of investments. The objective of the pool is to increase the diversification, decrease the volatility of the Land Grant, Severance Tax and Tobacco fund assets and to add incremental value. The Hedge Fund Pool uses 90 day treasury bills plus 200 basis points as its benchmark.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Investments (Continued)

Private Equity:

Private equity investments are recorded at estimated fair value as reported by the Council's investment advisors and their investees. If market declines exist which are considered to be other than temporary, an adjustment is made to reduce the fair value. Increases to fair value are reported when a definable event occurs, such as an additional round of financing to a third-party investor at a higher price or a public offering of the investee company's stock. Income is recognized when the investment advisor reports distributions received in excess of the capital invested.

H. Intergovernmental Receivables

Due from other governmental entities represents amounts owed to the State to reimburse it for expenditures incurred pursuant to federally funded programs and other programs.

I. Inventories

Inventories of the governmental funds are valued at cost using predominantly the moving average cost methodology. Inventories of the proprietary funds are valued at cost using the average cost methodology.

The governmental funds use either the purchase method or the consumption method of accounting for inventories. Under these methods, inventories are recorded as expenditures when purchased for the purchase method or costs are recorded as expenditures when consumed for the consumption method.

Proprietary funds use the consumption method of accounting for inventories. Under the consumption method, costs are recorded as expenditures when consumed rather than when purchased.

Inventories at year-end are reported as assets of the governmental funds and are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Food stamps are valued at face value and commodity inventory is valued at an average unit cost that approximates the lower of cost or market.

J. Receivables and Loan Receivables

Receivables are stated net of estimated allowance for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

Loans receivable are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding except when a loan has been past due for 90 days. All significant loans are to governmental entities secured by tax revenue or are loaned to other entities, which are repaying the loans in accordance with their loan agreements.

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets, which include automobiles, buildings and improvements, furniture and fixtures, software, library books, infrastructure (e.g., roads, bridges, sidewalks, and similar items), machinery and equipment, and portable buildings are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

To account for its infrastructure assets, the State elected to use the depreciation method. This method requires the State to allocate the cost of infrastructure assets over their estimated useful lives as depreciation expense. Another allowable methodology is to use the modified approach to record infrastructure. The State elected to use the depreciation method as it determined that it could not meet the condition to maintain the infrastructure (as required by the modified approach) at a predetermined condition level due to anticipated lack of future funding for maintenance.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets of the State are depreciated on the straight-line method over the assets' estimated useful lives. There is no depreciation recorded for land and right-of-way land. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with the practices followed by many museums and libraries, museum and library collections are not reported as assets in the accompanying financial statements. Purchases of the items are reported as expenditures. Certain library books, however, are capitalized. Effective July 1, 2005 the Legislature of the State of New Mexico amended Section 12-6-10, NMSA 1978 which allowed for the capitalization threshold for capital assets to increase from \$1,000 to \$5,000.

<u>Capital Asset Category</u>	<u>Reporting Capitalization Threshold</u>	<u>Estimated Useful Life (in Years)</u>
Infrastructure	\$5,000	10-40
Non-depreciable infrastructure	5,000	-
Land improvements	5,000	15-30
Furniture and equipment	5,000	3-25
Vehicles	5,000	3-12
Buildings & improvements	5,000	5-75
Construction in progress	5,000	-
Land	5,000	-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

Qualified employees are entitled to accumulate sick leave at the rate of 3.7 per bi-weekly pay period. There is no limit to the amount of sick leave which an employee may accumulate. Employees are paid for accumulated sick leave annually, or upon retirement or other termination, but only for accumulated sick leave in excess of 600 hours. Annually, employees may be paid 50.0 percent of the excess over 600 hours, up to a maximum of 120 hours.

Upon retirement or other termination, employees are paid 50.0 percent of the excess over 600 hours, up to a maximum of 400 hours.

Qualified employees are entitled to accumulate vacation leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon the length of service and employee's hire date. Employees are paid for the accumulated annual leave upon retirement or other termination up to 240 hours. A maximum of thirty days of annual leave (240 hours) may be carried forward into the beginning of the calendar year, with any excess forfeited.

The State accrues a liability for compensated absences, which meets the following criteria:

1. The State's obligation relating to employees' rights to receive compensation for future absences is attributable to an employee's service already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the State has accrued a liability for vacation pay, which has been earned but not taken by State employees. For governmental funds, the liability for compensated absences is shown in the government-wide financial statements. For enterprise funds, the liability for compensated absences is shown in the individual fund to which the liability pertains since funds will be expended out of those individual funds.

M. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute interfund reimbursements to a fund for expenditures/expenses initially made for it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions except interfund services provided and used interfund reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as interfund transfers.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Interfund Transactions (Continued)

On fund financial statements, receivables and payables (resulting from short-term interfund loans and as a result of transactions between the funds) are classified as "Due to/from other funds".

As a general rule, eliminations have been made in the Statement of Net Assets to minimize the grossing-up effect on the assets and liabilities within governmental and business-type activities columns. Exceptions to this general rule are various charges between the business-type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

N. Accrued Liabilities

Accrued liabilities consist primarily of payroll and related fringe benefit accruals.

O. Deferred Revenue

When the State receives funds in advance from federal agencies, revenue is recognized when funds are expended for these projects.

P. Payables

Payables represent unpaid claims against the State for goods and services received by the State prior to June 30, 2007.

Q. Long-term Obligations

Several of the State's Departments are obligated under certain leases accounted for as capital leases. In the government-wide financial statements, capital leases are reported as liabilities in the governmental activities column of the statement of net assets.

The State has recognized the debt issuance costs, premiums and discounts of debt issued in fiscal year 2007 as increases and decreases in net assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Assets and Fund Equity

Net assets are reported as restricted when external or legal constraints are placed on their use. Unrestricted net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” Net assets are categorized as:

Invested in Capital Assets, Net of Related Debt. This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvements of these assets reduce the balance in this category.

Restricted for Permanent Trusts. This category is used to report restrictions on trusts that are either expendable or nonexpendable.

Restricted for Other Purposes. This category presents net assets subject to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Restricted for Capital Projects. This category represents funds restricted for capital outlay.

Restricted for Debt Service. The debt service funds are used to account for the accumulation of resources for, and the payment of general long-term obligation principal, interest, and related costs.

Unrestricted Net Assets. This category represents net assets of the State, not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Specific reservations and designations of fund balance accounts are summarized below:

Reserved for Capital Projects. This reserve was created to restrict the use of all resources contributed to or earned by Capital Projects Funds.

Reserved for Inventories. This reserve was created to represent the portion of fund balance that is not available for expenditures because the State expects to use the resources within the next budgetary period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Assets and Fund Equity (Continued)

Reserved for Encumbrances. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund, special revenue funds, and capital projects funds. The cost of construction contract commitments generally is recorded as an encumbrance of capital projects funds and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported in the combined balance sheets as reservation of fund balance. Current year payments on these encumbrances represent reconciling differences between the modified accrual basis of accounting and the budgetary basis for the current fiscal year. Due to the change in budgetary accounting as discussed in the General Appropriations Act of 2005 (Laws of 2005, Chapter 114, Section 3.M), encumbrances will no longer remain past appropriations periods. Funds remaining will be reverted and no differences between measurement focus should remain. Encumbrances will remain for those appropriations periods that span fiscal years.

Reserved for Subsequent Years' Expenditures. This reserve was created to restrict the use of all resources contributed to or earned by special revenue and capital projects funds as required by the following years' budget.

Reserved for Special Projects. This reserve was created to restrict the use of resources collected for expenditure on special projects as required by the respective federal grant or enabling legislation.

Segregated for Debt Service. Fund balances segregated for debt service represent various capital reserve assets available to finance future debt service payments in accordance with the underlying bond indentures.

Segregated for Pool Participants. Fund balances segregated for pool participants represent the respective net assets of those entities participating in the Severance Tax Permanent Fund and the Land Grant Permanent Fund.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

T. Indirect Expenses

Certain state agencies allocate indirect expenses to program functions in the Statement of Activities.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Restatements

The State has restated certain July 1, 2006 net asset and fund balances. Governmental activities net assets and special revenue fund balances were increased by \$135 million due to errors made in certain revenue accruals. Also, the General Fund fund balance was decreased and special revenue fund balances increased by \$46 million due to the reclassification of the underlying activities. Finally, trust fund net assets were increased by \$697 million due to the addition of two funds previously excluded.

The following schedules reconcile June 30, 2006, fund balance/net assets previously reported to beginning fund balance/net assets, as restated.

	Governmental Activities	General Fund	Education	Health and Human Services	Highway and Transportation
Net assets/fund balances- beginning, as previously reported	\$ 12,904,243	936,328	146,182	211,799	661,110
Restatements	134,616	(45,800)	89,577	68,274	22,565
Net assets/fund balances- beginning, as restated	<u>\$ 13,038,859</u>	<u>890,528</u>	<u>235,759</u>	<u>280,073</u>	<u>683,675</u>

	Private Purpose Trust Fund
Net assets-beginning, as previously reported	\$ 7,630,420
Restatements	<u>697,444</u>
Net assets-beginning, as restated	<u>\$ 8,327,864</u>

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

By law, all deposits and investments are under the control of the Office of the State Treasurer (State Treasurer), except for those with which specific authority are under the control of other component units. Legally authorized investments vary by fund, but generally include: obligations of or guaranteed by the United States; obligations of the State of New Mexico and its political subdivisions; stocks and bonds; and repurchase agreements.

Cash

Cash and cash equivalents represent the demand deposits with the State Treasurer and commercial banks. The State Treasurer invests all public monies held in excess of the minimum compensating balance which it must maintain in the non-interest bearing demand deposit account with the fiscal agent bank in accordance with an investment policy approved by the State Board of Finance. The interest earned on the investment of these public monies is distributed monthly to earmarked accounts, as specifically identified by statute, based on their monthly average cash balances at the average certificate of deposit rate and overnight investment rate. The remaining portion is transferred to the State General Fund Appropriations Account.

The State maintains accounts at commercial banks for various purposes at locations throughout the State. Bank deposits may be under the joint custody of the State Treasurer and the organization, agency, or other component units with the exception of the university funds, which are entirely under the control of the universities.

For deposits of public monies with New Mexico financial institutions, the State requires that its depository banks pledge collateral valued at 50 percent to 100 percent of the amount deposited, dependent upon each institution's operating results and capital.

Primary Government. As of June 30, 2007, cash and cash equivalents in bank accounts for the primary government was \$379,814 and \$5,652,649 were held in bank accounts at the State Treasurer.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

The following is a reconciliation of cash and cash equivalents and restricted cash and cash equivalents to the financial statements.

Cash at the Office of the State Treasurer	\$ 4,720,456
Cash at U.S. Treasury Department	381
Other Cash Accounts	<u>2,127,280</u>
	<u>\$ 6,848,117</u>
Governmental Activities	\$ 1,945,205
Business-Type Activities	1,073,746
Fiduciary Funds	<u>3,829,166</u>
	<u>\$ 6,848,117</u>

Cash and cash equivalents balances as of June 30, 2007 were as follows:

Cash in bank	\$ 379,814
Less: FDIC Insurance Coverage	<u>(10,713)</u>
Total unsecured public funds	<u>369,101</u>
Collateral pledged	<u>(577,814)</u>
Over collateralized	<u>\$ (208,713)</u>

Custodial Credit Risk – Deposits. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2007, the State's cash and cash equivalents deposits were not exposed to custodial credit risk.

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investments

The State Treasurer Local Government Investment Pool (Pool) is not SEC registered. Section 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The Pool does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the State for its various bond issues. The sources of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts which invest in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations. The State's investments are held by financial institutions in the State's name.

Custodial Credit Risk Categorization

- Custodial credit risk refers to the risk that the State may not be able to obtain possession of its investments in the event of default by counterparty. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the State and are held by either the counterparty or the counterparty's trust department or agent but not in the State's name.

Credit Risk – Debt Investments. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. In order to assess credit risk, the State Treasurer is required to disclose credit ratings of its debt investments. U.S. government obligations and obligations guaranteed by the U.S. government are not considered to have credit risk and accordingly, do not require disclosure. Currently, the State does not have a policy for the Core Bond Fund that all securities must be rated investment grade by one or more national rating agencies at the time of purchase. The High-Yield Bond Fund policy requires that the securities be rated at least CCC – or equivalent by one or more of the national rating agencies at the time of purchase. Securities that fall below investment grade after purchase may be held at the discretion of the State.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

A summary of the investments at June 30, 2007 and their exposure to credit risk are as follows:

Investment	Rating	Fair Value
<i>Investments subject to credit risk – S & P Rating</i>		
Asset Backed Securities	AAA	\$ 358,623
Commercial Mortgage – Backed	AAA	363,064
Corporate Bonds	AAA	2,432,100
Non-Governmental Backed C.M.Os	AAA	367,680
Government Mortgage Backed Securities	AAA	1,603,755
Government Bonds	AAA	261,158
Government Agencies	AAA	140,428
Municipal Agencies	AAA	910
Index Linked Government Bonds	AAA	49,236
State Treasurer – LGIP	AAA	3,702
Institutional Money Market	AAA	852,700
New Mexico Grow – LGIP	AAAm	15,214
Asset Backed Securities	AA	40,130
Commercial Mortgage – Backed	AA	38,495
Non-Governmental Backed C.M.Os	AA	4,031
Corporate Bonds	AA	148,229
Government Agencies	AA	5,545
Municipal Agencies	AA	2,143
Corporate Bonds	A+	97
Asset Backed Securities	A	34,993
Government Bonds	A	14,584
Government Agencies	A	5,747
Municipal Agencies	A	1,625
Corporate Bonds	A	306,789
Non Government Backed C.M.O	A	2,607
Short Term Bills and Notes	A	900
Corporate Bonds	BBB	496,636
Government Bonds	BBB	32,488
Commercial Mortgage – Backed	BBB	2,096
Asset Backed Securities	BBB	5,821
Non-Governmental Backed C.M.Os	BBB	244
Corporate Bonds	BB	571,621
Government Bonds	BB	7,059
Asset Backed Securities	BB	476
Corporate Bonds	B	404,071
Corporate Bonds	CCC	89,503
Common Stocks and Bonds	5	37
<i>Total investments subject to credit risk – S & P Rating</i>		<u>8,664,537</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment	Rating	Fair Value
<i>Investments subject to credit risk – Moody Rating</i>		
U.S. Government Agency Obligation	AAA	\$ 75,350
U.S. Government Agency Obligation	AA2	2,957
Corporate/Municipal Bonds	AA3	26
Repurchase Agreements	Aa2	13,513
Corporate Bonds	AA1	97
Commercial Mortgage – Backed	Aaa	134,289
Asset Backed Securities	Aaa	867,829
Governmental Agencies	Aaa	91,730
Government Bonds	Aaa	391,356
Non-Governmental Backed C.M.O's	Aaa	327,005
Corporate Bonds	Aaa	33,022
Municipal/Provincial Bonds	Aaa	878
U.S. Agency Securities	Aaa	65,098
Asset Backed Securities	Aa	15,752
Corporate Bonds	Aa	344,235
Other Fixed Income	Aa	15,000
U.S. Government Agency Oblig.	Aa	19,494
Asset Backed Securities	A	105,805
Commercial Mortgage – Backed	A	6,286
Corporate Bonds	A	333,477
Asset Backed Securities	Baa	82,991
Corporate Bonds	Baa	207,821
Asset Backed Securities	Ba	50,527
Corporate Bonds	Ba	158,018
Corporate Bonds	B	189,282
Corporate Bonds	Caa	11,222
Commercial Paper	A-1+	449,730
Commercial Paper	A-1	10,607
U.S. Agency Securities	WR	995
<i>Total investments subject to credit risk – Moody Ratings</i>		4,004,392

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment	Rating	Fair Value
<i>Investments subject to credit risk – Not Rated</i>		
Asset Backed Securities	NR	\$ 254,610
Alternative Investments	NR	66,045
Bank Deposits	NR	96,000
Certificate of Deposits	NR	12,947,237
Cash	NR	334
Cash and Cash Equivalent		
Derivative	NR	2
Commercial Paper	NR	1,206,356
Corporate Bonds	NR	271,891
Fixed Income Derivatives – Options	NR	(216)
Government Bonds	NR	321,139
Municipal/Provincial Bonds	NR	2,750
Money Market	NR	7,199
Non-Government Backed		
C.M.O.s	NR	67,885
Government Agencies	NR	28,544
Government MBS	NR	941,085
Commercial MBS	NR	26,170
Mutual Funds	NR	68
Index Linked Government Bonds	NR	86,675
Flex Repurchase Agreements	NR	1,138,979
Flex Overnight Pool	NR	281,000

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment	Rating	Fair Value
Short term Government Bonds and Notes	NR	\$ 14,895
Short – term Investments	NR	232,234
Swaps	NR	(389)
Other Options	NR	27
Other Payable	NR	(1,032)
Pending Trade Purchases	NR	(335,314)
Pending Trade Sales	NR	59,172
<i>Total investments subject to credit risk – Not Rated</i>		<u>17,713,346</u>
<i>Total investments subject to credit risk</i>		<u>30,382,275</u>
<i>Investments not subject to credit risk</i>		
Private Equity, Real Estate, Certificate of Deposits and New Mexico Film Investments	NR	146,680
Pooled Cash and Investments Held By Others	NR	90,240
State Investment Council – Pooled Funds	NR	29,717
Common Stocks	NR	21,337
State Investment Council – Perm Fund	NR	1,820
Equity Securities and U.S. Treasury SEC	NR	175,878
<i>Total investments not subject to credit risk</i>		<u>465,672</u>
<i>Total investments</i>		<u>\$ 30,847,947</u>

Interest Rate Risk – Debt Investments. Interest rate risk is the risk that changes in interest rates could adversely affect the fair value of an investment. The State does not have a policy for interest rate risk management, but its practice is to address interest rate risk through the management of debt investment duration.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

A summary of the investments at June 30, 2007 and the exposure to interest rate risk are as follows:

Investment	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
<i>Investments subject to interest rate risk</i>					
Asset Backed Securities	\$ 1,397,619	604	329,283	303,700	764,032
Bank Deposits	96,000	96,000	-	-	-
Certificate of Deposits	296	296	-	-	-
Commercial Mortgage Backed	181,994	82	556	-	181,356
Common Stock	1,820	1,820	-	-	-
Corporate Bonds	1,509,640	260,039	564,524	432,023	253,054
Government Agencies	95,571	-	90,076	535	4,960
Government Bonds	404,816	-	-	171,648	233,168
Government Mortgage Backed Securities	372,246	583	1,730	10,539	359,394
Municipal/Provincial Bonds	3,628	-	878	-	2,750
Non-Government Backed C.M.O.s	444,106	-	-	78,424	365,682
U.S. Treasury Securities	56,736	2,513	54,223	-	-
Equity	185,186	-	-	-	185,186
U.S. Government Agency Obligations	2,145,588	976,870	1,140,448	28,270	-
Commercial Paper	1,979,505	1,979,505	-	-	-
Money Market Funds	859,899	859,899	-	-	-
Flex Repurchase Agreements	96,455	82,942	-	-	13,513
Flex Overnight Pool	3,657,988	3,544,466	113,522	-	-
Short term Government Bonds and Notes	1,980,072	1,980,072	-	-	-
Other Fixed Income	15,000	-	15,000	-	-
Agency Securities	66,192	-	66,192	-	-
Pooled Cash and Investments Held by					
Others	90,308	68	90,240	-	-
Cash	21,527	334	-	-	21,193
The New Mexico Office of the State Treasurer:					
General Fund Investment Pool	687,022	-	687,022	-	-

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
<i>Investments subject to interest rate risk (Continued)</i>					
The State Investment Council:					
Pooled Fund	\$ 29,717	29,717	-	-	-
Large Cap Active Pool	29,325	-	-	-	29,325
Large Cap Index Pool	5,568	-	-	-	5,568
Small/Mid Cap Active Pool	12,627	-	-	-	12,627
Non-U.S. Developed Markets Pools	7,747	-	-	-	7,747
Non-U.S. Emerging Market Pools	3,519	-	-	-	3,519
U.S. Core Bonds Pool	24,205	-	-	-	24,205
U.S. High Yield Bonds Pool	2,563	-	-	-	2,563
Hedge Fund Pool	9,972	-	-	-	9,972
Total investments subject to interest rate risk	16,474,457	9,815,810	3,153,694	1,025,139	2,479,814

Investments not subject to interest rate risk

Equity, Real Estate, Certificate of Deposits and New Mexico Film Investments	13,097,692
	<u>\$29,572,149</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Public Employee's Retirement Association

Bond Category	Duration in years	Percentage of Bond Portfolio
Corporate Convertible Bonds	3.65	0.2%
Commercial Paper	0.03	1.5
Government Agencies	10.28	2.1
Government Bonds	10.29	10.4
Short Term Bills and Notes	0.12	1.6
Municipal Bonds	19.15	0.1
Corporate Bonds	10.84	29.5
Government MBS	24.48	25.7
Commercial MBS	29.46	8.5
Asset Backed Securities	19.30	10.9
Non-Government Backed C.M.O.s	29.78	8.0
Index Linked Government Bonds	10.95	<u>1.6</u>
Total		<u>100.00%</u>

Educational Retirement Board

Investment Type	Duration in years
U.S. Treasury Securities	6.36
U.S. Government Agency Obligations	3.83
Corporate Obligations	4.50
Corporate Asset and Mortgage Backed Securities	4.16
Short-term Investment	0.56
Overall	4.65

Concentration of Credit Risk – Investments. Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent 5.0% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2007, the State was not exposed to concentration of credit risk as no single issuer represented 5.0% of total investments.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Foreign Currency Risk – Investments. Foreign currency risk is the risk of changes in exchange rates which could adversely affect an investment's or deposit's fair value. This risk is eliminated in the Core Bonds and High – Yield Bond Funds by adhering to State policy that all securities be denominated in U.S. dollars, and is managed in the equity funds by limiting the size of the internationally invested funds.

A summary of the investments at June 30, 2007 and their exposure to foreign currency risk are as follows:

Investment Type	Foreign Currency	Amount
Common Stock	Euro	\$ 310,316
Common Stock	British Pound	211,063
Common Stock	Japanese Yen	188,125
Common Stock	South Korean Won	177,291
Common Stock	Taiwan Dollar	107,029
Common Stock	Hong Kong Dollar	89,837
Common Stock	South African Rand	70,196
Common Stock	Swiss Franc	59,415
Common Stock	Australian Dollar	55,706
Common Stock	Thai Baht	43,891
Common Stock	Indian Rupee	37,382
Common Stock	Brazilian Real	30,222
Common Stock	Mexican Peso	30,121
Common Stock	New Israeli Shekel	28,927
Common Stock	Swedish Krona	23,082
Common Stock	Turkish Lira	13,246
Common Stock	Philippine Peso	12,159
Common Stock	Hungarian Forint	9,988
Common Stock	Singapore Dollar	9,599
Common Stock	Danish Krone	7,580
Common Stock	Malaysian Ringgit	3,849
Common Stock	Indonesian Rupiah	3,605
Common Stock	Various	224
Unit Trust Equity	New Zealand Dollar	1,374
Unit Trust Equity	Australian Dollar	152
Cash and cash equivalents	Taiwan Dollar	5,408
Cash and cash equivalents	Euro	2,463
Cash and cash equivalents	Hong Kong Dollar	2,141
Cash and cash equivalents	British Pound	1,907
Cash and cash equivalents	South African Rand	1,577
Cash and cash equivalents	Japanese Yen	983

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

<u>Investment Type</u>	<u>Foreign Currency</u>	<u>Amount</u>
Cash and cash equivalents	Swedish Krona	\$ 590
Cash and cash equivalents	Norwegian Krone	400
Cash and cash equivalents	Swiss Franc	360
Cash and cash equivalents	Mexican Peso	240
Cash and cash equivalents	New Israeli Shekel	202
Cash and cash equivalents	Turkish Lira	166
Cash and cash equivalents	Singapore Dollar	131
Cash and cash equivalents	Various	352
Partnerships	Euro	129,874
Preferred Stock	Brazilian Real	61,481
Preferred Stock	South Korean Won	18,937
Preferred Stock	Euro	2,966
Rights/Warrants	Euro	20
Rights/Warrants	Swedish Krona	3
Bonds	Argentinean Peso	2,136
Bonds	Australian Dollar	191,536
Bonds	Bahraini Dinar	421
Bonds	Brazilian Real	99,948
Bonds	British Pound Sterling	1,013,125
Bonds	Canadian Dollar	164,054
Bonds	Chile	2,087
Bonds	Chinese Renminbi	24,748
Bonds	Czech Republic Koruna	697
Bonds	Danish Krone	28,253
Bonds	Egypt	1,471
Bonds	Euro	1,931,454
Bonds	Hong Kong Dollar	173,535
Bonds	Hungarian Forint	9,445
Bonds	Iceland Krona	1,955
Bonds	Indian Rupee	20,295
Bonds	Indonesian Rupiah	13,910
Bonds	Japanese Yen	1,174,947
Bonds	Malaysian Ringgit	20,890
Bonds	Mexican Peso	42,717
Bonds	New Israeli Shekel	27,868
Bonds	New Zealand Dollar	3,331
Bonds	New Taiwan Dollar	100,872
Bonds	Norwegian Krone	56,850
Bonds	Peru	1,594
Bonds	Philippine Peso	12,181
Bonds	Russia	15,593
Bonds	Singapore Dollar	88,434

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment Type	Foreign Currency	Amount
Bonds	Polish Zloty	\$ 9,320
Bonds	South African Rand	78,989
Bonds	South Korean Won	197,510
Bonds	Swedish Krona	97,155
Bonds	Swiss Franc	344,037
Bonds	Thai Baht	38,827
Bonds	Turkish Lira	12,312
		<u>\$ 7,747,757</u>

Investment by funds at June 30, were as follows:

Governmental Activities	\$ 7,228,420
Business-Type Activities	1,775,360
Fiduciary Funds	<u>43,256,728</u>
	<u>\$ 52,260,508</u>

Securities Loan Program

Through a safekeeping agent, the State lends securities for a fee from its investment portfolios on a collateralized basis to third parties, primarily financial institutions and/or brokerage houses. The market value of the required collateral including accrued interest must be equal to 102.0 percent of the amount of cash transferred by the State to the dealer bank or security firm under the repo plus accrued interest. If the value of the securities held as collateral slips below 102.0 percent of the value of the cash transferred, then additional cash and acceptable securities must be delivered to the third party custodian sufficient to cure any deficiency; and for repurchase agreements with terms to maturity of greater than one (1) day, the State will value the collateral securities continuously and require that, if additional collateral is required, collateral must be delivered within one business day. If a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated; and the collateral on all repurchase agreements will have a maturity date that exceeds the term of the repurchase agreement. If the maturity date of the collateral is significantly longer than that of the repurchase agreement, then the collateral rate must be higher than 102.0 percent to compensate for market risk.

Discretely Presented Component Units

New Mexico Finance Authority (NMFA). Funds held for others and short-term investments are held at the trustees in the names of the applicable government entity and the NMFA. The repurchase agreements are overnight only. The following is a reconciliation of cash and cash equivalents to the financial statements.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash with State Treasurer	\$ 111,505
Money Market Accounts	24,647
Trust Accounts	134,271
Reserve on Bond Payable	274
Bank Accounts	446
	<u>\$ 271,143</u>

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for the NMFA for its various bond issues. The sources of funds are financing program bond proceeds, pledged revenues and other debt service requirements. These funds are invested in short-term money market accounts that invest in U.S. Treasury obligations in accordance with state law. The trustees are also permitted to purchase U.S. Treasury obligations.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the NMFA will not be able to recover the value of its collateral securities that are in the possession of an outside party. The NMFA's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the NMFA's name.

New Mexico Mortgage Finance Authority (NMMFA).

As of September 30, 2007 the carrying value of cash and cash equivalents include the following:

Cash	\$ 14,957
Cash equivalents not considered deposits	
Money market funds	29,040
Repurchase agreements	5,590
Guaranteed investment contracts	474,626
	<u>\$ 524,213</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the NMMFA deposits may not be recovered. The investment policy requires consideration of the creditworthiness in selecting financial institutions. At September 30, 2007, NMMFA's bank balance was \$14,957. Of this amount, \$200 was insured by the Federal Deposit Insurance Corporation (FDIC), no amount was collateralized by collateral. The total amount subject to custodial credit risk at September 30, 2007 was \$14,757 which consists of \$14,754 collateralized by collateral held by the bank but not in NMMFA's name, and \$3 was uninsured and uncollateralized.

All of NMMFA's investments are insured, registered, or are held by NMMFA or its agent in the name of NMMFA.

The NMMFA administers public funds for the State Homeless, Innovation in Housing Awards and Weatherization Programs. As required by State law, the NMMFA obtains from each bank that is a depository for public funds pledged collateral in an aggregate amount at least equal to one half of the public money in each account. No security is required for deposit of public money that is insured by the FDIC. As of September 30, 2007 NMMFA had \$343 of public funds on deposit which are fully collateralized by collateral held by the bank in the NMMFA's name.

Investments

The NMMFA has the following investments and maturities at September 30, 2007

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment maturities (in years)</u>				<u>More than 10</u>	<u>Not Available</u>
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>			
Money Market Funds*	\$ 29,040	29,040	-	-	-	-	-
Repurchase Agreements*	5,590	5,590	-	-	-	-	-
Guaranteed Investment Contracts	474,626	459,989	8,940	-	5,697	-	-
Internal State Pools:							
State Treasurer	14,653	-	-	-	-	14,653	
State Investment Council	23,625	-	-	-	-	23,625	
U.S. Agencies	15,855	7,948	7,907	-	-	-	
Securitized Mortgage Loans+	836,477	-	-	226	836,251	-	
	<u>\$ 1,399,866</u>	<u>502,567</u>	<u>16,847</u>	<u>226</u>	<u>841,948</u>	<u>38,278</u>	

* Item is considered cash and cash equivalents for presentation purposes.

+ Item is classified as other non-current assets for presentation purposes.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

The following table provides information on the credit ratings associated with the NMMFA's investments in debt securities, excluding obligations of the United States government or obligations explicitly guaranteed by the United States government at September 30, 2007.

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>U.S. Gov. Guaranteed</u>	<u>NR</u>	<u>Not Available</u>
Money Market Funds	\$ 29,040	-	-	-	-	-	29,040	-
Repurchase Agreements	5,590	-	-	-	-	-	5,590	-
Guaranteed Investment Contracts	474,626	3,161	438,761	30,592	292	-	1,820	-
Internal State Pools:								
State Treasurer	14,653	14,653	-	-	-	-	-	-
State Investment Council	23,625	-	-	-	-	-	-	23,625
U.S. Agencies	15,855	7,933	7,922	-	-	-	-	-
Securitized Mortgage Loans	836,477	-	236,770	-	-	599,707	-	-
	<u>\$ 1,399,866</u>	<u>25,747</u>	<u>683,453</u>	<u>30,592</u>	<u>292</u>	<u>599,707</u>	<u>36,450</u>	<u>23,625</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The NMMFA investment policy requires 1) staggered maturities to avoid undue concentrations of assets in a specific maturity sector, 2) stable income, 3) adequate liquidity to meet operations and debt service obligations; and 4) diversification to avoid overweighing in any one type of security.

Concentration of credit risk is the risk of loss attributable to the magnitude of the NMMFA's investment in a single issuer. The following issuers and their respective percentage of total investments represent greater than 5.0% of the NMMFA total investments reported on the balance sheet as of September 30, 2007: Governmental National Mortgage Association 68.0% and Federal National Mortgage Association 27.0%.

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables at June 30, 2007, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities

	Interest	Taxes	Loan	Accounts Receivable	Total Receivables	Allowances	Total Receivables, Net
General	\$ -	-	-	82,884	82,884	(190)	82,694
Educational	-	-	24,592	273,040	297,632	(30)	297,602
Health and Human Services	-	-	118	168,701	168,819	(100,525)	68,294
Highway and Transportation	1,315	89,769	25	9,521	100,630	(1,822)	98,808
Severance Tax Permanent Fund	11,514	-	-	154	11,668	-	11,668
Land Grant Permanent Fund	-	-	-	8,499	8,499	-	8,499
Non-Major Governmental Funds	2,625	-	9,431	22,482	34,538	(2,461)	32,077
Internal Service Fund	6,502	-	-	9,733	16,235	(6,244)	9,991
Total	\$21,956	89,769	34,166	575,014	720,905	(111,272)	609,633

Business-Type Activities

	Educational Institutions	Non-Major Enterprise Funds	Total
Accounts	\$ 91,055	16,933	107,988
Grants	178,981	-	178,981
Loans	41,879	131,132	173,011
Taxes	-	27,878	27,878
Interest	-	3,969	3,969
Total Receivables	311,915	179,912	491,827
Allowances	(29,375)	(3,258)	(32,633)
Total Receivables, net	\$ 282,540	176,654	459,194

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

Fiduciary Funds

	Agency Funds	External Investment Trust Funds	Pension Trust Funds	Private Purpose Trust Funds	Totals
Tax assessments	\$ 1,339,302	-	2,198	-	1,341,500
Accounts	129,177	-	95,498	882	225,557
Loans	1,041	-	3,883	-	4,924
Interest and dividends	3,734	3,135	74,191	12,384	93,444
Total Receivables	1,473,254	3,135	175,770	13,266	1,665,425
Allowances	(625,365)	-	-	-	(625,365)
Total Receivables, net	\$ 847,889	3,135	175,770	13,266	1,040,060

Discretely Presented Component Units

New Mexico Finance Authority. Loans receivable balances consist of the following:

Loans receivable	\$ 690,512
Allowance of loan losses	(668)
Loan receivable, net	<u>\$ 689,844</u>

An analysis of the allowance for loan losses is as follows:

Balance, beginning of year	\$ (482)
Provision for loan losses	(186)
Balance, end of year	<u>\$ (668)</u>

New Mexico Mortgage Finance Authority. Mortgage loans balances consist of the following:

Mortgage loans receivable	\$ 208,629
Allowance for mortgage loan losses	(726)
Deferred origination and commitment fees	(1,968)
Mortgage loans, net	<u>\$ 205,935</u>

An analysis of the allowance for mortgage loan losses is as follows:

Balance, beginning of year	\$ 462
Provision (recovery) for loan losses	280
Loans written off, net of recoveries	(16)
Balance, end of year	<u>\$ 726</u>

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund and Interagency Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

	Due From	Due To	Transfers In	Transfers Out
Governmental Activities				
General Fund	\$ 1,044,755	274,033	977,845	5,961,282
Education	199,705	18,595	2,707,470	116,414
Health and Human Services	688,575	85,797	1,717,665	217,382
Highway and Transportation	260,176	158,243	77,945	13,294
Severance Tax Permanent Fund	3,525	-	24,073	170,973
Land Grant Permanent Fund	502	-	30,059	30,021
Nonmajor Governmental Funds	304,191	339,952	644,263	237,410
Internal Service Fund	8,814	4,718	21,699	14,430
Fiduciary Funds				
Agency Funds	154,939	1,791,638	-	-
Pension Trust Fund	377	392	-	-
External Investment Trust Fund	-	-	-	-
Private Purpose Trust Fund	7,392	28	-	-
Total Governmental and Fiduciary	2,672,951	2,673,396	6,201,019	6,761,206
Business-Type Activities				
Education Institutions	-	-	595,489	-
Non-Major Enterprises Funds	4,015	3,570	-	35,302
Total Business-Type Activities	4,015	3,570	595,489	35,302
Totals	\$ 2,676,966	2,676,966	6,796,508	6,796,508

The interfund receivables and payables balances resulted from the time lags between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.

Transfers between funds occur when one fund collects revenue and transfers the assets to another fund for expenditure or when one fund provides working capital for another fund. All transfers must be legally authorized by the Legislature through statute or an *Appropriation Act*. Transfers during the year were made to finance the operations of the individual departments as authorized by the Legislature and to revert (transfers out) any unspent or unencumbered balances of the authorized appropriations.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity was as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land and land improvements	\$ 79,419	8,182	(1)	(3,860)	83,740
Construction in progress	72,727	7,130	(63,782)	-	16,075
Infrastructure	380,389	1,939	(3)	(4)	382,321
Mineral rights	47,828	-	-	694	48,522
Art and other	-	7,288	-	(912)	6,376
Total capital assets, not being depreciated	580,363	24,539	(63,786)	(4,082)	537,034
Capital assets, being depreciated					
Land improvements	36,891	1,545	-	351	38,787
Equipment and machinery	283,891	11,497	(4,516)	(97,701)	193,171
Buildings and improvements	1,024,048	31,948	(88)	68,794	1,124,702
Furniture and fixtures	24,022	1,512	(524)	483	25,493
Data processing equipment and software	105,583	45,238	(23,668)	44,026	171,179
Vehicles	229,340	24,213	(9,627)	33,697	277,623
Library books and other	13,174	1,567	(10)	(600)	14,131
Infrastructure	15,111,935	450,670	(339,319)	-	15,223,286
Total capital assets, being depreciated	16,828,884	568,190	(377,752)	49,050	17,068,372
Less accumulated depreciation for					
Land improvements	(19,295)	(2,261)	-	(2,000)	(23,556)
Equipment and machinery	(126,366)	(12,686)	3,871	13,856	(121,325)
Buildings and improvements	(607,181)	(27,160)	54	11,043	(623,244)
Furniture and fixtures	(15,400)	(1,728)	183	196	(16,749)
Data processing equipment and software	(65,395)	(14,450)	6,104	(16,129)	(89,870)
Library books and other	(4,547)	(1,929)	-	165	(6,311)
Vehicles	(150,358)	(20,923)	9,489	(15,398)	(177,190)
Infrastructure	(8,390,975)	(493,245)	339,319	(4,939)	(8,549,840)
Total accumulated depreciation	(9,379,517)	(574,382)	359,020	(13,206)	(9,608,085)
Total capital assets, being depreciated, net	7,449,367	(6,192)	(18,732)	35,844	7,460,287
Governmental activity capital assets, net	\$ 8,029,730	18,347	(82,518)	31,762	7,997,321

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Business-Type Activities:	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land and land improvements	\$ 55,171	12,893	(252)	115	67,927
Construction in progress	166,478	145,800	(11,561)	(136,347)	164,370
Artwork and other	-	-	(72)	2,365	2,293
Total capital assets, not being depreciated	221,649	158,693	(11,885)	(133,867)	234,590
Capital assets, being depreciated					
Land improvements	51,323	2,378	-	1	53,702
Equipment and machinery	798,602	25,845	(24,961)	(306)	799,180
Buildings and improvements	1,498,280	153,113	(23,364)	115,346	1,743,375
Furniture and fixtures	72,913	5,017	(1,792)	1,454	77,592
Data processing equipment and Software	16,268	570	(69)	22,470	39,239
Library books and other	202,808	9,978	(345)	(7,041)	205,400
Vehicles	4,406	739	(199)	7,408	12,354
Infrastructure	165,194	2,925	-	(3,823)	164,296
Total capital assets, being depreciated	2,809,794	200,565	(50,730)	135,509	3,095,138
Less accumulated depreciation for					
Land improvements	(78,712)	(1,329)	-	44,297	(35,744)
Equipment and machinery	(469,443)	(29,055)	20,112	309	(478,077)
Buildings and improvements	(624,761)	(73,174)	17,660	(44,618)	(724,893)
Furniture and fixtures	(52,600)	(8,138)	1,897	(1,046)	(59,887)
Data processing equipment and Software	(8,808)	(1,889)	66	(6,154)	(16,785)
Library books and other	(170,705)	(8,343)	345	5,735	(172,968)
Vehicles	(3,234)	(612)	199	(6,121)	(9,768)
Infrastructure	(64,051)	(7,151)	-	6,120	(65,082)
Total accumulated depreciation	(1,472,314)	(129,691)	40,279	(1,478)	(1,563,204)
Total capital assets, being depreciated, net	1,337,480	70,874	(10,451)	134,031	1,531,934
Business-Type activities capital assets, net	\$ 1,559,129	229,567	(22,336)	164	1,766,524

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Depreciation expense charged to functions/programs of governmental activities as follows:

General	\$ 24,067
Culture, recreation, natural resources	13,809
Highways and transportation	506,253
Judicial	5,691
Legislative	1,413
Public safety	13,038
Regulation, licensing, etc.	1,963
Health and human services	7,400
Education	748
	<u>\$ 574,382</u>

Discretely Presented Component Units

Activity for the New Mexico Finance Authority was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated				
Furniture, fixtures and equipment	\$ 862	150	(216)	796
Accumulated depreciation	(269)	(123)	34	(358)
Capital assets, net	<u>\$ 593</u>	<u>27</u>	<u>(182)</u>	<u>438</u>

Activity for the New Mexico Mortgage Finance Authority was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 512	-	-	512
Capital assets, being depreciated				
Buildings and improvements	3,041	-	-	3,041
Furniture, equipment and vehicles	1,588	99	(288)	1,399
Total capital assets, being depreciated	<u>4,629</u>	<u>99</u>	<u>(288)</u>	<u>4,440</u>
Accumulated depreciation for				
Buildings and improvements	(1,728)	(130)	-	(1,858)
Equipment and machinery	(1,153)	(148)	234	(1,067)
Accumulated depreciation	<u>(2,881)</u>	<u>(278)</u>	<u>234</u>	<u>(2,925)</u>
Capital assets, net	<u>\$ 2,260</u>	<u>(179)</u>	<u>(54)</u>	<u>2,027</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Construction Commitments

The State has active construction projects as of June 30, 2007. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction are as follows:

Project Commitment

University infrastructure	\$ 263,662
University facilities construction and renovation	99,283
Total	<u>\$ 362,945</u>

As of June 30, 2007 the Department of Transportation had no other construction commitments.

Operating Leases

The State leases building and office facilities and other equipment under noncancelable operating leases. Total cost for such leases was \$56,211 for the year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

	<u>Amount</u>
2008	\$ 56,512
2009	45,138
2010	40,047
2011	33,809
2012	38,424
2013-2017	68,223
2018-2037	38,301
Total	<u>\$ 320,454</u>

Capital Leases

The State is obligated under lease purchase contracts. In the opinion of counsel for the State, these lease purchase contracts comply with the *Montano vs. Gabaldon* decision, in that payments for these will be made from Special Revenue Funds and not from general tax revenue.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2007:

Year Ending June 30:	
2008	\$ 1,945
2009	863
2010 to 2019	<u>1,245</u>
Total	4,053
Amount representing interest	<u>(397)</u>
Total	<u>\$ 3,656</u>

Capital leases by funds are as follows:

Governmental Activities	\$ 1,326
Business-Type Activities	<u>2,330</u>
	<u>\$ 3,656</u>

E. Bonds Payable

General Obligation Bonds

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the State. These bonds generally are issued as 10-year serial bonds with equal amounts of principal maturing each year.

In fiscal year 2007, the State Board of Finance issued bonds with a principal payment of \$134,870,000 to finance public capital expenditures. Interest rates are 5.0% with principal payments due through 2017.

General obligation bonds currently outstanding are as follows:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<i>Capital Projects Series 2001</i>	\$ 28,765	4.00 – 5.00	2011
<i>Enhanced 911 Revenue Bonds Series 2000</i>	745	4.35 – 5.90	2008
<i>2001 - B Refunding</i>	-	5.00	2007
<i>Capital Projects Series 2003</i>	85,525	2.00 – 5.00	2013
<i>2003 - B Refunding</i>	19,515	3.00 – 5.00	2008
<i>Series 2005 Debt Service</i>	94,060	4.00 – 5.00	2015
<i>Series 2007 Debt Service</i>	<u>134,870</u>	5.00	2017
<i>Total</i>	363,480		
<i>Bond Premium</i>	<u>8,394</u>		
<i>Total</i>	<u>\$ 371,874</u>		

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

General Obligation Bonds (Continued)

Annual debt service requirements to maturity for general obligation bonds in the governmental funds are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 52,777	10,930	63,707
2009	55,039	11,399	66,438
2010	46,649	9,661	56,310
2011	46,750	9,682	56,432
2012	40,152	8,315	48,467
2013 to 2017	122,113	25,288	147,401
Total	363,480	75,275	438,755
Bond Premium	8,394	-	8,394
Total	\$ 371,874	75,275	447,149

Subsequent to June 30, 2007, the State of New Mexico issued the following General Obligation Bond Series note: Series 2008, \$73,110 million.

Severance Tax Bonds

The State levies severance taxes on the mining and production of various natural resources, and has issued severance tax bonds secured by deposits of such taxes in a bonding fund. The Severance Tax Bonding Act was amended to authorize the creation of a supplemental severance tax bond program to fund school capital funding needs. Supplemental Severance Tax Bonds are secured by a second lien on severance tax revenue and are subordinate in all respects to senior bonds.

The following severance tax bonds were issued during the fiscal year ended June 30, 2007:

In fiscal year 2007, the State Board of Finance issued bonds with a principal amount of \$162,840,000 to finance public capital projects. Interest rates range from 4.0% to 5.0%, with principal payments due to 2018.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Severance Tax Bonds (Continued)

Severance tax bonds currently outstanding are as follows:

	Amount	Interest Rate	Final Maturity
<i>Series 2000 – C Supplemental</i>	\$ 2,015	4.50 – 5.00	2008
<i>Series 2001 – A Refunding</i>	42,835	4.00 – 5.00	2013
<i>Series 2002 – A</i>	13,275	4.00 – 5.00	2013
<i>Series 2002 – A Supplemental</i>	13,335	4.00 – 5.00	2012
<i>Series 2002 – B Supplemental</i>	29,580	2.00 – 5.00	2012
<i>Series 2003 – A</i>	55,380	2.50 – 5.00	2013
<i>Series 2003 – B Supplemental</i>	7,545	2.00 – 3.70	2013
<i>Series 2004 – A</i>	58,495	5.00	2014
<i>Series 2004 – B Supplemental</i>	8,240	2.00 – 5.00	2014
<i>Series 2005 – A</i>	80,950	4.00 – 5.50	2015
<i>Series 2005 – B-1 Refunding</i>	37,040	3.00 – 5.00	2012
<i>Series 2005 – B-2 Supplemental</i>	21,095	3.25 – 5.00	2011
<i>Series 2006 – A</i>	135,000	4.00 – 5.00	2016
<i>Series 2007 – A</i>	162,840	4.00 – 5.00	2018
<i>Total</i>	667,625		
<i>Bond Premium</i>	2,061		
<i>Total</i>	\$ 669,686		

Annual debt service requirements to maturity for severance tax bonds in the governmental funds are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 116,365	20,561	136,926
2009	96,534	16,821	113,355
2010	77,597	13,471	91,068
2011	72,273	12,477	84,750
2012	72,345	12,629	84,974
2013 to 2016	232,511	40,735	273,246
Total	667,625	116,694	784,319
Bond Premium	2,061	-	2,061
Total	\$ 669,686	116,694	786,380

Subsequent to June 30, 2007, the State of New Mexico issued the following Severance Tax Bond notes: 2008A-1 Series, \$149,000 million and 2008A-2, \$20,550 million.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds

The State also issues bonds where the government pledges income derived from the related acquired or constructed assets to pay debt service.

Revenue bonds outstanding at year-end are as follows:

Governmental Activities

	Amount	Interest Rate	Final Maturity
<i>Energy and Minerals Series 1995 – A & B</i>	\$ 157	3.00 – 6.00%	2015
<i>Energy and Minerals Series 1996 – A & B</i>	204	3.00 – 6.00	2016
<i>Energy and Minerals Series 1997 – A & B</i>	2,910	3.00 – 6.00	2017
<i>Energy and Minerals Series 1998 – A & B</i>	3,298	6.00 – 8.00	2018
<i>Energy and Minerals Series 2001</i>	3,558	4.70	2020
<i>Energy and Minerals Series 1995A & 1996A</i>	3,785	4.47	2016
<i>Energy and Minerals Series 2003</i>	6,311	3.82	2023
<i>Office of State Engineer Series 1998 – A</i>	255	5.87	2008
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 1998</i>	17,760	4.50 – 5.125	2010
<i>Subordinate Lien Tax Revenue Highway Bonds (WIPP) – Series 1998B</i>	34,435	3.70 – 5.125	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 1999</i>	18,780	4.75 – 6.00	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2000</i>	41,475	5.00 – 6.00	2015
<i>Enhanced 911 – Series 2000</i>	-	4.50 – 6.75	2007
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2001</i>	107,085	4.00 – 5.25	2013
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2002</i>	37,160	4.50 – 5.50	2014
<i>Subordinate Lien Tax Revenue Highway Bonds (WIPP) – Series 2002</i>	17,970	3.25 – 5.00	2011
<i>Highway Infrastructure Fund Revenue Highway Bonds (HIF) – Series 2002C</i>	32,945	3.25 – 5.283	2017
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2002 – D</i>	4,570	2.25 – 5.00	2014
<i>Senior Lien Transportation Revenue Bonds – Series 2004 A</i>	700,000	3.80 – 5.25	2024
<i>Subordinate Lien Transportation Refunding Revenue Bonds – Series 2004B</i>	162,330	2.00 – 5.00	2014
<i>Subordinate Lien Transportation Refunding Revenue Bonds – Series 2004C</i>	200,000	2.00 – 5.00	2014
<i>State Museum Tax Revenue Bonds</i>	5,566	.62 – 4.18	2023
<i>2006A Highway Bonds –Governor Richardson’s Improvement Project (GRIP)</i>	150,000	4.00	2026
<i>2006B Highway Bonds –GRIP</i>	37,735	4.00	2026
<i>2006C Highway Bonds –GRIP</i>	220,000	4.00	2026
<i>2006D Highway Bonds –GRIP</i>	50,400	4.00	2026
<i>Total</i>	<u>1,858,689</u>		
<i>Bond Discount</i>	<u>(29,161)</u>		
<i>Total</i>	<u>\$ 1,829,528</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Business-Type Activities

	Amount	Interest Rate	Final Maturity
<i>Capital Improvement Bonds Series 2004</i>	\$ 4,817	1.26 – 3.67%	2014
<i>Miners Colfax Hospital Revenue Bonds – Series 2004</i>	9,746	1.51 - 4.76	2024
<i>Miners Colfax Hospital Revenue Bonds – Series 2006</i>	6,298	1.15 – 4.76	2026
<i>Revenue and Improvement Revenue Series 1998</i>	8,415	3.95 – 5.00	2020
<i>Revenue and Improvement Revenue Series 2001</i>	6,990	3.95 – 5.00	2021
<i>Revenue and Improvement Revenue Series 2002</i>	11,155	2.00 – 5.00	2022
<i>Refunding and Improvement – Series 2003</i>	24,520	2.00 – 5.00	2023
<i>Improvement Revenue Bonds – Series 2004B</i>	39,205	2.00 – 5.00	2025
<i>Improvement Revenue Bonds – Series 2006</i>	9,840	4.00 – 5.00	2026
<i>System Revenue Bonds – Series 1998</i>	2,635	3.55 – 4.40	2013
<i>General Obligation Building – Series 2005A</i>	1,550	2.35 – 3.50	2010
<i>General Obligation Building – Series 2005B</i>	4,500	3.15 – 4.25	2015
<i>System Revenue Bonds – Series 2005</i>	9,010	3.25 – 4.25	2026
<i>System Refunding – Series 1998</i>	3,620	4.25 – 4.70	2011
<i>Refunding – Series 1998 – A</i>	750	3.00 – 4.00	2008
<i>Refunding – Series 2001</i>	6,675	3.25 – 5.00	2013
<i>2001 Revenue Refunding Bonds</i>	5,090	3.25 – 5.00	2019
<i>System Revenue Refunding – Series 1992 – A</i>	26,455	5.60 – 6.25	2021
<i>Subordinate Lien System Improvement – Series 1996</i>	-	4.80 – 5.50	2026
<i>System Revenue – Series 2000</i>	9,274	4.65 – 6.35	2029
<i>Subordinate Lien System Improvement – Series 2001</i>	46,090	Variable	2026
<i>Subordinate Lien System Refunding and Improvement – Series 2002 – A</i>	52,980	2.50 – 5.25	2032
<i>Subordinate Lien System Refunding – Series 2002 – B</i>	25,475	3.83	2026
<i>Subordinate Lien System Refunding – Series 2002 – C</i>	36,940	3.94	2030
<i>Subordinate Lien Systems Refunding Series 2003 – A</i>	18,380	2.00 – 5.25	2018
<i>Subordinate Lien System Revenue (taxable) – Series 2003 – B</i>	5,585	1.35 – 5.625	2024
<i>Subordinate Lien System Revenue (taxable) – Series 2003 – C</i>	5,395	4.50 – 4.60	2033
<i>FHA Insured Hospital Mortgage Revenue Bonds – Series 2004</i>	192,225	2.00 – 5.00	2031
<i>Subordinate Lien System Improvement Revenue Bonds – Series 2005</i>	124,965	3.00 – 4.50	2035
<i>Total</i>	698,580		
<i>Bond premium and discounts, net</i>	873		
<i>Total</i>	\$ 699,453		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 74,471	84,227	158,698	24,557	32,375	56,932
2009	78,796	80,496	159,292	25,608	31,232	56,840
2010	81,851	76,561	158,412	26,188	30,182	56,370
2011	73,367	71,546	144,913	27,169	29,140	56,309
2012	64,551	68,361	132,912	26,508	27,855	54,363
2013 to 2017	371,508	287,768	659,276	133,996	122,847	256,843
2018 to 2022	474,091	181,579	655,670	151,102	88,447	239,549
2023 to 2027	640,054	63,275	703,329	146,667	51,085	197,752
2028 to 2037	-	-	-	136,785	21,135	157,920
Total	1,858,689	913,813	2,772,502	698,580	434,298	1,132,878
Bond Premium and Discount	(29,161)	-	(29,161)	873	-	873
Total	\$ 1,829,528	913,813	2,743,341	699,453	434,298	1,133,751

Advance and current refundings:

Governmental Activities:

Bond Issue

The State issued \$700,000 through the New Mexico Finance Authority (NMFA) State Transportation Revenue Bonds (Senior Lien), Series 2004A in May 2004. The gross proceeds to the State were \$738,788, including \$43,557 of an original issue premium. The cost of issuance including underwriter fees was \$6,368. The bonds are special, limited obligations of the State, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and that the State has determined to be necessary or desirable.

The State is responsible for the NMFA issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable on June 15th. Interest with rates ranging from 3.8 percent to 5.3 percent per annum, is payable semi-annually on June 15th and December 15th through the year 2024.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Bond Issue (Continued)

The State issued \$237,950 and \$200,000 of bonds through the New Mexico Finance Authority's (NMFA) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C in May 2004. The gross proceeds to the State for both issuances were \$451,069 including \$16,347 of an original issue premium. The cost of issuance including underwriter fees was \$4,229. Following is the detail of the Series 2004B and Series 2004C bonds issued.

The \$237,950 Series 2004B Bonds are special, limited obligations of the State, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The bonds are being issued through the NMFA at the direction of the State Transportation Commission (Commission) of the State of New Mexico to provide funds to refund and restructure certain outstanding bonds of the NMFA and the Commission.

The State is responsible for the NMFA issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable on June 15th. Interest with rates ranging from 2.0 percent to 5.0 percent per annum, is payable semi-annually on June 15th and December 15th through the year 2014.

The Series 2004C Bonds are special, limited obligations of the State payable, together with additional bonds hereafter issued, solely from and secured solely by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees required by law to be paid in the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C bonds or which may hereafter be issued through the NMFA. The bonds are being issued through NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

The State is responsible for its issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable on June 15th with interest payable semi-annually on June 15th and December 15th through the year 2023. Interest is fixed at 3.4 percent based on a swap agreement in place at June 30, 2004.

For the year ended June 30, 2007, the NMFA recorded \$2,313 in administrative fees related to the three bonds in the GRIP Administrative Fund (Proprietary Fund).

At June 30, 2007, the NMFA had \$231,353 in cash with trustee related to these three bonds offset by accounts payable, debt service payable and funds held for the New Mexico Department of Transportation. The NMFA has recorded these amounts in an agency fund.

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Refunding

The State issued the 2004B and 2004C Bonds to advance refund certain older debt issues. The net proceeds of \$408,856 plus an additional \$7,286 were used to purchase U.S. governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt are considered to be defeased and the liabilities for those bonds have been removed from long-term obligations. On June 30, 2007, \$317,880 of bonds outstanding are considered defeased.

Interest Rate Swaps:

State Transportation Revenue Bonds, Series 2006

Objective of the interest rate swaps. In April of 2004, the NMFA entered into two forward starting swaps on behalf of the State with two counterparties to hedge against future interest rates. The intention of the swap was to take advantage of the current historically low interest rate environment for bonds to be issued in 2006. The bonds are to be issued by the NMFA to fund part of Governor Richardson's Investment Partnership (GRIP) which is a \$1.6 billion statewide transportation expansion and infrastructure improvement project. In addition to the forward start, the swaps have a knock-out option from settlement to maturity. The intention of the option was to reduce the synthetic fixed rate. The NMFA typically has between \$175 million and \$200 million in cash, which will act as a natural hedge if the swap is knocked out.

Terms. The swaps were entered into with J.P. Morgan Chase Bank (JP) and USG AG (UBS). The swaps will be effective on December 15, 2006, maturing on December 15, 2026. On the trade date, JP was rated AA- by Standard & Poor's Rating Service, a division of The McGraw-Hill Companies (S&P), and Aa2 by Moody's Investor's Service, Inc. (Moody's), and UBS was rated AA+ S&P and Aa2 Moody's. Both swaps were priced at a fixed rate of 5.1 percent, based on an amortizing notional schedule with a combined \$220,000 initial amount. Under the swaps, the NMFA pays 5.1 percent and received Bond Market Association (BMA). The incorporated knock-out option was priced with a 7.0 percent barrier, effective from settlement to maturity and based on an "American" option exercise schedule. The option premium is equal to 0.3 percent per annum, resulting in a net fixed rate of 4.7 percent. Thus, the counterparty paid to have the option (but not the obligation) to terminate the swap should the 180 day average of the BMA index move above the barrier. The bonds' variable-rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2007, the swaps had a negative fair value of \$21,763 without the option. The options had a positive value of \$5,548 in isolation of the swaps; thus the swaps including the options had a total negative value of \$16,216. Since the coupons on the NMFA

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

State Transportation Revenue Bonds, Series 2006 (Continued)

variable interest rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement swap.

Risks. As of June 30, 2007, the NMFA is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Agreement (CSA) are adjusted based on counterparty ratings set forth in the CSA. Goldman, Lehman, and RBC was rated AAA/Aaa, AAA/Aaa and Aa-/Aa2 by S&P and Moody's, respectively, as of June 30, 2007. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The swaps may be terminated if the credit quality of the counterparties or NMFA falls below BBB-/Baa3 by S&P/Moody's respectively. The swap also includes an additional termination event related to non-issuance of the associated bonds. That is, the swap may be terminated if the related bonds are not issued on the effective date. Should the counterparties exercise the option to terminate the swap per the knock-out option, the NMFA would become subject to variable rate risk on the outstanding bonds. However, historically the BMA index has yet to reset above the barrier set forth in the swap agreement. In addition, the NMFA has substantial cash reserves which will mitigate this risk by generating variable rate income. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the NMFA would be liable to the counterparty for a payment equal to the swap's fair value.

\$200,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2, and C-3 (2004 Refunding Bonds)

Objective of the swaps. In April of 2004, the NMFA entered into three swaps on behalf of the State with three counterparties to synthetically refund outstanding bonds which provided the NMFA with present value savings of \$11,524, or 3.0 percent of the refunded bonds. The swap structure was used as a means to increase the NMFA's savings, when compared against fixed-rate bonds at the time of issuance. In addition, through this structure the NMFA was able to release several restrictive covenants as set forth by the old indenture, thus providing future flexibility. The intention of the swaps was to effectively change the NMFA interest rate on the bonds to a fixed rate.

Terms. The swaps were executed with Goldman Sachs Mitsui Marine Derivative (Goldman), Lehman Brothers Derivative Products, Inc. (Lehman) and Royal Bank of Canada (RBC) at respective initial amortizing notional amount of \$50,000, \$50,000 and \$100,000. The

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

\$200,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2, and C-3 (2004 Refunding Bonds) (Continued)

counterparties were, at the trade date, rated AA+/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively. All three swaps commenced on May 20, 2004, and will mature on June 15, 2024. Under the swaps, the NMFA pays a fixed rate of 3.9 percent and receives a variable rate computed as the BMA index until June 15, 2006, on which date the variable interest rate received will switch to 68.0 percent of the one month London Interbank Offered Rate (LIBOR) until maturity. The bonds' variable-rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2007, the Swap agreements had a negative fair market value of \$221 (Lehman \$63, Goldman \$52, and RBC \$105). Since the coupons on the NMFA's variable interest rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks. As of June 30, 2007, the NMFA is exposed to credit risk in an amount equal to the positive fair value for each of the swaps. To mitigate credit risk, the counterparties are required to post collateral based upon the agreed collateral threshold levels per the Credit Support Annex (CSA) which are adjusted based on counterparty ratings as set forth in the CSA. Goldman, Lehman, and RBC were rated AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively as of June 30, 2007. As of June 15, 2007, the NMFA is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and 68.0 percent of one month LIBOR the rate received on the swap. The NMFA is also exposed to tax risk, a form of basis risk, where the NMFA is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 68.0 percent of LIBOR received on the swap. The effect of the difference in basis is indicated by the difference between the intended synthetic rate (3.9 percent) and the synthetic rate as of June 30, 2007 (3.61 percent). The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate of the bonds was 3.9 percent, whereas 68.0 percent of one month LIBOR was 3.61 percent. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or the NMFA falls below BBB/Baa3 by S&P/Moody's respectively. If the swap is terminated, the

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

\$200,000 Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004 C-1, C-2, and C-3 (2004 Refunding Bonds) (Continued)

variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the NMFA would be liable to the counterparty for a payment equal to the swap's fair value.

\$100 Million of the \$200 Million GRIP 2004 Floating-to-Synthetic Fixed Rate Refunding Swaps (2004 Swaps)

Objective of the swaps. In August of 2006, the NMFA entered into a constant maturity swap (the Swap or CMS) with Citibank, N.A. (the Counterparty) to lower the NMFA's cost of funds and diversify tax risk.

Terms. The NMFA will be a floating rate payor, paying the Counterparty a floating rate equal to 68.0 percent of one month LIBOR on the outstanding notional amount, and the Counterparty will be a floating rate payor, paying the NMFA a floating rate equal to 63.05 percent of the 5 year USD ISDA-SWAP constant maturity index on the outstanding notional amount. Payments of amounts due under the CMS will be made on the first day of each calendar month commencing on October 1, 2006. The aggregate notional amounts of the swap will be reduced on June 1, 2023 in an amount equal to the amortization schedule set forth in the transaction confirmation entered into by the NMFA with the Counterparty. The stated termination date under the swap is June 15, 2024

Fair Value. As of June 30, 2007, the swap had a negative fair value of \$1,131. The fair value on the swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks. As of June 30, 2007, the NMFA is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and the 63.05 percent of the 5 year USD ISDA-SWAP constant maturity index received on the swap. The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the swaps. As of June 30, 2007, the rate on the bonds was 3.89 percent, whereas 63.1 percent of the 5 year USD ISDA-SWAP constant maturity index was 3.5 percent. The NMFA is also exposed to tax risk where the NMFA is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rate causes the rate paid on the outstanding bonds to be greater than 63.1 percent of the 5 year USD ISDA-SWAP constant maturity index received on the swap.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

New Mexico Finance Authority bonds payable as of June 30, 2007, consist of:

	Amount	Interest Rate	Final Maturity
<i>Public Project Revolving Fund – Series 1999A, B, C, and D</i>	\$ 11,360	3.30 – 6.30	2018
<i>Public Project Revolving Fund – Series 2000A</i>	1,055	4.10 – 5.30	2009
<i>Public Project Revolving Fund – Series 2000B and C</i>	9,950	4.35 – 5.60	2030
<i>Public Project Revolving Fund – Series 2002A</i>	23,170	2.00 – 5.00	2026
<i>Public Project Revolving Fund – Series 2003A</i>	23,799	2.00 – 4.75	2032
<i>Public Project Revolving Fund – Series 2003B</i>	21,470	2.00 – 5.00	2021
<i>Public Project Revolving Fund – Series 2004 A</i>	34,925	1.13 – 5.00	2031
<i>Public Project Revolving Fund – Series 2004 B</i>	41,355	3.00 – 5.13	2033
<i>Public Project Revolving Fund – Series 2004 C</i>	151,540	2.50 – 5.00	2024
<i>Public Project Revolving Fund – Series 2005 C and D</i>	52,920	3.05 – 5.00	Various
<i>Workers Compensation Financing Fund</i>	2,750	5.00 – 5.60	2017
<i>UNM Health Sciences</i>	25,225	2.00 – 5.00	2019
<i>UNM Health Sciences 2004B</i>	8,915	2.10 – 5.50	2019
<i>State Capitol Improvement Financing Fund</i>	5,955	7.00	2015
<i>State Building Purchase Fund</i>	27,470	4.00 – 5.00	2006
<i>Metro Court Financing Fund</i>	45,765	5.50 – 5.80	2025
<i>Equipment Loan Fund – Series 95A, 95B</i>	208	4.05 – 5.40	2016
<i>Equipment Loan Fund – Series 96A</i>	62	3.85 – 5.20	2016
<i>Equipment Loan Fund – Series 96B</i>	237	4.50 – 5.70	2012
<i>Public Project Revolving Fund – Series 2005A</i>	16,595	3.00 – 4.25	2025
<i>Public Project Revolving Fund – Series 2005B</i>	13,225	3.00 – 4.25	2020
<i>Public Project Revolving Fund – Series 2005E</i>	23,630	4.00 – 5.00	2025
<i>Public Project Revolving Fund – Series 2005F</i>	21,215	4.00 – 5.00	2022
<i>Public Project Revolving Fund – Series 2006A</i>	49,490	4.00 – 5.00	2035
<i>Public Project Revolving Fund – Series 2006B</i>	37,605	4.00 – 5.00	2036
<i>CIG Tax 2006 – Behavioral Health</i>	2,375	5.51	2026
<i>Public Project Revolving Fund – Series 2006C</i>	39,095	4.00 – 5.00	2027
<i>Public Project Revolving Fund – Series 2006D</i>	52,645	4.00 – 5.00	2036
<i>Public Project Revolving Fund – Series 2007A</i>	33,695	4.00 – 5.00	2027
<i>Total</i>	<u>777,701</u>		
<i>Bond premium and discount</i>	32,482		
<i>Total</i>	<u>\$ 810,183</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Interest on the bonds will be paid at the lesser of (a) a weekly rate or long-term interest rates as selected by the NMFA and as determined in accordance with the First Supplemental Indenture and (b) the maximum rate, or, when a letter of credit secures the payment of the bonds, such lower maximum rate as may be specified in the letter of credit.

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 37,194	36,808	74,002
2009	48,245	35,351	83,596
2010	42,345	33,292	75,637
2011	86,238	31,475	117,713
2012	45,262	29,380	74,642
2013-2017	217,599	105,880	323,479
2018-2022	159,981	58,167	218,148
2023-2027	89,427	23,580	113,007
2028-2032	27,440	10,201	37,641
2033-2034	23,970	2,862	26,832
Total	777,701	366,996	1,144,697
Bond Premium and discount	32,482	-	32,482
Total	\$ 810,183	366,996	1,177,179

Bonds payable activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 730,391	130,270	(50,478)	810,183	37,194

State Transportation Revenue Bond – Series 2004A. On May 20, 2004, the NMFA issued \$700,000 of State Transportation, Series 2004A, Revenue Bonds. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the NMFA. The NMFA serves in an agency capacity with respect to this bond issue.

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

State Transportation Revenue Bonds – Series 2004B. On May 20, 2004, the NMFA issued \$237,950 of State Transportation, Series 2004B, Refunding Revenue Bonds. The Series 2004B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the NMFA and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the NMFA. The NMFA serves in an agency capacity with respect to this bond issue.

State Transportation Revenue Bonds – Series 2004C. On May 20, 2004, the NMFA issued \$200,000 of State Transportation, Series 2004C, Refunding Revenue Bonds. The Series 2004BC Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the NMFA and the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the NMFA. The NMFA serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006A Revenue Bonds. On September 19, 2006, the NMFA issued \$150,000 of State Transportation, Series 2006A Revenue Bonds. The Series 2006A Bonds were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the NMFA. The NMFA serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006B Revenue Bonds. On September 19, 2006, the NMFA issued \$39,005 of State Transportation, Series 2006B Refunding Revenue Bonds. The Series 2006B Bonds were issued to provide funds to refund and restructure certain outstanding bonds of the State Transportation Commission. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the NMFA. The NMFA serves in an agency capacity with respect to this bond issue.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

State Transportation Series 2006C Revenue Bonds. On September 19, 2006, the NMFA issued \$220,000 of State Transportation, Series 2006C Revenue Bonds. The Series 2006C Bonds were issued as adjustable rate securities and were issued to provide funds for certain transportation projects authorized by the Legislature that the New Mexico Department of Transportation has determined to be necessary or desirable as part of the GRIP transportation projects. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the NMFA. The NMFA serves in an agency capacity with respect to this bond issue.

State Transportation Series 2006D Revenue Bonds. On September 19, 2006, the NMFA issued \$50,680 of State Transportation, Series 2006D Revenue Bonds. The Series 2006D Bonds were issued to provide funds for an escrow account required to be maintained by the New Mexico Department of Transportation pursuant to a Joint Use Agreement between the New Mexico Department of Transportation and the BNSF Railway Company. Due to certain facts and circumstances specific to this bond issue, the liability associated with this debt is carried on the books of the New Mexico Department of Transportation and not the books of the NMFA. The NMFA serves in an agency capacity with respect to this bond issue.

Subsequent to June 30, 2007, the NMFA issued the following Public Project Revolving Funds Direct Loans, (PPRF) Water Project Fund/Water Trust Board Grants, and Subordinate Lien PPRF Revenue Bonds:

	Closing Date	Amount
PPRF Cash Loans:		
DL-New Mexico Junior College	07/06/2007	\$ 4,564
DL-Las Cruces City	07/06/2007	6,311
DL-Las Cruces City	07/06/2007	2,139
DL-Las Cruces City	07/06/2007	1,111
DL-Aztec Municipal School District 3	07/13/2007	15,000
DL-San Felipe Pueblo	07/20/2007	10,855
DL-Bloomfield District 6	07/20/2007	20,000
DL-Santa Rosa City	07/27/2007	128
DL-Las Vegas School District 2	07/27/2007	2,000
DL-Gila Regional Medical Center	08/10/2007	3,000
DL-Eagle Nest Village	08/10/2007	200
DL-Logan Village	08/17/2007	260
DL-Deming City	08/17/2007	1,024
DL-Bloomfield City	08/17/2007	1,728
DL-Sierra County	08/31/2007	5,075
DL-Gadsden Independent School District 16	09/14/2007	8,900

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

	Closing Date	Amount
PPRF Cash Loans:		
DL-Gadsden Independent School District 16	09/14/2007	\$ 2,350
DL-Cobre Consolidated School District 2	09/14/2007	2,800
DL-Albuquerque Bernalillo County Water Utility Authority	09/26/2007	77,005
Water Project Fund/Water Trust Board:		
WPF/WTB- Elephant Butte	08/03/2007	121
WPF/WTB- Anthony WSD	09/14/2007	75

On July 19, 2007, the NMFA issued \$38,475 of Subordinate Lien Public Project Revolving Fund Series 2007 B Revenue Bonds. The 2007 B Series Bonds were issued to 1) reimburse the Public Project Revolving fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) retire a borrowing of the NMFA incurred in anticipation of the issuance of the 2007 B Bonds, 3) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 B bonds, and 4) pay costs incurred with the issuance of the Series 2007 B bonds.

New Mexico Mortgage Finance Authority bonds outstanding consist of:

	Amount	Interest Rate	Final Maturity
Single Family Mortgage Programs			
<i>1994 Series A</i>	\$ 885	6.88	2025
<i>1994 Series B</i>	1,070	6.75	2025
<i>1994 Series C</i>	925	6.50	2025
<i>1994 Series D</i>	1,015	6.80	2026
<i>1994 Series E</i>	1,365	6.95	2026
<i>1994 Series F</i>	525	7.00	2026
<i>1995 Series H</i>	-	6.25	Called 2007
<i>1996 Series E</i>	-	5.70 – 6.35	Called 2007
<i>1996 Series G</i>	-	5.50 – 6.20	Called 2007
<i>1997 Series A</i>	-	5.50 – 6.20	Called 2007
<i>1997 Series B</i>	-	5.60 – 6.30	Called 2007
<i>1997 Series C</i>	-	5.45 – 7.43	Called 2007
<i>1997 Series E</i>	-	5.10 – 5.75	Called 2007
<i>1997 Series F</i>	-	5.00 – 5.70	Called 2007
<i>1997 Series G</i>	6,205	4.88 – 5.40	2029
<i>1998 Series A</i>	8,310	4.85 – 6.00	2029

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Single Family Mortgage Programs (Continued)

	Amount	Interest Rate	Final Maturity
<i>1998 Series B</i>	\$ 5,290	5.00 – 6.10	2030
<i>1998 Series C</i>	7,295	4.80 – 6.00	2029
<i>1998 Series D</i>	7,175	4.85 – 6.00	2030
<i>1998 Series E</i>	7,865	4.60 – 5.25	2030
<i>1999 Series A</i>	8,220	4.50 – 6.25	2030
<i>1999 Series B</i>	10,150	4.65 – 6.25	2030
<i>1999 Series C</i>	1,758	5.13	2029
<i>1999 Series D</i>	5,495	5.20 – 6.88	2030
<i>1999 Series E</i>	7,230	5.20 – 6.80	2031
<i>1999 Series F</i>	5,090	5.20 – 7.07	2031
<i>2000 Series A</i>	4,180	5.55 – 7.76	2031
<i>2000 Series B</i>	3,980	5.45 – 7.00	2032
<i>2000 Series C</i>	3,265	5.50 – 6.95	2032
<i>2000 Series D</i>	5,085	5.00 – 8.34	2032
<i>2000 Series E</i>	6,970	5.40 – 6.55	2032
<i>2000 Second Mortgage Series</i>	195	6.50	2018
<i>2001 Series A</i>	8,480	4.60 – 5.85	2032
<i>2001 Series B</i>	8,010	4.65 – 6.20	2033
<i>2001 Series C</i>	7,820	4.50 – 6.25	2033
<i>2001 Series D</i>	9,050	3.80 – 5.75	2033
<i>2002 Series A</i>	7,255	4.05 – 6.45	2033
<i>2002 Series B</i>	9,670	3.50 – 6.35	2033
<i>2002 Series C</i>	10,300	4.00 – 5.82	2034
<i>2002 Series D</i>	9,215	3.50 – 5.64	2034
<i>2002 Series E</i>	10,830	3.15 – 5.43	2034
<i>2002 Series F</i>	10,335	3.20 – 5.53	2034
<i>2003 Series A</i>	12,085	2.65 – 5.25	2034
<i>2003 Series B</i>	13,000	2.80 – 5.45	2034
<i>2003 Series C</i>	16,125	2.45 – 4.70	2034
<i>2003 Series D</i>	13,800	3.30 – 6.13	2034

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Single Family Mortgage Programs (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2003 Series E	\$ 17,040	2.80 – 5.89	2034
2004 Series A	16,100	2.50 – 5.29	2034
2004 Series B	18,960	2.40 – 4.75	2035
2004 Series C	19,770	3.20 – 5.65	2035
2004 Series D	22,485	3.45 – 6.15	2035
2004 Series E	21,765	2.90 – 5.50	2035
2005 Series A	23,710	2.80 – 5.50	2036
2005 Series B	25,095	3.45 – 6.10	2036
2005 Series C	23,525	3.35 – 5.85	2037
2005 Series D	32,695	3.50 – 5.85	2037
2006 Series A	46,450	3.55 – 5.95	2037
2006 Series B	34,160	3.50 – 5.90	2037
2006 Series C	53,875	3.60 – 6.15	2037
2006 Drawdown Issue **	-	Variable	2007
2006 Series D	44,375	3.80 – 6.00	2037
2006 Series E	44,795	3.85 – 6.05	2038
2006 Series F	60,000	3.70 – 5.60	2038
2007 Series A	50,000	3.75 – 5.75	2038
2007 Series B	94,755	3.55 – 6.00	2039
2007 Series C	60,000	4.63 – 5.92	2039
2007 Series D	70,000	4.50 – 6.27	2039
2007 Drawdown Issue**	254,611	Variable	2010
	<u>1,289,684</u>		
Rental Housing Programs			
1987 Series A & B	\$ 9,900	7.25	2011
1995 Multi-Family Risk-Sharing – La Villa Alegre	-	5.504	Called 2007
1997 Multi-Family Risk-Sharing – Las Brisas	3,230	6.45	2032
1997 Multi-Family Housing Revenue – Rio Volcan II	3,700	5.05 – 5.65	2018
1998 Series A & B Multi-Family Housing Revenue – The Bluffs at Tierra Contenta	8,545	5.20 – 6.03	2031
2001 Multi-Family Housing Refunding Revenue – Series A	2,755	5.00	2031

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Rental Housing Programs (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<i>2001 Multi-Family Housing Refunding Revenue – Series B</i>	\$ 7,565	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series C</i>	5,910	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series D</i>	2,785	5.00	2031
<i>2001 Series E and F Multi-Family Housing Revenue – Manzano Mesa</i>	9,695	5.55 – 7.05	2034
<i>2002 Series A & B Multi-Family Risk Sharing – Sandpiper</i>	9,725	5.40 – 6.75	2038
<i>2003 Series A & B Multi-Family Risk Sharing – Aztec</i>	9,250	5.10 – 5.35	2038
<i>2004 Series A & B Multi-Family Risk Sharing – NM5</i>	9,775	4.625 – 5.20	2039
<i>2004 Series C & D Multi-Family Risk Sharing – Alta Vista</i>	12,395	5.25 – 6.00	2039
<i>2004 Series E Multi-Family Housing Revenue – Lafayette</i>	7,455	6.5	2037
<i>2004 Series F & G Multi Family Risk Sharing – Arioso</i>	11,115	4.95 – 5.85	2040
<i>2005 Series A & B Multi Family Risk Sharing – Las Palomas</i>	11,890	4.70 – 5.68	2040
<i>2005 Series C & D Multi Family Risk Sharing – Chateau</i>	4,150	4.16 - 4.70	2040
<i>2005 Series E & F Multi Family Risk Sharing – Sun Pointe</i>	13,130	4.80 – 5.06	2040
<i>2006 Series A Multi Family Risk Sharing – Sunset View</i>	9,230	4.25 – 4.70	2045
<i>2007 Series A & B Multi Family Risk Sharing – St. Anthony</i>	5,975	5.05 – 5.60	2042
<i>2007 Series C & D Multi Family Risk Sharing – NM Rainbow</i>	14,060	5.85 – 10.00	2043
	<u>172,235</u>		

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Capital Debt

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<i>General Revenue Office Building Fund – Series 2005</i>	<u>\$ 2,646</u>	3.50 – 4.38	2026
<i>Unamortized premium, net of underwriter's discount</i>	<u>26,470</u>		
<i>Total Bonds Payable, net</i>	<u>\$ 1,491,035</u>		

** Variable interest rate equal to Bond Market Association Index for tax-exempt weekly variable rate demand bonds, but not less than 85.0 percent of LIBOR or more than 99.0 percent of LIBOR, with a maximum rate equal to the investment rate earned on the related investment of proceeds.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Annual debt service requirements to maturity are as follows:

Year ending September 30,	Principal	Interest	Total
2008	\$ 12,465	77,238	89,703
2009	16,648	76,614	93,262
2010	212,123	134,143	346,266
2011	28,596	74,987	103,583
2012	19,852	73,371	93,223
2013 to 2017	118,051	350,650	468,701
2018 to 2022	166,804	315,039	481,843
2023 to 2027	246,867	266,359	513,226
2028 to 2032	338,907	190,382	529,289
2033 to 2037	241,517	113,018	354,535
2038 to 2042	47,050	7,543	54,593
2043 to 2047	15,685	1,352	17,037
Total	1,464,565	1,680,696	3,145,261
Net unaccredited premium	26,470	-	26,470
Total	\$ 1,491,035	1,680,696	3,171,731

Bonds payable activity for the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 1,290,949	853,981	(653,895)	1,491,035	12,465

Certain General Obligation and Mortgage Purchase Program bonds were legally defeased in 2005 and 1992 and, therefore, are not reflected on the accompanying balance sheets. The outstanding balance of these bonds totaled approximately \$38,195 at September 30, 2007. The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, mortgage loans, MBSs, and other assets in the accounts established by the respective bond resolutions.

In November 2005, the NMMFA began issuing bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bonds are secured, as described in the General Indenture and the applicable amended and supplemented Series Indenture, by the revenues, moneys, investments, mortgage loans, MBSs, and other assets in the accounts established under the General Indenture and each Series Indenture.

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Prior to November 2005, the NMMFA issued bonds under separate Trust Indentures. The bonds are secured as described in each Trust Indenture by the revenue, moneys, investments, mortgage loans, MBSs, and other assets in the accounts established by each respective Trust Indenture.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2007 and 2006 were pooled and packaged as mortgage loans pass-through certificates insured by Government National Mortgage Association or Federal National Mortgage Association (GNMA or FNMA).

In April 2007, the NMMFA authorized the \$900,000 Single Family Mortgage Program Bonds, Draw Down Issue 2007. It is anticipated that these bonds will be refunded by bonds issued under the General Indenture, the proceeds of which will be used to purchase securitized mortgage loans under the respective amended and supplemented Series Indentures. Cumulative draw downs were \$366,619 through fiscal year ended September 30, 2007; as of September 30, 2007, approximately \$254,611 of proceeds from the bond issue outstanding is reflected in restricted cash and cash equivalents on the accompanying balance sheet. The bonds are issued at par value bearing variable interest to the Securities Industry and Financial Markets Municipal Swap Index for tax-exempt weekly variable rate demand bonds plus 0.7 percent, provided, however, that such interest rate on the bonds shall not be less than 90.0 percent of the Taxable Interest Rate or more than 100.0 percent of the Taxable Interest Rate. The Taxable Interest Rate is the per annum rate for deposits in United States dollars for one month which appears on the BBA Official LIBOR Fixings Page as of 11:00 a.m. London, England time on the rate setting date. On September 30, 2007 the interest rate on the Draw Down Issue 2007 was 5.19%. Due to the short-term nature of the Draw Down Issue 2006, there is no economic gain or loss from refunding on this issue.

In April 2007, the Single Family Mortgage Program Class I Bonds 2007 Series B was issued to fully refund the Single Family Mortgage Program Bonds 1995 Series H, 1996 Series E, 1996 Series G, 1997 Series A, 1997 Series C, 1997 Series E, and 1997 Series F. The NMMFA realized a \$7,400 positive cash flow from this refunding. The economic gain to NMMFA from refunding the 1995 Series H, 1996 Series E, 1996 Series G, 1997 Series A, 1997 Series B, 1997 Series C, 1997 Series E, and 1997 Series F bonds approximates \$6,000.

Subsequent to June 30, 2007, the NMMFA issued \$60,000 of Single Family Mortgage Program 2007 Series E Bonds. The bonds are to be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the bonds was sold at a premium of \$1,923 to fund assistance to borrowers in this bond issue.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
General obligation bonds	\$ 274,735	143,264	(46,125)	371,874	52,434
Severance tax bonds	577,935	164,901	(73,150)	669,686	116,708
Revenue bonds	1,453,057	460,485	(84,014)	1,829,528	74,170
Total bonds payable	2,305,727	768,650	(203,289)	2,871,088	243,312
Other payables					
Notes and loans payable	2,169	-	(94)	2,075	86
Capital leases	2,425	301	(1,400)	1,326	294
Other	58,724	13,280	(12)	71,992	4,284
Claims and judgments	48,466	3,640	(7,280)	44,826	9,012
Reserve for losses	13,743	-	(438)	13,305	-
Compensated absences	60,194	59,797	(57,333)	62,658	48,938
	185,721	77,018	(66,557)	196,182	62,614
Governmental activity long-term liabilities	\$ 2,491,448	845,668	(269,846)	3,067,270	305,926
Business-Type Activities					
Bonds payable					
Revenue bonds	\$ 718,629	2,406	(22,455)	698,580	23,930
Bond premiums and discounts	1,170	892	(1,189)	873	-
Total bonds payable	719,799	3,298	(23,644)	699,453	23,930
Capital leases	2,713	609	(992)	2,330	682
Compensated absences	57,648	52,833	(49,270)	61,211	40,918
Other	95,072	11,423	(8,838)	97,657	20,154
	155,433	64,865	(59,100)	161,198	61,754
Business-type activity long-term liabilities	\$ 875,232	68,163	(82,744)	860,651	85,684

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Tax and Revenue Anticipation Notes

The following notes were issued by the State of New Mexico during fiscal year 2007 and matured June 30, 2007:

- A. 2006 - 2007 Tax and Revenue Anticipation Notes, Series 2005, \$ 400 million.
- B. 2006 - 2007 Tax and Revenue Anticipation Notes, Series 2006A, \$ 300 million.

These notes were issued by the State of New Mexico under the authority of the Short-Term Cash Management Act, Section 6-12A-1, NMSA 1978. The notes were issued to fund a portion of the State's cash flow needs for the State General Fund during its fiscal year 2007.

The transactions related to the notes have been presented in accordance with accounting principles generally accepted in the United States of America (GASB Codification Section B50.101); accordingly, interest and issuance costs are presented in the accompanying financial statements as expenses/expenditures.

Short-term debt activity for the year ended June 30, 2007 was as follows:

	<u>Balance July 1,</u> <u>2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Issuance Cost</u>	<u>Balance June 30,</u> <u>2007</u>
Tax & Revenue Anticipation Notes	\$ (180)	700,000	(700,000)	-	(180)

The processes to deposit the proceeds from the notes and subsequently pay the notes were as follows:

The Office of the State Treasurer (State Treasurer) deposited the net proceeds from the sale of the notes, \$703,656 to its anticipation notes fund. The State Treasurer subsequently transferred the entire amount of the proceeds to the appropriation account fund (Central Accounting System fund number 853).

To pay the notes, the State's General Fund transferred \$724,501 from the appropriation account fund to the state treasurer anticipation notes debt service fund. From the debt service fund, the State Treasurer then paid the note principal and interest due at maturity.

Subsequent to June 30, 2007, the State of New Mexico issued the following Tax and Revenue Anticipation note: 2007 – 2008 Tax and Revenue Anticipation Notes, Series 2007, \$400 million.

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Tax and Revenue Anticipation Notes (Continued)

Short-term Debt

The State Treasurer issues six month, fixed-rate tax and revenue anticipation notes to provide short-term cash to carry on the State of New Mexico operations until tax revenues are received in June. Repayment of the notes comes from tax payments received in the year.

NOTE 3. OTHER INFORMATION

A. Risk Management

The State of New Mexico manages its risks internally and sets aside assets for claim settlement through its Internal Service Fund. Coverage is provided for the following:

Workers' Compensation	General Liability
Civil Rights and Foreign Jurisdiction	Automobile
Aircraft	Property
Money and Securities	Employee Fidelity Bond
Health/Life	ST & LT Disability

Coverage is extended to the entities contained within the enterprise funds, including universities and other schools.

The Internal Service Fund (ISF) services all claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and unemployment compensation. ISF has reinsurance for liability and civil rights claims in the amounts of \$1,050 each. All funds, agencies, and authorities of the State participate in ISF. ISF allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency, or public authority based on claims history and exposure of each participant. The charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophe losses.

ISF fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

Total insurance claims payable at June 30, 2007 were \$200,519. Insurance claims payable of \$200,519 represents amounts expected to be paid by the ISF for covered claims incurred but not reported with the General Services Department through June 30, 2007. The amount of the liability was determined by an independent actuarial consultant to the ISF. The liability is shown in the accompanying financial statements net of interest, computed at 2.6 percent (except for long-term disability liability, which is computed at 4.8 percent, expected to be earned between June 30, 2007, and the date the claims are ultimately paid.

Insurance claims payable presented are actuarial computed estimates of the costs of administering, defending, and settling claims for events that had occurred as of the year-end. Since these estimates are based on historical information and various statistical measures, actual amounts paid may vary significantly from the amount estimated by the fund actuaries and reported herein.

The basis of estimating the liabilities for unpaid claims is found in the independent actuarial report. The following shows the reconciliation of changes in the unpaid claims in the ISF, which are stated at present value.

	Balance			Balance
	June 30, 2006	Incurred	Payments	June 30, 2007
Surety Bond	\$ 153	5	(16)	142
Public Property Reserve	1,419	4,274	(3,582)	2,111
Workers Compensation	21,418	13,360	(7,509)	27,269
Public Liability	115,721	18,559	(26,419)	107,861
State Unemployment	4,162	3,644	(3,390)	4,416
Local Public Body	925	600	(575)	950
Group Insurance Premium	22,742	241,240	(206,213)	57,769
Total	<u>\$ 166,540</u>	<u>281,682</u>	<u>(247,704)</u>	<u>200,518</u>

It is possible that other claims against ISF may exist, but have not yet been asserted.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans

Plan Descriptions

The State maintains five cost-sharing multiple-employer public employees' retirement systems (Systems): Four separate systems are administered by the New Mexico Public Employees' Retirement Association (PERA) and one system is administered by the New Mexico Educational Employees' Retirement Board (ERB). PERA is the administrator of four pension plan funds, including the Public Employees Retirement System (PERS), the Judicial Retirement System (JRS), the Magistrate Retirement System (MRS), and the Volunteer Firefighters Retirement Fund (VFRF), (collectively, the Systems, offer an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators). The laws governing the administration of the Systems are set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (NMSA 1978) and applicable Replacement Pamphlets. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502.

PERA is directed by the Public Employees Retirement Board (Board) which consists of twelve members. Ten of the Board members are elected by PERA active and retired members under state and municipal coverage plans. Two Board members, the Secretary of State and the State Treasurer, are ex-officio members.

The number of participating government employers, the number of members, and payroll amounts for each system for the year ended June 30, 2007 were:

	JRS	MRS	VFRS	PERS	EERS
Number of employers					
State Agencies	-	-	-	119	10
Cities	-	-	-	83	-
Counties	-	-	-	33	-
Public Schools	-	-	-	-	90
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	58
Other	16	9	389	66	-
Retirees and beneficiaries receiving benefits	97	55	388	23,844	29,969
Terminated plan members not yet receiving benefits	12	13	N/A	3,325	29,942
Active plan members	117	52	5,638	51,645	62,687

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Plan Descriptions (continued)

Funding Benefit Policies

Public Employees Retirement System (PERS) - is a cost sharing, multiple employer defined benefit pension plan which has six divisions of members: State General, State Police/Hazardous Duty, Municipal General, Municipal Police, Municipal Fire, and State Legislative Divisions, and offers 18 different coverage plans. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in 10-11-3, NMSA 1978. Except as provided for in the Volunteer Firefighter Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978) and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Retirement ages vary depending upon the division to which the member belongs, but benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age. Early retirement benefits are also available at age 60 and above, and provisions exist for retirement between the ages of 60 and 65 with varying amounts of service required.

Generally, the amount of normal retirement pension is based on final average salary, which is defined as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2.0 percent to 3.5 percent of the member's final average salary per year of service. Depending on the division, except Legislative, the maximum benefit that can be paid to a retiree may not exceed a range of 60.0 percent to 100.0 percent of the final average salary. Legislative members who meet retirement eligibility requirements receive annual pensions equal to \$250 or \$500 (not in thousands) multiplied by the number of years of credited service.

Benefits for duty and non-duty death and disability and for post retirement survivors' annuities are also available.

Current member contributions for all divisions, except the State Legislative Division, are based upon a percentage of salary and range from 4.8 percent to 16.3 percent, depending upon the division and coverage plan. Employer's contributions, also a percentage of salaries paid, range from 7.0 percent to 25.7 percent. Contribution rates are established by State statute for all members. Members of the State Legislative Division contribute \$100 or \$200 (not in thousands) for each year of credited service; employer contributions for members of the State Legislative

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2007, was determined by the actuary to be \$586.

Judicial Retirement System (JRS) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in 10-12B-4 NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 1980, is determined as 75.0 percent of the salary received during the last years in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For those individuals who become members subsequent to July 1, 1980, the annual pension amount is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by 5.0 percent of the number of years in service, not exceeding fifteen years, plus five years. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5.0 percent of their salaries and the members' court contributes 9.0 percent of the member's salary. Additionally, the district court contributes \$38 (not in thousands) for each civil case docket fee paid. Contribution rates are established by State statute.

Magistrate Retirement Fund (MRF) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in 10-12C-4 NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 5 years. Early retirement at age 60 is available to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0 percent of the salary received during the last year prior to retirement by 5.0 percent of the number of years of service, not exceeding 15 years, plus 5 years.

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

Members' contributions are based on 5.0 percent of their salaries and the State of New Mexico, through the Administrative Office of the Courts, contributed at a rate of 9.0 percent of the member's salary. Additionally, the magistrate or metropolitan court contributed \$25 (not in thousands) for each civil case docket fee paid and \$10 (not in thousands) for each civil jury fee paid. Contribution rates are established by State statute.

Volunteer Firefighters Retirement Fund (VFRF) – is a cost-sharing, multiple employer defined benefit pension plan with a special funding situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in NMSA 1978 Section 10-11A-2 NMSA, the "Volunteer Firefighters Retirement Fund". Any volunteer non-salaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements set forth in the statute is eligible for membership in the Volunteer Firefighters Retirement fund, unless specifically excluded.

Benefits are available at age 55 or older to any member having served as a volunteer firefighter for not less than 10 years. Benefits are \$100 (not in thousands) per month with at least 10 but less than 25 years of service or \$200 (not in thousands) per month with 25 or more years of service. Benefits for post retirement surviving spouse annuities are also available

Members of the Volunteer Firefighters Retirement do not make contributions. State statutes required that the State Treasurer transfer \$750 during the 2007 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

The Educational Employees' Retirement System (EERS) – is a cost-sharing, multiple-employer plan established and administered by the ERB to provide retirement, disability, and death benefits for all certified teachers and other employees of the State's educational institutions, junior colleges, and technical-vocational institutions

The retirement benefit is determined by a formula. The formula includes three component parts: the member's final average salary, the number of years of service credit, and the .0235 constant factor. The final average salary (FAS) is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of coverage plan provisions are as follows:

A member is eligible to retire when one of the following events occur:

- The member's age and earned service credit add up to sum of 75 or more; or
- Age 65 or more with at least five years of earned service credit; or
- The member has earned service credit and allowed service credit totaling 25 or more years

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

- (1) A further requirement to be eligible to retire is that one must be a "member" having at least one year of employment after July 1, 1957 and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five, may contribute to the fund for each year needed. The cost of such contributions is 15.2 percent of the average salary of the last five years for each year of contributory employment needed plus 3 percent compounded interest from July 1, 1957 to the date of payment.
- (2) Normal Forms of Payment – The benefit is paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.
- (3) Normal Benefit – There are no reductions to the monthly benefit and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.
- (4) Optional Forms of Payment – There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor's benefit are irrevocable. Details of Options B and C follow:

Option B – The normal monthly benefit is reduced to provide for a 100.0 percent survivors benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement day to the election of Option B.

Option C – The normal monthly benefit is reduced to provide for a 50.0 percent survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the reduced 50.0 percent benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C.

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

(5) Cost of Living Adjustment – Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (“COLA”) in their benefit each July 1, beginning in the year the member attains or would have attained age 65. The adjustment is equal to one-half the change in Consumer Price Index (“CPI”), except that the COLA shall not exceed 4.0 percent, nor be less than 2.0 percent unless the change in CPI is less than 2.0 percent, in which case the COLA would equal the change in CPI. Members retired prior to July 1, 1984 are also entitled to an increase of the lesser of 3.0 percent or the increase in CPI for years prior to the attainment of age 65. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

(6) Disability Retirement:

Eligibility – A member is eligible for a disability benefit provided (a) he or she has credit for at least ten years of service, and (b) the disability is approved by the ERB.

Monthly Benefit – The monthly benefit is equal to 2.0 percent of FAS times years of service, but not less than the smaller of (a) one-third FAS or (b) 2.0 percent of FAS times years in service projected to age 60.

Form of Payment – The disability benefit commences immediately upon the member’s retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that if the payments made do not exceed the member’s accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member’s surviving beneficiary. If the disabled member survived to age 60, the regular option forms of payment are available.

(7) Deferred Retirement – A member of five or more years of earned service credit on deferred status may retire when eligible under the rule of 75 or when the member attains age 65.

(8) The Educational Retirement Act, Section 22-11-1 to 22-11-53, NMSA 1978, assigns the authority to establish and amend benefit provisions to the ERB.

Refund of Contributions – Members may withdraw their contributions only when they terminate covered employment in New Mexico and certification of termination has been provided by their former employers. Interest paid to members when they withdraw their contributions following termination of employment is a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, and contributions on deposit for less than one year.

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions

In addition to pension benefits as described in Note 3.C., the State provides other post-employment benefits (OPEB).

The Retiree Health Care Act (10-7C-1 to 10-7C-19, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico (Plan). The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the Retiree Health Care Fund, and by co-payments or out-of-pocket payments of eligible retirees.

The legislation establishing the Retiree Health Care Authority (RHCA) specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and the RHCA administering the Retiree Health Care Act (Act). However, the substantive plan created by the Act contains all requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for any participating government entity to withdraw membership and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. The RHCA received a legal opinion that the manner of legal organization of the RHCA is substantially equivalent to a trust. As such, this requires the RHCA to apply GASB 43 as a multi-employer cost sharing plan. The net assets of the RHCA are reported as restricted per GASB 46 and 10-7-C-14 NMSA 1978.

Monies flow to the RHCA on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority, and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, or the Magistrate Retirement Act or the Public Employees Retirement Act.

Employees of RHCA are allowed to participate in the Retiree Health Care Act. Eligible employees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Act on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years (per 2005 amendment).

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Rental Housing Programs (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<i>2001 Multi-Family Housing Refunding Revenue – Series B</i>	\$ 7,565	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series C</i>	5,910	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series D</i>	2,785	5.00	2031
<i>2001 Series E and F Multi-Family Housing Revenue – Manzano Mesa</i>	9,695	5.55 – 7.05	2034
<i>2002 Series A & B Multi-Family Risk Sharing – Sandpiper</i>	9,725	5.40 – 6.75	2038
<i>2003 Series A & B Multi-Family Risk Sharing – Aztec</i>	9,250	5.10 – 5.35	2038
<i>2004 Series A & B Multi-Family Risk Sharing – NM5</i>	9,775	4.625 – 5.20	2039
<i>2004 Series C & D Multi-Family Risk Sharing – Alta Vista</i>	12,395	5.25 – 6.00	2039
<i>2004 Series E Multi-Family Housing Revenue – Lafayette</i>	7,455	6.5	2037
<i>2004 Series F & G Multi Family Risk Sharing – Arioso</i>	11,115	4.95 – 5.85	2040
<i>2005 Series A & B Multi Family Risk Sharing – Las Palomas</i>	11,890	4.70 – 5.68	2040
<i>2005 Series C & D Multi Family Risk Sharing – Chateau</i>	4,150	4.16 - 4.70	2040
<i>2005 Series E & F Multi Family Risk Sharing – Sun Pointe</i>	13,130	4.80 – 5.06	2040
<i>2006 Series A Multi Family Risk Sharing – Sunset View</i>	9,230	4.25 – 4.70	2045
<i>2007 Series A & B Multi Family Risk Sharing – St. Anthony</i>	5,975	5.05 – 5.60	2042
<i>2007 Series C & D Multi Family Risk Sharing – NM Rainbow</i>	14,060	5.85 – 10.00	2043
	<u>172,235</u>		

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Annual debt service requirements to maturity are as follows:

Year ending September 30,	Principal	Interest	Total
2008	\$ 12,465	77,238	89,703
2009	16,648	76,614	93,262
2010	212,123	134,143	346,266
2011	28,596	74,987	103,583
2012	19,852	73,371	93,223
2013 to 2017	118,051	350,650	468,701
2018 to 2022	166,804	315,039	481,843
2023 to 2027	246,867	266,359	513,226
2028 to 2032	338,907	190,382	529,289
2033 to 2037	241,517	113,018	354,535
2038 to 2042	47,050	7,543	54,593
2043 to 2047	15,685	1,352	17,037
Total	1,464,565	1,680,696	3,145,261
Net unaccredited premium	26,470	-	26,470
Total	\$ 1,491,035	1,680,696	3,171,731

Bonds payable activity for the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 1,290,949	853,981	(653,895)	1,491,035	12,465

Certain General Obligation and Mortgage Purchase Program bonds were legally defeased in 2005 and 1992 and, therefore, are not reflected on the accompanying balance sheets. The outstanding balance of these bonds totaled approximately \$38,195 at September 30, 2007. The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, mortgage loans, MBSs, and other assets in the accounts established by the respective bond resolutions.

In November 2005, the NMMFA began issuing bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bonds are secured, as described in the General Indenture and the applicable amended and supplemented Series Indenture, by the revenues, moneys, investments, mortgage loans, MBSs, and other assets in the accounts established under the General Indenture and each Series Indenture.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
General obligation bonds	\$ 274,735	143,264	(46,125)	371,874	52,434
Severance tax bonds	577,935	164,901	(73,150)	669,686	116,708
Revenue bonds	1,453,057	460,485	(84,014)	1,829,528	74,170
Total bonds payable	2,305,727	768,650	(203,289)	2,871,088	243,312
Other payables					
Notes and loans payable	2,169	-	(94)	2,075	86
Capital leases	2,425	301	(1,400)	1,326	294
Other	58,724	13,280	(12)	71,992	4,284
Claims and judgments	48,466	3,640	(7,280)	44,826	9,012
Reserve for losses	13,743	-	(438)	13,305	-
Compensated absences	60,194	59,797	(57,333)	62,658	48,938
	185,721	77,018	(66,557)	196,182	62,614
Governmental activity long-term liabilities	\$ 2,491,448	845,668	(269,846)	3,067,270	305,926
Business-Type Activities					
Bonds payable					
Revenue bonds	\$ 718,629	2,406	(22,455)	698,580	23,930
Bond premiums and discounts	1,170	892	(1,189)	873	-
Total bonds payable	719,799	3,298	(23,644)	699,453	23,930
Capital leases	2,713	609	(992)	2,330	682
Compensated absences	57,648	52,833	(49,270)	61,211	40,918
Other	95,072	11,423	(8,838)	97,657	20,154
	155,433	64,865	(59,100)	161,198	61,754
Business-type activity long-term liabilities	\$ 875,232	68,163	(82,744)	860,651	85,684

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Tax and Revenue Anticipation Notes (Continued)

Short-term Debt

The State Treasurer issues six month, fixed-rate tax and revenue anticipation notes to provide short-term cash to carry on the State of New Mexico operations until tax revenues are received in June. Repayment of the notes comes from tax payments received in the year.

NOTE 3. OTHER INFORMATION

A. Risk Management

The State of New Mexico manages its risks internally and sets aside assets for claim settlement through its Internal Service Fund. Coverage is provided for the following:

Workers' Compensation	General Liability
Civil Rights and Foreign Jurisdiction	Automobile
Aircraft	Property
Money and Securities	Employee Fidelity Bond
Health/Life	ST & LT Disability

Coverage is extended to the entities contained within the enterprise funds, including universities and other schools.

The Internal Service Fund (ISF) services all claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and unemployment compensation. ISF has reinsurance for liability and civil rights claims in the amounts of \$1,050 each. All funds, agencies, and authorities of the State participate in ISF. ISF allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency, or public authority based on claims history and exposure of each participant. The charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophe losses.

ISF fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans

Plan Descriptions

The State maintains five cost-sharing multiple-employer public employees' retirement systems (Systems): Four separate systems are administered by the New Mexico Public Employees' Retirement Association (PERA) and one system is administered by the New Mexico Educational Employees' Retirement Board (ERB). PERA is the administrator of four pension plan funds, including the Public Employees Retirement System (PERS), the Judicial Retirement System (JRS), the Magistrate Retirement System (MRS), and the Volunteer Firefighters Retirement Fund (VFRF), (collectively, the Systems, offer an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators). The laws governing the administration of the Systems are set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (NMSA 1978) and applicable Replacement Pamphlets. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502.

PERA is directed by the Public Employees Retirement Board (Board) which consists of twelve members. Ten of the Board members are elected by PERA active and retired members under state and municipal coverage plans. Two Board members, the Secretary of State and the State Treasurer, are ex-officio members.

The number of participating government employers, the number of members, and payroll amounts for each system for the year ended June 30, 2007 were:

	JRS	MRS	VFRS	PERS	EERS
Number of employers					
State Agencies	-	-	-	119	10
Cities	-	-	-	83	-
Counties	-	-	-	33	-
Public Schools	-	-	-	-	90
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	58
Other	16	9	389	66	-
Retirees and beneficiaries receiving benefits	97	55	388	23,844	29,969
Terminated plan members not yet receiving benefits	12	13	N/A	3,325	29,942
Active plan members	117	52	5,638	51,645	62,687

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2007, was determined by the actuary to be \$586.

Judicial Retirement System (JRS) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in 10-12B-4 NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 1980, is determined as 75.0 percent of the salary received during the last years in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For those individuals who become members subsequent to July 1, 1980, the annual pension amount is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by 5.0 percent of the number of years in service, not exceeding fifteen years, plus five years. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5.0 percent of their salaries and the members' court contributes 9.0 percent of the member's salary. Additionally, the district court contributes \$38 (not in thousands) for each civil case docket fee paid. Contribution rates are established by State statute.

Magistrate Retirement Fund (MRF) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in 10-12C-4 NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 5 years. Early retirement at age 60 is available to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0 percent of the salary received during the last year prior to retirement by 5.0 percent of the number of years of service, not exceeding 15 years, plus 5 years.

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2007, was determined by the actuary to be \$586.

Judicial Retirement System (JRS) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in 10-12B-4 NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 1980, is determined as 75.0 percent of the salary received during the last years in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For those individuals who become members subsequent to July 1, 1980, the annual pension amount is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by 5.0 percent of the number of years in service, not exceeding fifteen years, plus five years. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5.0 percent of their salaries and the members' court contributes 9.0 percent of the member's salary. Additionally, the district court contributes \$38 (not in thousands) for each civil case docket fee paid. Contribution rates are established by State statute.

Magistrate Retirement Fund (MRF) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in 10-12C-4 NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 5 years. Early retirement at age 60 is available to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0 percent of the salary received during the last year prior to retirement by 5.0 percent of the number of years of service, not exceeding 15 years, plus 5 years.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

	Closing Date	Amount
PPRF Cash Loans:		
DL-Gadsden Independent School District 16	09/14/2007	\$ 2,350
DL-Cobre Consolidated School District 2	09/14/2007	2,800
DL-Albuquerque Bernalillo County Water Utility Authority	09/26/2007	77,005
Water Project Fund/Water Trust Board:		
WPF/WTB- Elephant Butte	08/03/2007	121
WPF/WTB- Anthony WSD	09/14/2007	75

On July 19, 2007, the NMFA issued \$38,475 of Subordinate Lien Public Project Revolving Fund Series 2007 B Revenue Bonds. The 2007 B Series Bonds were issued to 1) reimburse the Public Project Revolving fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) retire a borrowing of the NMFA incurred in anticipation of the issuance of the 2007 B Bonds, 3) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 B bonds, and 4) pay costs incurred with the issuance of the Series 2007 B bonds.

New Mexico Mortgage Finance Authority bonds outstanding consist of:

	Amount	Interest Rate	Final Maturity
Single Family Mortgage Programs			
1994 Series A	\$ 885	6.88	2025
1994 Series B	1,070	6.75	2025
1994 Series C	925	6.50	2025
1994 Series D	1,015	6.80	2026
1994 Series E	1,365	6.95	2026
1994 Series F	525	7.00	2026
1995 Series H	-	6.25	Called 2007
1996 Series E	-	5.70 – 6.35	Called 2007
1996 Series G	-	5.50 – 6.20	Called 2007
1997 Series A	-	5.50 – 6.20	Called 2007
1997 Series B	-	5.60 – 6.30	Called 2007
1997 Series C	-	5.45 – 7.43	Called 2007
1997 Series E	-	5.10 – 5.75	Called 2007
1997 Series F	-	5.00 – 5.70	Called 2007
1997 Series G	6,205	4.88 – 5.40	2029
1998 Series A	8,310	4.85 – 6.00	2029

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

- (1) A further requirement to be eligible to retire is that one must be a "member" having at least one year of employment after July 1, 1957 and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five, may contribute to the fund for each year needed. The cost of such contributions is 15.2 percent of the average salary of the last five years for each year of contributory employment needed plus 3 percent compounded interest from July 1, 1957 to the date of payment.
- (2) Normal Forms of Payment – The benefit is paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.
- (3) Normal Benefit – There are no reductions to the monthly benefit and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.
- (4) Optional Forms of Payment – There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor's benefit are irrevocable. Details of Options B and C follow:

Option B – The normal monthly benefit is reduced to provide for a 100.0 percent survivors benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement day to the election of Option B.

Option C – The normal monthly benefit is reduced to provide for a 50.0 percent survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the reduced 50.0 percent benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C.

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions

In addition to pension benefits as described in Note 3.C., the State provides other post-employment benefits (OPEB).

The Retiree Health Care Act (10-7C-1 to 10-7C-19, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico (Plan). The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the Retiree Health Care Fund, and by co-payments or out-of-pocket payments of eligible retirees.

The legislation establishing the Retiree Health Care Authority (RHCA) specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and the RHCA administering the Retiree Health Care Act (Act). However, the substantive plan created by the Act contains all requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for any participating government entity to withdraw membership and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. The RHCA received a legal opinion that the manner of legal organization of the RHCA is substantially equivalent to a trust. As such, this requires the RHCA to apply GASB 43 as a multi-employer cost sharing plan. The net assets of the RHCA are reported as restricted per GASB 46 and 10-7-C-14 NMSA 1978.

Monies flow to the RHCA on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority, and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, or the Magistrate Retirement Act or the Public Employees Retirement Act.

Employees of RHCA are allowed to participate in the Retiree Health Care Act. Eligible employees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Act on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years (per 2005 amendment).

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

- (1) A further requirement to be eligible to retire is that one must be a "member" having at least one year of employment after July 1, 1957 and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five, may contribute to the fund for each year needed. The cost of such contributions is 15.2 percent of the average salary of the last five years for each year of contributory employment needed plus 3 percent compounded interest from July 1, 1957 to the date of payment.
- (2) Normal Forms of Payment – The benefit is paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.
- (3) Normal Benefit – There are no reductions to the monthly benefit and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.
- (4) Optional Forms of Payment – There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor's benefit are irrevocable. Details of Options B and C follow:

Option B – The normal monthly benefit is reduced to provide for a 100.0 percent survivors benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement day to the election of Option B.

Option C – The normal monthly benefit is reduced to provide for a 50.0 percent survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the reduced 50.0 percent benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions (Continued)

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an amount equal to 0.1 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of \$5 (not in thousands) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator or former governing authority member. In addition, former legislators and governing authority members are required to pay 100.0 percent of the claims and administrative costs of the plan. Participants may also enroll in optional plans of coverage. The State's annual OPEB cost for the current year and the related information are as follows:

Plan Year Beginning	Annual Required Contributions	Actual Contributions Employers and Employees	Actual Contributions State of New Mexico Pension Trust	Percentage Contributed
July 1, 2006	\$383,244	\$71,218	\$9,468	21.1%

Contributions for participating employers and participating employees become the property of the Retirement Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Act. The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis.

The post employment benefit expenses for the year ended June 30, 2007, consisted of premiums and claims paid in the amount of \$172,189. Participant contributions were \$143,703. Therefore, the net expense for the year was \$28,486. As of June 30, 2007, approximately 25,000 retirees were participating in the plan.

For the Plan, as of June 30, 2006, the most recent actuarial valuation date, fund progress was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
June 30, 2006	\$154,539	\$4,264,181	\$4,109,642	3.6%	\$4,073,732	101.0%

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The projection of benefits does not incorporate potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The following simplifying assumptions were made when the Alternative Measurement Method was used:

- *Actuarial cost method* – Entry age normal, level percent of pay.
- *Amortization method* – 30 year open ended amortization, with the initial payment determined as if future payments would theoretically increase each year on a level percent of pay basis.
- *Remaining amortization period* – 30 years as of June 30, 2006.
- *Asset valuation method*- The actuarial value of assets is the market value of assets.

Actuarial assumptions:

- *Discount rate* – 5.0 percent
- *Projected payroll increases* – 4.0 percent

Health care cost trend rate:

- *Prescription Drug* – 11.0 percent from July 1, 2007 to July 1, 2008, decreasing by 1.0 percent for each year until it reaches an ultimate rate of 5.0 percent.
- *Medical- Under Age 65* – 11.0 percent from July 1, 2007 to July 1, 2008, then decreasing by 1.0 percent for each year until it reaches an ultimate rate of 5 percent. Age 65 and over – 8.6 percent from July 1, 2007 to July 1, 2008, then 10.5 percent decreasing by 1.0 percent for each year until it reaches an ultimate rate of 5.0 percent.

The State of New Mexico is required to adopt GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (Statement)*, for the year ended June 30, 2008. The State of New Mexico, through the RHCA, offers retiree healthcare (*other postemployment benefits*) (OPEB) as part of the total compensation offered. OPEB includes *postemployment healthcare*, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB.

D. Deferred Compensation Plan

The State of New Mexico offers state, local government and school district employees a deferred compensation plan (Plan) under NMSA 1978, Sections 10-7A-1 through 10-7A-12, the “Deferred Compensation Act,” in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available until termination, retirement, death or unforeseeable emergency.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

D. Deferred Compensation Plan (Continued)

The Plan uses a third party administrator, and all costs of administration and funding are borne by the Plan participants. The assets of the Plan are not assets of the State, but are held in trust for the exclusive benefit of Plan participants and their beneficiaries. The State has no liability for losses under the Plan but does have the duty of due care that would be required of a fiduciary agent.

E. Arbitrage on Tax-Exempt Bonds

Prior to the Tax Reform Act of 1986 (TRA), state and local governments had up to three years to use the proceeds from tax exempt bonds issued by them before arbitrage on such proceeds had to be paid to the U.S. Treasury Department. Arbitrage, as defined, is the excess interest earned by a state or local government on proceeds from the sale of its bonds over interest paid to bond holders.

TRA 1986 required rebate of such arbitrage to the U.S. Treasury Department on governmental bonds issued after August 31, 1986, and on private activity bonds issued after December 31, 1984, when the proceeds were held for six months or longer. These rebates must be calculated annually and paid at the end of every fifth year until the bonds are retired.

The Revenue Reconciliation Act of 1989 amended the six month rule. For bonds issued after December 19, 1989, the rebate requirement does not apply if, both, all of the gross proceeds of the issue, other than the reserve fund, are spent within the six month period following the date of issue, and the rebate requirement is satisfied for the reserve fund after the six month period. The term gross proceeds for purposes of the rule includes both the sale proceeds received from the bonds purchaser on the issue date and investment earnings on such proceeds during the 6 month period. Gross proceeds deposited in a reserve fund or bona fide debt service fund, however, are not subject to the expenditure requirement.

The following is a schedule of bond issues, along with the bond year ends and arbitrage rebate due dates. The State Treasurer has completed the first arbitrage computation for the bonds as indicated:

	Bond Year End of First Rebate Computation	First Arbitrage Rebate Due Date	First Computation of Arbitrage Completed
Capital Projects General Obligation Bonds Series 1999	9/1/04	10/1/04	X
General Obligation Bonds Series 2001	3/21/06	5/20/06	X
General Obligation Bonds Refunding Series 2001 –A	9/1/04	10/1/04	X
General Obligation Bonds Refunding Series 2001 –B	9/1/06	10/1/06	X
General Obligation Bonds Series 2003	3/18/08	5/17/08	
General Obligation Bonds Refunding Series 2003 –B	4/16/08	6/15/08	
General Obligation Bonds Series 2005	3/1/10	4/30/10	
Severance Tax Refunding Bonds Series 1997 – A	7/1/01	8/1/02	X
Severance Tax Refunding Bonds Series 1998 – A	7/1/03	8/1/03	X
Severance Tax Bonds Series 1993 – B	7/1/98	8/1/98	X

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds (Continued)

	Bond Year End of First Rebate Computation	First Arbitrage Rebate Due Date	First Computation of Arbitrage Completed
Severance Tax Bonds Series 1994 – B	7/1/99	8/1/99	X
Severance Tax Bonds Series 1995 – A	7/1/00	8/1/00	X
Severance Tax Bonds Series 1995 – B	7/1/00	8/1/00	X
Severance Tax Bonds Series 1996 – A	12/20/01	2/20/02	X
Severance Tax Bonds Series 1999 – B	7/1/04	8/1/04	X
Severance Tax Bonds Series 1999 – A Supplemental	11/17/04	1/17/05	X
Severance Tax Bonds Series 2000	7/1/05	8/1/05	X
Severance Tax Bonds Series 2000C Supplemental	11/16/05	1/16/06	X
Severance Tax Bonds Refunding Series 2001 – A	12/20/06	2/20/07	
Severance Tax Bonds Series 2002 – A	6/19/07	8/18/07	
Severance Tax Bonds Series 2002 – A Supplemental	1/16/07	3/16/07	
Severance Tax Bonds Series 2002B Supplemental	11/14/07	1/13/08	
Severance Tax Bonds Series 2006 – A	6/20/11	8/16/11	
Severance Tax Bonds Series 2003 – A	6/27/08	8/26/08	
Severance Tax Bonds Series 2003B Supplemental	10/14/08	12/13/08	
Severance Tax Bonds Series 2004 – A	6/15/09	8/14/09	
Severance Tax Bonds Series 2004B Supplemental	11/17/09	1/16/10	
Severance Tax Bonds Series 2005 – A	6/15/10	8/14/10	
Severance Tax Bonds Series 2005B – 1 Refunding	6/28/10	8/27/10	
Severance Tax Bonds Series 2005B – 2 Supplemental	6/28/10	8/27/10	
Enhanced 911 Revenue Bonds Series 2000	9/12/05	10/12/05	X

Interest earnings on invested bond proceeds through June 30, 2007, did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service which are known and measurable are recorded as an accrued liability in the accompanying financial statements.

NOTE 3. OTHER INFORMATION (CONTINUED)

F. Commitments and Contingencies

Federal Funds

The State received funding from federal sources for specific purposes. The funds are subject to audit, which may result in expenses that are disallowed, or other noncompliance findings under the terms of the funding source's guidelines. The State believes that such disallowances or other noncompliance findings, if any, would not be material to the State's financial position.

Litigation

The State has been named as defendant in several lawsuits or complaints. Neither the final outcome nor the amount of potential loss from these cases is presently determinable. However, management estimates that the potential loss to the State, if any, is not likely to be material to the State's financial statements.

G. Deficit Fund Balance

The unreserved, undesignated fund balance of Health and Human Services had a deficit as a result of expenditures in excess of available resources. The unrestricted net assets of the Internal Service, Lottery Authority, Commission for the Blind, and State Fair Commission funds had deficits as a result of general and administrative expenses exceeding current year revenue.

Discretely Presented Component Units

New Mexico Finance Authority.

The governmental net assets of the New Mexico Finance Authority had a deficit as a result of the decline in certain grant funds.

H. Land Grant Permanent Fund (LGPF)

The Fergusson Act of 1898 and the Enabling Act of 1910 granted certain lands held by the federal government to the territory of New Mexico. Under the terms of these grants, it was stipulated that such lands, totaling 13 million acres, were to be held in trust for the benefit of the public schools and other specific public institutions. Royalties and principal from land sales are transferred by the Commissioner of Public Lands to the State Investment Council, which adds these amounts to the Land Grant Permanent Fund (LGPF). Gains and losses on investment transactions are credited or charged to the LGPF and do not directly affect distributions to the beneficiaries.

On September 23, 2003, New Mexico voters approved Constitutional Amendment No.2 that changed the LGPF distributions. Beginning with the October 2003 distribution, the annual distributions from the LGPF are five percent of the average of the year-end market values of the LGPF for the immediately preceding five calendar years. In addition to the five percent annual distribution made pursuant to the following schedule: in fiscal years 2005 through 2012, an amount equal to eight-tenths percent (0.8%) of the average of the year-end market values of the LGPF for the immediately preceding five calendar years; and in fiscal years 2013 through 2016, an amount equal to one-half percent (0.5%) of the average of the year-end market values of the LGPF for the immediately preceding five calendar years.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

H. Land Grant Permanent Fund (Continued)

The Legislature, by a three-fifth's vote of the members elected to each house, may suspend any additional distributions noted above. In addition, no additional distribution shall be made in any fiscal year if the average of the year-end market values of the LGPF for the immediately preceding five calendar years is less than \$5,800,000.

<u>Beneficiary</u>	<u>Balance June 30, 2006</u>	<u>Earnings from State Lands</u>	<u>Other Decreases in Capital Accounts, Net</u>	<u>Balance June 30, 2007</u>	<u>Participation Percentage June 30, 2007</u>
Benefiting the State, included in governmental funds:					
Charitable Penal and Reform	\$ 80,535	5,380	11,636	97,551	0.91%
Miner's Colfax Medical Center	100,811	3,853	12,093	116,757	1.09
New Mexico Boys School	681	-	62	743	0.01
New Mexico State Hospital	21,156	1,316	3,653	26,125	0.24
Improvements to the Rio Grande	28,194	514	2,913	31,621	0.30
Water Reservoirs	96,316	7,384	16,600	120,300	1.12
Penitentiary of New Mexico	184,971	7,428	21,567	213,966	2.00
Public Buildings – Capitol	109,045	3,382	12,867	125,294	1.17
	<u>621,709</u>	<u>29,257</u>	<u>81,391</u>	<u>732,357</u>	<u>6.84</u>
Benefiting the State, included in proprietary funds:					
Eastern New Mexico University	8,783	196	794	9,773	0.09
New Mexico Highlands University	2,577	198	233	3,008	0.03
New Mexico Institute of Mining and Technology	17,945	1,471	1,992	21,408	0.20
New Mexico Military Institute	321,225	11,237	38,503	370,965	3.46
New Mexico School for the Deaf	191,252	7,512	22,403	221,167	2.06
New Mexico School for the Visually Handicapped	190,765	7,397	22,361	220,523	2.06
New Mexico State University	40,862	5,335	5,957	52,154	0.49
Northern New Mexico College	1,865	199	180	2,244	0.02
The University of New Mexico	151,693	6,458	17,018	175,169	1.64
The University of New Mexico Saline Lands	668	-	50	718	0.01
Western New Mexico University	2,596	199	234	3,029	0.03
	<u>930,231</u>	<u>40,202</u>	<u>109,725</u>	<u>1,080,158</u>	<u>10.09</u>
No: considered to benefit the State, included in fiduciary funds:					
Public Schools	7,579,186	329,144	987,248	8,895,578	83.07
Total net assets held in trust for pool participants	<u>\$ 9,131,126</u>	<u>398,603</u>	<u>1,178,363</u>	<u>1,708,093</u>	<u>100%</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

I. Segment Information

The following is condensed financial information for the segments within the proprietary funds that have revenue bonds:

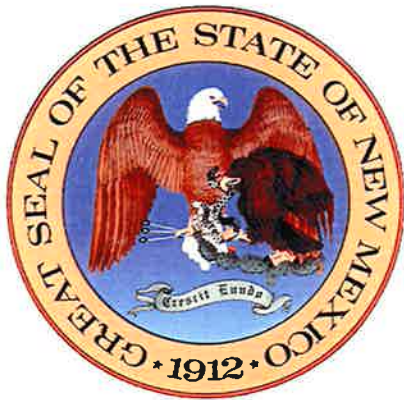
	State Fair	Miners' Colfax Medical Center	Educational Institutions						University of New Mexico
			New Mexico State	Eastern New Mexico	New Mexico Highlands	New Mexico Military Institute	New Mexico Tech	Western New Mexico	
Condensed Statement of Net Assets									
Current assets	\$ 9,026	15,971	132,349	31,076	31,375	10,277	40,394	11,934	563,368
Capital assets	40,284	28,620	358,395	90,569	43,001	56,500	124,637	24,907	954,003
Other assets	607	8,124	188,130	36,434	5,541	387,867	72,555	4,072	448,167
Total assets	\$ 49,917	52,715	678,874	158,079	79,917	454,644	237,586	40,913	1,965,538
Current liabilities	\$ 2,169	2,499	89,129	17,251	8,157	3,800	31,956	3,186	218,047
Long-term liabilities	4,448	15,423	116,646	24,214	2,982	5,994	9,412	5,674	546,600
Total liabilities	\$ 6,617	17,922	205,775	41,465	11,139	9,794	41,368	8,860	764,647
Invested in capital assets, net of related debt	\$ 35,469	12,577	258,516	71,598	39,381	49,528	123,887	19,686	284,379
Restricted	9,193	4,854	111,564	24,413	22,219	387,459	47,919	11,138	518,444
Unrestricted	(1,362)	17,362	103,019	20,603	7,179	7,863	24,412	1,229	398,068
Total net assets	\$ 43,300	34,793	473,099	116,614	68,778	444,850	196,218	32,053	1,200,891
Condensed Statement of Activities									
Operating Revenues:									
Sales/services	\$ 9,169	16,367	36,860	10,263	2,950	4,537	3,837	1,842	103,403
Investment income	-	2,690	-	-	444	-	1,209	242	-
Licenses and fees	4,450	-	-	-	-	-	-	-	-
Net student tuition and fees	-	-	46,272	9,326	7,587	2,152	5,311	3,555	91,687
Patient income	-	-	-	-	-	-	-	-	133,380
Other	2,013	613	215,957	33,092	16,172	3,092	107,179	8,121	616,886
Total operating revenues	15,632	19,670	299,089	52,681	27,153	9,781	117,536	13,760	945,356
Operating Expenses:									
Operating expense	6,822	18,445	472,320	28,660	21,359	6,829	104,324	23,338	614,528
Depreciation	2,100	1,032	26,899	5,920	5,216	2,519	9,915	2,419	42,670
General and administrative	8,704	-	-	64,283	31,234	15,555	29,302	7,717	677,736
Total operating expenses	17,626	19,477	499,219	98,863	57,809	24,903	143,541	33,474	1,334,934
Operating income (loss)	(1,994)	193	(200,130)	(46,182)	(30,656)	(15,122)	(26,005)	(19,714)	(389,578)

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

I. Segment Information (Continued)

	Educational Institutions								
	State Fair	Miners' Colfax Medical Center	New Mexico State	Eastern New Mexico	New Mexico Highlands	New Mexico Military Institute	New Mexico Tech	Western New Mexico	University of New Mexico
Non Operating Revenue (Expense)									
Government grants and contracts	\$ -	-	-	45,673	32,564	-	30,093	19,625	295,425
Net investment income	352	102	7,480	1,883	1,535	54,213	4,260	355	88,477
Other revenue	12,360	3	196,208	2,565	-	16,913	981	-	131,711
Interest expense	(152)	-	(2,221)	(819)	-	(363)	-	-	(15,251)
Other expense	-	-	(13,106)	-	-	(29)	-	-	-
Total non-operating income	12,560	105	188,361	49,302	34,099	70,734	35,334	19,980	500,362
Other	-	-	52,094	7,625	1,448	8,487	3,215	2,231	49,313
Net transfers	-	(1)	-	-	-	-	-	-	-
Change in net assets	10,566	297	40,325	10,745	4,891	64,099	12,544	2,497	160,097
Net assets at beginning of year	32,734	34,496	105,870	432,773	63,888	380,751	183,674	29,556	1,040,793
Net assets at end of year	\$ 43,300	34,793	116,614	473,099	68,778	444,850	196,218	32,053	1,200,891
Condensed Statement of Cash Flows									
Net cash provided (used) by:									
Operating activities	\$ (592)	459	(179,791)	(39,979)	(28,065)	(12,425)	(18,468)	(19,026)	(311,225)
Non-capital financing activities	-	-	202,839	48,238	34,011	39	27,822	19,625	442,028
Capital and related financing activities	3,034	(17,512)	(18,650)	(13,017)	(4,247)	(1,062)	(2,576)	(505)	(182,602)
Investing activities	352	12,139	7,179	4,002	641	11,838	(469)	355	113,813
Cash and cash equivalents at beginning of year	6,500	16,951	20,504	23,395	20,210	7,390	26,156	4,623	94,067
Cash and cash equivalents at end of year	\$ 9,294	12,037	32,081	22,639	22,550	5,780	32,465	5,072	156,081



**OTHER REQUIRED
SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - GENERAL FUND
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Direct revenues				
Licenses and fees	\$ 6,974	7,040	8,932	1,892
Taxes	-	-	-	-
Miscellaneous	21,378	29,516	29,002	(514)
Interest	2,862	6,182	8,858	2,676
Grants	157,087	205,508	93,261	(112,247)
Other	49,041	49,927	68,216	18,289
Prior year funds rebudgeted	26,775	31,607	3,963	(27,644)
Other state funds	38,570	39,414	38,426	(988)
	<u>302,687</u>	<u>369,194</u>	<u>250,658</u>	<u>(118,536)</u>
Indirect revenues				
Transfers	10,294	12,644	8,860	(3,784)
Appropriations*	780,677	805,176	801,874	(3,302)
Other financing sources	46,846	51,520	52,052	532
	<u>837,817</u>	<u>869,340</u>	<u>862,786</u>	<u>(6,554)</u>
Total revenues	<u>\$ 1,140,504</u>	<u>1,238,534</u>	<u>1,113,444</u>	<u>(125,090)</u>
Expenditures				
Personnel services and benefits	\$ 627,859	630,257	608,014	22,243
Supplies	-	-	-	-
Contractual services	145,601	179,138	136,006	43,132
Operating costs	14,679	17,212	15,700	1,512
Other costs	343,399	403,402	257,128	146,274
Capital outlay	9,720	9,470	11,054	(1,584)
Other uses	7,209	8,768	9,922	(1,154)
Total expenditures	<u>\$ 1,148,467</u>	<u>1,248,247</u>	<u>1,037,824</u>	<u>210,423</u>

* This is tax revenue that is appropriated to the individual general funds of each agency from the State General Fund's Appropriation Account.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - EDUCATION
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	Education			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Direct revenues				
Fees and charges	\$ -	-	-	-
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	100	100	175	75
Interest	100	100	1,880	1,780
Grants	432,990	519,486	379,924	(139,562)
Other	108,602	108,602	208,888	100,286
Other state funds	48,547	48,624	18,500	(30,124)
Prior year funds rebudgeted	393,200	392,388	-	(392,388)
	<u>983,539</u>	<u>1,069,300</u>	<u>609,367</u>	<u>(459,933)</u>
Indirect revenues				
Transfers	-	-	-	-
Appropriations*	2,324,121	2,324,241	2,306,491	(17,750)
Other financing sources	70,238	73,006	73,506	500
	<u>2,394,359</u>	<u>2,397,247</u>	<u>2,379,997</u>	<u>(17,250)</u>
Total revenues	\$ 3,377,898	3,466,547	2,989,364	(477,183)
Expenditures				
Personnel services and benefits	\$ 42,910	46,407	42,554	3,853
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	32,091	51,958	41,374	10,584
Operating costs	1,496	1,664	1,247	417
Other costs	3,199,623	3,481,525	2,849,938	631,587
Capital outlay	-	-	-	-
Other uses	143,042	145,587	58,274	87,313
Total expenditures	\$ 3,419,162	3,727,141	2,993,387	733,754

* This is tax revenue that is appropriated to the individual general funds of each agency from the State General Fund's Appropriation Account.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - HEALTH AND HUMAN SERVICES
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

Health and Human Services				
	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues				
Direct revenues				
Fees and charges	\$ 14,790	15,276	16,864	1,588
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	18,257	20,327	18,745	(1,582)
Interest	25,877	17,824	25,899	8,075
Grants	2,855,952	2,910,548	2,818,376	(92,172)
Other	193,514	209,026	260,445	51,419
Other state funds	7,792	10,319	15,203	4,884
Prior year funds rebudgeted	69,877	99,092	2,413	(96,679)
	<u>3,186,059</u>	<u>3,282,412</u>	<u>3,157,945</u>	<u>(124,467)</u>
Indirect revenues				
Transfers	63	83	50	(33)
Appropriations*	1,240,663	1,261,988	1,257,781	(4,207)
Other financing sources	110,481	127,444	120,655	(6,789)
	<u>1,351,207</u>	<u>1,389,515</u>	<u>1,378,486</u>	<u>(11,029)</u>
Total revenues	\$ 4,537,266	4,571,927	4,536,431	(135,496)
Expenditures				
Personnel services and benefits	\$ 462,584	478,556	466,372	12,184
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	335,977	375,785	336,365	39,420
Operating costs	519	623	501	122
Other costs	3,564,295	3,624,878	3,464,971	159,907
Capital outlay	-	-	-	-
Other uses	193,472	211,184	194,111	17,073
Total expenditures	\$ 4,556,847	4,691,026	4,462,320	228,706

* This is tax revenue that is appropriated to the individual general funds of each agency from the State General Fund's Appropriation Account.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - HIGHWAY AND TRANSPORTATION
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	Highway and Transportation			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Direct revenues				
Fees and charges	\$ -	-	-	-
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Grants	315,492	440,796	324,766	(116,030)
Other	-	-	-	-
Other state funds	407,278	435,414	431,518	(3,896)
Prior year funds rebudgeted	228,086	-	-	-
	<u>950,856</u>	<u>876,210</u>	<u>756,284</u>	<u>(119,926)</u>
Indirect revenues				
Transfers	-	-	-	-
Appropriations*	706	706	63,825	63,119
Other financing sources	-	-	-	-
	<u>706</u>	<u>706</u>	<u>63,825</u>	<u>63,119</u>
Total revenues	\$ 951,562	876,916	820,109	(56,807)
Expenditures				
Personnel services and benefits	\$ -	-	-	-
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	723,476	1,106,003	1,106,003	-
Operating costs	-	-	-	-
Other costs	-	-	-	-
Capital outlay	-	-	-	-
Other uses	-	-	-	-
Total expenditures	\$ 723,476	1,106,003	1,106,003	-

* This is tax revenue that is appropriated to the individual general funds of each agency from the State General Fund's Appropriation Account.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	General	Education	Health and Human Services	Highway and Transportation
REVENUES				
Budgetary basis revenues	\$ 1,113,444	2,989,364	4,536,431	820,109
Change in accounts receivable	-	97,640	-	-
Change in deferred revenue	104	-	-	-
Change in due from	-	-	-	-
Change in other financing sources	3,287	(54,082)	20,466	(17,886)
Prior cash budgeted	(14,631)	-	-	-
Revenue not budgeted	4,761,229	(2,642,987)	(1,461,278)	(29,280)
Reclassifications and other	(111)	-	(6,139)	(11,711)
GAAP basis revenues	<u>\$ 5,863,322</u>	<u>389,935</u>	<u>3,089,480</u>	<u>761,232</u>
EXPENDITURES				
Budgetary basis expenditures	\$ 1,037,824	2,993,387	4,462,320	1,106,003
Change in accounts payable	1,021	(1,661)	(108)	-
Change in other accruals	2	-	36	-
Change in valid encumbrances	-	(4,990)	-	(173,246)
Change in due to	8,204	-	-	-
Change in other financing uses	18,649	-	15	7,927
Other	99,838	96,880	68,966	265,585
GAAP basis expenditures	<u>\$ 1,165,538</u>	<u>3,083,616</u>	<u>4,531,229</u>	<u>1,206,269</u>

NOTE A – BUDGETARY REPORTING

A. Budgetary Data

Budget Process

The State Legislature makes annual appropriations, which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget (Modified Accrual Budgetary Basis) and a financial control system which permits a budget to actual expenditures comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements are the final authorized amounts of legally revised budget amounts during the year. Administrative line item expenditures may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed approved budget category amounts. Chapter 6, Article 3, New Mexico Statutes, sets forth the process used to develop the budget for the State of New Mexico. The process is as follows:

1. No later than September 1, the appropriation request is submitted to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of those hearings are incorporated in the State's General Appropriations Act.
3. The act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. Not later than May 1, an annual operating budget is submitted to DFA by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget which becomes effective on July 1.
5. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds.

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

NOTE A – BUDGETARY REPORTING (CONTINUED)

Budgetary Basis of Accounting

The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the laws of 2004, Chapter 114, Section 3, Paragraph N and Paragraph O. It is effective for fiscal years beginning July 1, 2004. Balances remaining at the end of the fiscal year from appropriations made from the State General Fund shall revert to the appropriate fund, unless otherwise indicated in the appropriations act or otherwise provided by law. As part of the modified accrual budgetary basis, encumbrances will no longer carry over to the next year.

Most appropriations made lapse at year-end and revert to the original funding source. A reconciliation of the budgetary basis to the GAAP basis of accounting is presented in supplementary information. Pursuant to the General Appropriations Act of 2005 (Laws of 2005, Chapter 114, Section 3.M) the budgetary basis currently in use will be converted to the modified accrual basis of accounting, i.e. GAAP basis, beginning with fiscal year 2005 appropriations. As a result, a reconciliation of budgetary basis to GAAP basis will be unnecessary in subsequent financial statements for appropriations that lapse at fiscal year end.

The General Fund presented herein includes the general funds of all state agencies. The largest of these general funds is the component appropriation accounts. These appropriation accounts are part of the Department of Finance and Administration. The State's component appropriation accounts do not adopt an annual appropriated budget. However, the expenditures of the component appropriations by law must equal the individual amounts appropriated in the various appropriation acts.

Budget to GAAP Reconciliation

The budgetary comparison schedules for the General Fund and the major special revenue funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for the purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a budget to GAAP reconciliation is presented following the budgetary comparison schedules.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 8,591,000	\$ 12,190,100	\$ 3,598,100	71%	\$ 2,341,100	154%
June 30, 2006	7,813,900	11,436,300	3,622,400	68%	2,219,400	163%
June 30, 2005	7,457,500	10,591,800	3,134,300	70%	2,209,100	142%
June 30, 2004	7,488,000	9,927,100	2,439,100	75%	2,142,400	114%
June 30, 2003	7,518,200	9,266,600	1,748,400	81%	2,032,500	86%
June 30, 2002	7,595,100	8,748,000	1,152,900	87%	1,978,500	58%
June 30, 2001	7,418,300	8,070,300	652,000	92%	1,819,600	36%
June 30, 2000	6,835,800	7,460,600	624,800	92%	1,795,700	35%
June 30, 1999	5,988,500	6,971,700	983,200	86%	1,637,500	60%
June 30, 1998	5,169,500	6,398,800	1,229,300	81%	1,542,800	80%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 364,128	70.3%
2006	299,968	75.5%
2005	243,237	81.3%
2004	203,937	92.8%
2003	179,132	100.0%
2002	173,863	100.0%
2001	161,524	100.0%
2000	153,260	100.0%
1999	145,521	100.0%
1998	136,190	100.0%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Level Payment, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return*	8%
Projected salary increases*	5.00% to 13.5%
*Includes inflation at	3%
Cost of living adjustments	2%

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (Excess) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 12,049,358	\$ 12,982,072	\$ 932,714	93%	\$ 1,908,520	49%
June 30, 2006	10,863,895	11,800,861	936,966	92%	1,774,918	53%
June 30, 2005	10,008,511	10,920,967	912,456	92%	1,607,839	57%
June 30, 2004	9,275,676	9,973,755	698,079	93%	1,499,069	47%
June 30, 2003	8,976,908	9,223,602	246,694	97%	1,437,357	17%
June 30, 2002	8,769,234	8,505,931	(263,303)	103%	1,396,209	0%
June 30, 2001	8,308,210	7,883,447	(424,763)	105%	1,318,275	0%
June 30, 2000	7,527,280	7,118,975	(408,305)	106%	1,253,305	0%
June 30, 1999	6,494,487	6,554,553	60,066	99%	1,200,505	5%
June 30, 1998	5,487,475	6,000,439	512,964	91%	1,146,991	45%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 257,095	100%
2006	235,863	100%
2005	219,164	100%
2004	206,836	100%
2003	213,713	100%
2002	204,734	100%
2001	196,544	100%
2000	182,000	100%
1999	174,324	100%
1998	165,248	100%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age
Amortization method	Level percent, open
Amortization period	13 years
Asset valuation method	4 year smoothed market

Rate of return on investment of present and future assets*	8%
Inflation increase	4.0%
Post retirement benefit increases	3.0%
Projected salary increases*	4.5% - 19.0%

* Includes inflation

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE JUDICIAL RETIREMENT SYSTEM (JRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 82,570	\$ 104,040	\$ 21,471	79%	\$ 11,754	183%
June 30, 2006	74,003	95,216	21,213	78%	10,060	211%
June 30, 2005	68,781	87,175	18,394	79%	9,883	186%
June 30, 2004	66,209	87,620	21,411	76%	9,074	236%
June 30, 2003	65,223	85,952	20,729	76%	8,575	242%
June 30, 2002	61,686	75,958	14,272	81%	7,507	190%
June 30, 2001	59,523	70,604	11,081	84%	7,060	157%
June 30, 2000	54,726	63,316	8,590	86%	6,754	127%
June 30, 1999	47,776	58,189	10,413	82%	7,071	147%
June 30, 1998	41,974	56,176	14,202	75%	6,644	256%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 4,149	108.4%
2006	3,851	100.0%
2005	3,996	82.0%
2004	3,721	69.7%
2003	2,813	75.3%
2002	2,737	74.9%
2001	2,342	92.2%
2000	2,682	79.0%
1999	2,374	86.2%
1998	2,540	80.4%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years^^
Asset valuation method	4 years smoothed market

Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

*Includes inflation

^^ The statutory contribution rate is not sufficient to meet PERA board's objective of funding over 30 years.

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)**

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 37,242	\$ 36,964	\$ (278)	101%	\$ 3,465	0%
June 30, 2006	33,694	33,362	(332)	101%	3,150	0%
June 30, 2005	31,303	31,385	82	100%	3,196	3%
June 30, 2004	30,072	30,195	123	100%	3,002	4%
June 30, 2003	29,630	29,078	(552)	102%	3,082	0%
June 30, 2002	32,040	28,959	(3,081)	111%	3,997	0%
June 30, 2001	30,258	26,685	(3,573)	113%	3,651	0%
June 30, 2000	27,097	23,738	(3,359)	114%	3,485	0%
June 30, 1999	23,369	21,645	(1,724)	108%	3,427	0%
June 30, 1998	19,998	20,388	400	98%	2,471	16%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 984	127.8%
2006	1,009	104.8%
2005	927	100.8%
2004	894	87.1%
2003	881	129.7%
2002	779	147.1%
2001	730	175.5%
2000	750	101.5%
1998	803	134.2%
1999	911	117.6%

Additional Information

The additional information presented in above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years #
Asset valuation method	Smoothed market 4 years

Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

*Includes inflation

Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 44,961	\$ 16,536	\$ (28,425)	272%	N/A*	N/A
June 30, 2006	39,512	23,743	(15,769)	166%	N/A*	N/A
June 30, 2005	35,651	25,152	(10,499)	142%	N/A*	N/A
June 30, 2004	33,000	17,778	(15,222)	186%	N/A*	N/A
June 30, 2003	31,222	17,058	(14,164)	183%	N/A*	N/A
June 30, 2002	29,784	16,128	(13,656)	185%	N/A*	N/A
June 30, 2001	27,992	15,807	(12,185)	177%	N/A*	N/A
June 30, 2000	24,641	17,303	(7,338)	142%	N/A*	N/A
June 30, 1999	20,246	16,161	(4,085)	125%	N/A*	N/A
June 30, 1998	16,248	14,897	(1,351)	109%	N/A*	N/A

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 0-446	168.2%
2006	406-1370	54.7%
2005	0 - 565	132.7%
2004	0 - 680	110.3%
2003	0 - 653	114.9%
2002	51 - 953	52.5%
2001	1,788 - 3,385	29.5%
2000	1,867 - 3,346	37.4%
1999	1,907 - 3,266	30.6%
1998	1,940 - 3,197	31.3%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	June 30, 2007
Actuarial cost method	Unit credit cost
Amortization method	Level dollar
Amortization period	30 years #
Asset valuation method	4 year market

Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	N/A+
Projected salary increases*	N/A+

*Includes inflation

+ Benefits are not based on salary and are not subject to cost of living increases.

Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2007	\$ 189,391	\$ 255,853	\$ 1,360,224	\$ 4,332	\$ 1,809,800
2006	178,221	226,479	943,071	3,867	1,351,638
2005	169,099	197,873	690,360	4,032	1,061,364
2004	162,119	189,325	919,402	4,201	1,275,047
2003	154,427	179,010	160,929	4,344	498,710
2002	151,378	173,863	(582,713)	3,450	(254,022)
2001	150,068	161,524	(807,706)	3,689	(492,425)
2000	139,180	153,260	853,378	3,485	1,149,303
1999	130,644	145,522	688,313	2,849	967,328
1998	122,499	136,191	199,961	4,283	462,934

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2007	\$ 540,144	\$ 5,625	\$ 27,525	\$ -	\$ 573,294
2006	494,097	65,094	24,062	233	583,486
2005	454,983	43,344	23,444	-	521,771
2004	422,418	2,583	21,859	-	446,860
2003	396,082	4,013	28,338	274	428,707
2002	367,495	3,622	28,508	-	399,625
2001	340,595	3,518	36,634	-	380,747
2000	311,814	2,544	35,153	-	349,511
1999	274,836	4,207	29,955	-	308,998
1998	254,407	2,489	28,246	-	285,142

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

REVENUES BY SOURCE

Fiscal Year Ended June 30	Member	Employer	Investment	Other	Total
	Contributions	Contributions	Income	Income	
2007	\$ 179,317	\$ 269,571	\$ 1,984,164	\$ 18,396	\$ 2,451,448
2006	169,802	249,740	1,176,495	7,431	1,603,468
2005	160,639	234,232	920,022	13,158	1,328,051
2004	151,568	223,060	1,258,274	9,448	1,642,350
2003	149,814	213,713	278,314	198	642,039
2002	143,833	204,734	(175,299)	157	173,425
2001	135,594	196,544	(166,425)	3,055	168,768
2000	125,929	182,000	834,762	4,654	1,147,345
1999	119,377	174,325	929,248	4,517	1,227,467
1998	113,693	165,249	908,326	4,143	1,191,411

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefit	Administrative	Refunds to	Other	Total
	Payments	Expenses	Terminated Employees	Expenses	
2007	\$ 511,709	\$ 9,116	\$ 34,589	\$ -	\$ 555,414
2006	467,102	10,174	30,246	-	507,522
2005	427,084	40,223	29,416	-	496,723
2004	387,308	8,257	28,146	-	423,711
2003	349,178	6,756	25,986	-	381,920
2002	318,441	3,815	25,625	-	347,881
2001	291,118	3,993	27,358	-	322,469
2000	264,480	3,273	26,812	-	294,565
1999	237,555	4,876	25,612	-	268,043
1998	212,130	12,913	25,000	-	250,043

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE JUDICIAL RETIREMENT SYSTEM (JRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2007	\$ 874	\$ 3,623	\$ 13,488	\$ 23	\$ 18,008
2006	697	3,154	8,137	-	11,988
2005	544	2,735	6,374	60	9,713
2004	454	2,674	8,531	3,291	14,950
2003	372	2,118	1,837	-	4,327
2002	378	2,051	(1,288)	-	1,141
2001	359	2,159	(1,206)	-	1,312
2000	343	2,120	6,099	22	8,584
1999	323	2,046	6,866	-	9,235
1998	346	2,043	1,978	-	4,367

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2007	\$ 5,494	\$ 21	\$ 10	\$ -	\$ 5,525
2006	5,113	24	26	-	5,163
2005	4,687	224	-	-	4,911
2004	4,481	12	-	-	4,493
2003	4,030	12	-	-	4,042
2002	3,499	9	-	-	3,508
2001	3,427	8	1	-	3,436
2000	3,185	8	9	-	3,202
1999	2,945	8	-	-	2,953
1998	2,794	13	-	-	2,807

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

	Closing Date	Amount
PPRF Cash Loans:		
DL-Gadsden Independent School District 16	09/14/2007	\$ 2,350
DL-Cobre Consolidated School District 2	09/14/2007	2,800
DL-Albuquerque Bernalillo County Water Utility Authority	09/26/2007	77,005
Water Project Fund/Water Trust Board:		
WPF/WTB- Elephant Butte	08/03/2007	121
WPF/WTB- Anthony WSD	09/14/2007	75

On July 19, 2007, the NMFA issued \$38,475 of Subordinate Lien Public Project Revolving Fund Series 2007 B Revenue Bonds. The 2007 B Series Bonds were issued to 1) reimburse the Public Project Revolving fund for loans made by the NMFA to certain governmental entities for the purpose of funding public projects for such governmental units, 2) retire a borrowing of the NMFA incurred in anticipation of the issuance of the 2007 B Bonds, 3) purchase a debt service reserve fund surety bond for deposit to the Debt Service Reserve Account established for the Series 2007 B bonds, and 4) pay costs incurred with the issuance of the Series 2007 B bonds.

New Mexico Mortgage Finance Authority bonds outstanding consist of:

	Amount	Interest Rate	Final Maturity
Single Family Mortgage Programs			
1994 Series A	\$ 885	6.88	2025
1994 Series B	1,070	6.75	2025
1994 Series C	925	6.50	2025
1994 Series D	1,015	6.80	2026
1994 Series E	1,365	6.95	2026
1994 Series F	525	7.00	2026
1995 Series H	-	6.25	Called 2007
1996 Series E	-	5.70 – 6.35	Called 2007
1996 Series G	-	5.50 – 6.20	Called 2007
1997 Series A	-	5.50 – 6.20	Called 2007
1997 Series B	-	5.60 – 6.30	Called 2007
1997 Series C	-	5.45 – 7.43	Called 2007
1997 Series E	-	5.10 – 5.75	Called 2007
1997 Series F	-	5.00 – 5.70	Called 2007
1997 Series G	6,205	4.88 – 5.40	2029
1998 Series A	8,310	4.85 – 6.00	2029

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2007, was determined by the actuary to be \$586.

Judicial Retirement System (JRS) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in 10-12B-4 NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 1980, is determined as 75.0 percent of the salary received during the last years in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For those individuals who become members subsequent to July 1, 1980, the annual pension amount is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by 5.0 percent of the number of years in service, not exceeding fifteen years, plus five years. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5.0 percent of their salaries and the members' court contributes 9.0 percent of the member's salary. Additionally, the district court contributes \$38 (not in thousands) for each civil case docket fee paid. Contribution rates are established by State statute.

Magistrate Retirement Fund (MRF) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in 10-12C-4 NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 5 years. Early retirement at age 60 is available to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0 percent of the salary received during the last year prior to retirement by 5.0 percent of the number of years of service, not exceeding 15 years, plus 5 years.

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

- (1) A further requirement to be eligible to retire is that one must be a "member" having at least one year of employment after July 1, 1957 and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five, may contribute to the fund for each year needed. The cost of such contributions is 15.2 percent of the average salary of the last five years for each year of contributory employment needed plus 3 percent compounded interest from July 1, 1957 to the date of payment.
- (2) Normal Forms of Payment – The benefit is paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.
- (3) Normal Benefit – There are no reductions to the monthly benefit and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.
- (4) Optional Forms of Payment – There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor's benefit are irrevocable. Details of Options B and C follow:

Option B – The normal monthly benefit is reduced to provide for a 100.0 percent survivors benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement day to the election of Option B.

Option C – The normal monthly benefit is reduced to provide for a 50.0 percent survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the reduced 50.0 percent benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	General	Education	Health and Human Services	Highway and Transportation
REVENUES				
Budgetary basis revenues	\$ 1,113,444	2,989,364	4,536,431	820,109
Change in accounts receivable	-	97,640	-	-
Change in deferred revenue	104	-	-	-
Change in due from	-	-	-	-
Change in other financing sources	3,287	(54,082)	20,466	(17,886)
Prior cash budgeted	(14,631)	-	-	-
Revenue not budgeted	4,761,229	(2,642,987)	(1,461,278)	(29,280)
Reclassifications and other	(111)	-	(6,139)	(11,711)
GAAP basis revenues	<u>\$ 5,863,322</u>	<u>389,935</u>	<u>3,089,480</u>	<u>761,232</u>
EXPENDITURES				
Budgetary basis expenditures	\$ 1,037,824	2,993,387	4,462,320	1,106,003
Change in accounts payable	1,021	(1,661)	(108)	-
Change in other accruals	2	-	36	-
Change in valid encumbrances	-	(4,990)	-	(173,246)
Change in due to	8,204	-	-	-
Change in other financing uses	18,649	-	15	7,927
Other	99,838	96,880	68,966	265,585
GAAP basis expenditures	<u>\$ 1,165,538</u>	<u>3,083,616</u>	<u>4,531,229</u>	<u>1,206,269</u>

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

NOTE A – BUDGETARY REPORTING (CONTINUED)

Budgetary Basis of Accounting

The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the laws of 2004, Chapter 114, Section 3, Paragraph N and Paragraph O. It is effective for fiscal years beginning July 1, 2004. Balances remaining at the end of the fiscal year from appropriations made from the State General Fund shall revert to the appropriate fund, unless otherwise indicated in the appropriations act or otherwise provided by law. As part of the modified accrual budgetary basis, encumbrances will no longer carry over to the next year.

Most appropriations made lapse at year-end and revert to the original funding source. A reconciliation of the budgetary basis to the GAAP basis of accounting is presented in supplementary information. Pursuant to the General Appropriations Act of 2005 (Laws of 2005, Chapter 114, Section 3.M) the budgetary basis currently in use will be converted to the modified accrual basis of accounting, i.e. GAAP basis, beginning with fiscal year 2005 appropriations. As a result, a reconciliation of budgetary basis to GAAP basis will be unnecessary in subsequent financial statements for appropriations that lapse at fiscal year end.

The General Fund presented herein includes the general funds of all state agencies. The largest of these general funds is the component appropriation accounts. These appropriation accounts are part of the Department of Finance and Administration. The State's component appropriation accounts do not adopt an annual appropriated budget. However, the expenditures of the component appropriations by law must equal the individual amounts appropriated in the various appropriation acts.

Budget to GAAP Reconciliation

The budgetary comparison schedules for the General Fund and the major special revenue funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for the purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a budget to GAAP reconciliation is presented following the budgetary comparison schedules.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (Excess) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 12,049,358	\$ 12,982,072	\$ 932,714	93%	\$ 1,908,520	49%
June 30, 2006	10,863,895	11,800,861	936,966	92%	1,774,918	53%
June 30, 2005	10,008,511	10,920,967	912,456	92%	1,607,839	57%
June 30, 2004	9,275,676	9,973,755	698,079	93%	1,499,069	47%
June 30, 2003	8,976,908	9,223,602	246,694	97%	1,437,357	17%
June 30, 2002	8,769,234	8,505,931	(263,303)	103%	1,396,209	0%
June 30, 2001	8,308,210	7,883,447	(424,763)	105%	1,318,275	0%
June 30, 2000	7,527,280	7,118,975	(408,305)	106%	1,253,305	0%
June 30, 1999	6,494,487	6,554,553	60,066	99%	1,200,505	5%
June 30, 1998	5,487,475	6,000,439	512,964	91%	1,146,991	45%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 257,095	100%
2006	235,863	100%
2005	219,164	100%
2004	206,836	100%
2003	213,713	100%
2002	204,734	100%
2001	196,544	100%
2000	182,000	100%
1999	174,324	100%
1998	165,248	100%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age
Amortization method	Level percent, open
Amortization period	13 years
Asset valuation method	4 year smoothed market

Rate of return on investment of present and future assets*	8%
Inflation increase	4.0%
Post retirement benefit increases	3.0%
Projected salary increases*	4.5% - 19.0%

* Includes inflation

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)**

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 37,242	\$ 36,964	\$ (278)	101%	\$ 3,465	0%
June 30, 2006	33,694	33,362	(332)	101%	3,150	0%
June 30, 2005	31,303	31,385	82	100%	3,196	3%
June 30, 2004	30,072	30,195	123	100%	3,002	4%
June 30, 2003	29,630	29,078	(552)	102%	3,082	0%
June 30, 2002	32,040	28,959	(3,081)	111%	3,997	0%
June 30, 2001	30,258	26,685	(3,573)	113%	3,651	0%
June 30, 2000	27,097	23,738	(3,359)	114%	3,485	0%
June 30, 1999	23,369	21,645	(1,724)	108%	3,427	0%
June 30, 1998	19,998	20,388	400	98%	2,471	16%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 984	127.8%
2006	1,009	104.8%
2005	927	100.8%
2004	894	87.1%
2003	881	129.7%
2002	779	147.1%
2001	730	175.5%
2000	750	101.5%
1998	803	134.2%
1999	911	117.6%

Additional Information

The additional information presented in above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years #
Asset valuation method	Smoothed market 4 years

Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

*Includes inflation

Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2007	\$ 189,391	\$ 255,853	\$ 1,360,224	\$ 4,332	\$ 1,809,800
2006	178,221	226,479	943,071	3,867	1,351,638
2005	169,099	197,873	690,360	4,032	1,061,364
2004	162,119	189,325	919,402	4,201	1,275,047
2003	154,427	179,010	160,929	4,344	498,710
2002	151,378	173,863	(582,713)	3,450	(254,022)
2001	150,068	161,524	(807,706)	3,689	(492,425)
2000	139,180	153,260	853,378	3,485	1,149,303
1999	130,644	145,522	688,313	2,849	967,328
1998	122,499	136,191	199,961	4,283	462,934

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2007	\$ 540,144	\$ 5,625	\$ 27,525	\$ -	\$ 573,294
2006	494,097	65,094	24,062	233	583,486
2005	454,983	43,344	23,444	-	521,771
2004	422,418	2,583	21,859	-	446,860
2003	396,082	4,013	28,338	274	428,707
2002	367,495	3,622	28,508	-	399,625
2001	340,595	3,518	36,634	-	380,747
2000	311,814	2,544	35,153	-	349,511
1999	274,836	4,207	29,955	-	308,998
1998	254,407	2,489	28,246	-	285,142

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE JUDICIAL RETIREMENT SYSTEM (JRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2007	\$ 874	\$ 3,623	\$ 13,488	\$ 23	\$ 18,008
2006	697	3,154	8,137	-	11,988
2005	544	2,735	6,374	60	9,713
2004	454	2,674	8,531	3,291	14,950
2003	372	2,118	1,837	-	4,327
2002	378	2,051	(1,288)	-	1,141
2001	359	2,159	(1,206)	-	1,312
2000	343	2,120	6,099	22	8,584
1999	323	2,046	6,866	-	9,235
1998	346	2,043	1,978	-	4,367

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2007	\$ 5,494	\$ 21	\$ 10	\$ -	\$ 5,525
2006	5,113	24	26	-	5,163
2005	4,687	224	-	-	4,911
2004	4,481	12	-	-	4,493
2003	4,030	12	-	-	4,042
2002	3,499	9	-	-	3,508
2001	3,427	8	1	-	3,436
2000	3,185	8	9	-	3,202
1999	2,945	8	-	-	2,953
1998	2,794	13	-	-	2,807

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2007, was determined by the actuary to be \$586.

Judicial Retirement System (JRS) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in 10-12B-4 NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 1980, is determined as 75.0 percent of the salary received during the last years in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For those individuals who become members subsequent to July 1, 1980, the annual pension amount is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by 5.0 percent of the number of years in service, not exceeding fifteen years, plus five years. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5.0 percent of their salaries and the members' court contributes 9.0 percent of the member's salary. Additionally, the district court contributes \$38 (not in thousands) for each civil case docket fee paid. Contribution rates are established by State statute.

Magistrate Retirement Fund (MRF) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in 10-12C-4 NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 5 years. Early retirement at age 60 is available to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0 percent of the salary received during the last year prior to retirement by 5.0 percent of the number of years of service, not exceeding 15 years, plus 5 years.

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

- (1) A further requirement to be eligible to retire is that one must be a "member" having at least one year of employment after July 1, 1957 and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five, may contribute to the fund for each year needed. The cost of such contributions is 15.2 percent of the average salary of the last five years for each year of contributory employment needed plus 3 percent compounded interest from July 1, 1957 to the date of payment.
- (2) Normal Forms of Payment – The benefit is paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.
- (3) Normal Benefit – There are no reductions to the monthly benefit and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.
- (4) Optional Forms of Payment – There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor's benefit are irrevocable. Details of Options B and C follow:

Option B – The normal monthly benefit is reduced to provide for a 100.0 percent survivors benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement day to the election of Option B.

Option C – The normal monthly benefit is reduced to provide for a 50.0 percent survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the reduced 50.0 percent benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C.

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions

In addition to pension benefits as described in Note 3.C., the State provides other post-employment benefits (OPEB).

The Retiree Health Care Act (10-7C-1 to 10-7C-19, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico (Plan). The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the Retiree Health Care Fund, and by co-payments or out-of-pocket payments of eligible retirees.

The legislation establishing the Retiree Health Care Authority (RHCA) specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and the RHCA administering the Retiree Health Care Act (Act). However, the substantive plan created by the Act contains all requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for any participating government entity to withdraw membership and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. The RHCA received a legal opinion that the manner of legal organization of the RHCA is substantially equivalent to a trust. As such, this requires the RHCA to apply GASB 43 as a multi-employer cost sharing plan. The net assets of the RHCA are reported as restricted per GASB 46 and 10-7-C-14 NMSA 1978.

Monies flow to the RHCA on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority, and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, or the Magistrate Retirement Act or the Public Employees Retirement Act.

Employees of RHCA are allowed to participate in the Retiree Health Care Act. Eligible employees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Act on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years (per 2005 amendment).

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions

In addition to pension benefits as described in Note 3.C., the State provides other post-employment benefits (OPEB).

The Retiree Health Care Act (10-7C-1 to 10-7C-19, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico (Plan). The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the Retiree Health Care Fund, and by co-payments or out-of-pocket payments of eligible retirees.

The legislation establishing the Retiree Health Care Authority (RHCA) specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and the RHCA administering the Retiree Health Care Act (Act). However, the substantive plan created by the Act contains all requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for any participating government entity to withdraw membership and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. The RHCA received a legal opinion that the manner of legal organization of the RHCA is substantially equivalent to a trust. As such, this requires the RHCA to apply GASB 43 as a multi-employer cost sharing plan. The net assets of the RHCA are reported as restricted per GASB 46 and 10-7-C-14 NMSA 1978.

Monies flow to the RHCA on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority, and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, or the Magistrate Retirement Act or the Public Employees Retirement Act.

Employees of RHCA are allowed to participate in the Retiree Health Care Act. Eligible employees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Act on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years (per 2005 amendment).

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The projection of benefits does not incorporate potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The following simplifying assumptions were made when the Alternative Measurement Method was used:

- *Actuarial cost method* – Entry age normal, level percent of pay.
- *Amortization method* – 30 year open ended amortization, with the initial payment determined as if future payments would theoretically increase each year on a level percent of pay basis.
- *Remaining amortization period* – 30 years as of June 30, 2006.
- *Asset valuation method*- The actuarial value of assets is the market value of assets.

Actuarial assumptions:

- *Discount rate* – 5.0 percent
- *Projected payroll increases* – 4.0 percent

Health care cost trend rate:

- *Prescription Drug* – 11.0 percent from July 1, 2007 to July 1, 2008, decreasing by 1.0 percent for each year until it reaches an ultimate rate of 5.0 percent.
- *Medical- Under Age 65* – 11.0 percent from July 1, 2007 to July 1, 2008, then decreasing by 1.0 percent for each year until it reaches an ultimate rate of 5 percent. Age 65 and over – 8.6 percent from July 1, 2007 to July 1, 2008, then 10.5 percent decreasing by 1.0 percent for each year until it reaches an ultimate rate of 5.0 percent.

The State of New Mexico is required to adopt GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (Statement)*, for the year ended June 30, 2008. The State of New Mexico, through the RHCA, offers retiree healthcare (*other postemployment benefits*) (OPEB) as part of the total compensation offered. OPEB includes *postemployment healthcare*, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB.

D. Deferred Compensation Plan

The State of New Mexico offers state, local government and school district employees a deferred compensation plan (Plan) under NMSA 1978, Sections 10-7A-1 through 10-7A-12, the "Deferred Compensation Act," in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available until termination, retirement, death or unforeseeable emergency.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds (Continued)

	Bond Year End of First Rebate Computation	First Arbitrage Rebate Due Date	First Computation of Arbitrage Completed
Severance Tax Bonds Series 1994 – B	7/1/99	8/1/99	X
Severance Tax Bonds Series 1995 – A	7/1/00	8/1/00	X
Severance Tax Bonds Series 1995 – B	7/1/00	8/1/00	X
Severance Tax Bonds Series 1996 – A	12/20/01	2/20/02	X
Severance Tax Bonds Series 1999 – B	7/1/04	8/1/04	X
Severance Tax Bonds Series 1999 – A Supplemental	11/17/04	1/17/05	X
Severance Tax Bonds Series 2000	7/1/05	8/1/05	X
Severance Tax Bonds Series 2000C Supplemental	11/16/05	1/16/06	X
Severance Tax Bonds Refunding Series 2001 – A	12/20/06	2/20/07	
Severance Tax Bonds Series 2002 – A	6/19/07	8/18/07	
Severance Tax Bonds Series 2002 – A Supplemental	1/16/07	3/16/07	
Severance Tax Bonds Series 2002B Supplemental	11/14/07	1/13/08	
Severance Tax Bonds Series 2006 – A	6/20/11	8/16/11	
Severance Tax Bonds Series 2003 – A	6/27/08	8/26/08	
Severance Tax Bonds Series 2003B Supplemental	10/14/08	12/13/08	
Severance Tax Bonds Series 2004 – A	6/15/09	8/14/09	
Severance Tax Bonds Series 2004B Supplemental	11/17/09	1/16/10	
Severance Tax Bonds Series 2005 – A	6/15/10	8/14/10	
Severance Tax Bonds Series 2005B – 1 Refunding	6/28/10	8/27/10	
Severance Tax Bonds Series 2005B – 2 Supplemental	6/28/10	8/27/10	
Enhanced 911 Revenue Bonds Series 2000	9/12/05	10/12/05	X

Interest earnings on invested bond proceeds through June 30, 2007, did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service which are known and measurable are recorded as an accrued liability in the accompanying financial statements.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

H. Land Grant Permanent Fund (Continued)

The Legislature, by a three-fifth's vote of the members elected to each house, may suspend any additional distributions noted above. In addition, no additional distribution shall be made in any fiscal year if the average of the year-end market values of the LGPF for the immediately preceding five calendar years is less than \$5,800,000.

<u>Beneficiary</u>	<u>Balance June 30, 2006</u>	<u>Earnings from State Lands</u>	<u>Other Decreases in Capital Accounts, Net</u>	<u>Balance June 30, 2007</u>	<u>Participation Percentage June 30, 2007</u>
Benefiting the State, included in governmental funds:					
Charitable Penal and Reform	\$ 80,535	5,380	11,636	97,551	0.91%
Miner's Colfax Medical Center	100,811	3,853	12,093	116,757	1.09
New Mexico Boys School	681	-	62	743	0.01
New Mexico State Hospital	21,156	1,316	3,653	26,125	0.24
Improvements to the Rio Grande	28,194	514	2,913	31,621	0.30
Water Reservoirs	96,316	7,384	16,600	120,300	1.12
Penitentiary of New Mexico	184,971	7,428	21,567	213,966	2.00
Public Buildings – Capitol	109,045	3,382	12,867	125,294	1.17
	<u>621,709</u>	<u>29,257</u>	<u>81,391</u>	<u>732,357</u>	<u>6.84</u>
Benefiting the State, included in proprietary funds:					
Eastern New Mexico University	8,783	196	794	9,773	0.09
New Mexico Highlands University	2,577	198	233	3,008	0.03
New Mexico Institute of Mining and Technology	17,945	1,471	1,992	21,408	0.20
New Mexico Military Institute	321,225	11,237	38,503	370,965	3.46
New Mexico School for the Deaf	191,252	7,512	22,403	221,167	2.06
New Mexico School for the Visually Handicapped	190,765	7,397	22,361	220,523	2.06
New Mexico State University	40,862	5,335	5,957	52,154	0.49
Northern New Mexico College	1,865	199	180	2,244	0.02
The University of New Mexico	151,693	6,458	17,018	175,169	1.64
The University of New Mexico Saline Lands	668	-	50	718	0.01
Western New Mexico University	2,596	199	234	3,029	0.03
	<u>930,231</u>	<u>40,202</u>	<u>109,725</u>	<u>1,080,158</u>	<u>10.09</u>
No: considered to benefit the State, included in fiduciary funds:					
Public Schools	7,579,186	329,144	987,248	8,895,578	83.07
Total net assets held in trust for pool participants	<u>\$ 9,131,126</u>	<u>398,603</u>	<u>1,178,363</u>	<u>1,708,093</u>	<u>100%</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

I. Segment Information (Continued)

	Educational Institutions								
	State Fair	Miners' Colfax Medical Center	New Mexico State	Eastern New Mexico	New Mexico Highlands	New Mexico Military Institute	New Mexico Tech	Western New Mexico	University of New Mexico
Non Operating Revenue (Expense)									
Government grants and contracts	\$ -	-	-	45,673	32,564	-	30,093	19,625	295,425
Net investment income	352	102	7,480	1,883	1,535	54,213	4,260	355	88,477
Other revenue	12,360	3	196,208	2,565	-	16,913	981	-	131,711
Interest expense	(152)	-	(2,221)	(819)	-	(363)	-	-	(15,251)
Other expense	-	-	(13,106)	-	-	(29)	-	-	-
Total non-operating income	12,560	105	188,361	49,302	34,099	70,734	35,334	19,980	500,362
Other	-	-	52,094	7,625	1,448	8,487	3,215	2,231	49,313
Net transfers	-	(1)	-	-	-	-	-	-	-
Change in net assets	10,566	297	40,325	10,745	4,891	64,099	12,544	2,497	160,097
Net assets at beginning of year	32,734	34,496	105,870	432,773	63,888	380,751	183,674	29,556	1,040,793
Net assets at end of year	\$ 43,300	34,793	116,614	473,099	68,778	444,850	196,218	32,053	1,200,891
Condensed Statement of Cash Flows									
Net cash provided (used) by:									
Operating activities	\$ (592)	459	(179,791)	(39,979)	(28,065)	(12,425)	(18,468)	(19,026)	(311,225)
Non-capital financing activities	-	-	202,839	48,238	34,011	39	27,822	19,625	442,028
Capital and related financing activities	3,034	(17,512)	(18,650)	(13,017)	(4,247)	(1,062)	(2,576)	(505)	(182,602)
Investing activities	352	12,139	7,179	4,002	641	11,838	(469)	355	113,813
Cash and cash equivalents at beginning of year	6,500	16,951	20,504	23,395	20,210	7,390	26,156	4,623	94,067
Cash and cash equivalents at end of year	\$ 9,294	12,037	32,081	22,639	22,550	5,780	32,465	5,072	156,081

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - HEALTH AND HUMAN SERVICES
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

Health and Human Services				
	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues				
Direct revenues				
Fees and charges	\$ 14,790	15,276	16,864	1,588
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	18,257	20,327	18,745	(1,582)
Interest	25,877	17,824	25,899	8,075
Grants	2,855,952	2,910,548	2,818,376	(92,172)
Other	193,514	209,026	260,445	51,419
Other state funds	7,792	10,319	15,203	4,884
Prior year funds rebudgeted	69,877	99,092	2,413	(96,679)
	<u>3,186,059</u>	<u>3,282,412</u>	<u>3,157,945</u>	<u>(124,467)</u>
Indirect revenues				
Transfers	63	83	50	(33)
Appropriations*	1,240,663	1,261,988	1,257,781	(4,207)
Other financing sources	110,481	127,444	120,655	(6,789)
	<u>1,351,207</u>	<u>1,389,515</u>	<u>1,378,486</u>	<u>(11,029)</u>
Total revenues	\$ 4,537,266	4,571,927	4,536,431	(135,496)
Expenditures				
Personnel services and benefits	\$ 462,584	478,556	466,372	12,184
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	335,977	375,785	336,365	39,420
Operating costs	519	623	501	122
Other costs	3,564,295	3,624,878	3,464,971	159,907
Capital outlay	-	-	-	-
Other uses	193,472	211,184	194,111	17,073
Total expenditures	\$ 4,556,847	4,691,026	4,462,320	228,706

* This is tax revenue that is appropriated to the individual general funds of each agency from the State General Fund's Appropriation Account.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	General	Education	Health and Human Services	Highway and Transportation
REVENUES				
Budgetary basis revenues	\$ 1,113,444	2,989,364	4,536,431	820,109
Change in accounts receivable	-	97,640	-	-
Change in deferred revenue	104	-	-	-
Change in due from	-	-	-	-
Change in other financing sources	3,287	(54,082)	20,466	(17,886)
Prior cash budgeted	(14,631)	-	-	-
Revenue not budgeted	4,761,229	(2,642,987)	(1,461,278)	(29,280)
Reclassifications and other	(111)	-	(6,139)	(11,711)
GAAP basis revenues	\$ 5,863,322	389,935	3,089,480	761,232
EXPENDITURES				
Budgetary basis expenditures	\$ 1,037,824	2,993,387	4,462,320	1,106,003
Change in accounts payable	1,021	(1,661)	(108)	-
Change in other accruals	2	-	36	-
Change in valid encumbrances	-	(4,990)	-	(173,246)
Change in due to	8,204	-	-	-
Change in other financing uses	18,649	-	15	7,927
Other	99,838	96,880	68,966	265,585
GAAP basis expenditures	\$ 1,165,538	3,083,616	4,531,229	1,206,269

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

NOTE A – BUDGETARY REPORTING (CONTINUED)

Budgetary Basis of Accounting

The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the laws of 2004, Chapter 114, Section 3, Paragraph N and Paragraph O. It is effective for fiscal years beginning July 1, 2004. Balances remaining at the end of the fiscal year from appropriations made from the State General Fund shall revert to the appropriate fund, unless otherwise indicated in the appropriations act or otherwise provided by law. As part of the modified accrual budgetary basis, encumbrances will no longer carry over to the next year.

Most appropriations made lapse at year-end and revert to the original funding source. A reconciliation of the budgetary basis to the GAAP basis of accounting is presented in supplementary information. Pursuant to the General Appropriations Act of 2005 (Laws of 2005, Chapter 114, Section 3.M) the budgetary basis currently in use will be converted to the modified accrual basis of accounting, i.e. GAAP basis, beginning with fiscal year 2005 appropriations. As a result, a reconciliation of budgetary basis to GAAP basis will be unnecessary in subsequent financial statements for appropriations that lapse at fiscal year end.

The General Fund presented herein includes the general funds of all state agencies. The largest of these general funds is the component appropriation accounts. These appropriation accounts are part of the Department of Finance and Administration. The State's component appropriation accounts do not adopt an annual appropriated budget. However, the expenditures of the component appropriations by law must equal the individual amounts appropriated in the various appropriation acts.

Budget to GAAP Reconciliation

The budgetary comparison schedules for the General Fund and the major special revenue funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for the purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a budget to GAAP reconciliation is presented following the budgetary comparison schedules.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (Excess) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 12,049,358	\$ 12,982,072	\$ 932,714	93%	\$ 1,908,520	49%
June 30, 2006	10,863,895	11,800,861	936,966	92%	1,774,918	53%
June 30, 2005	10,008,511	10,920,967	912,456	92%	1,607,839	57%
June 30, 2004	9,275,676	9,973,755	698,079	93%	1,499,069	47%
June 30, 2003	8,976,908	9,223,602	246,694	97%	1,437,357	17%
June 30, 2002	8,769,234	8,505,931	(263,303)	103%	1,396,209	0%
June 30, 2001	8,308,210	7,883,447	(424,763)	105%	1,318,275	0%
June 30, 2000	7,527,280	7,118,975	(408,305)	106%	1,253,305	0%
June 30, 1999	6,494,487	6,554,553	60,066	99%	1,200,505	5%
June 30, 1998	5,487,475	6,000,439	512,964	91%	1,146,991	45%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 257,095	100%
2006	235,863	100%
2005	219,164	100%
2004	206,836	100%
2003	213,713	100%
2002	204,734	100%
2001	196,544	100%
2000	182,000	100%
1999	174,324	100%
1998	165,248	100%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age
Amortization method	Level percent, open
Amortization period	13 years
Asset valuation method	4 year smoothed market

Rate of return on investment of present and future assets*	8%
Inflation increase	4.0%
Post retirement benefit increases	3.0%
Projected salary increases*	4.5% - 19.0%

* Includes inflation

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)**

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 37,242	\$ 36,964	\$ (278)	101%	\$ 3,465	0%
June 30, 2006	33,694	33,362	(332)	101%	3,150	0%
June 30, 2005	31,303	31,385	82	100%	3,196	3%
June 30, 2004	30,072	30,195	123	100%	3,002	4%
June 30, 2003	29,630	29,078	(552)	102%	3,082	0%
June 30, 2002	32,040	28,959	(3,081)	111%	3,997	0%
June 30, 2001	30,258	26,685	(3,573)	113%	3,651	0%
June 30, 2000	27,097	23,738	(3,359)	114%	3,485	0%
June 30, 1999	23,369	21,645	(1,724)	108%	3,427	0%
June 30, 1998	19,998	20,388	400	98%	2,471	16%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 984	127.8%
2006	1,009	104.8%
2005	927	100.8%
2004	894	87.1%
2003	881	129.7%
2002	779	147.1%
2001	730	175.5%
2000	750	101.5%
1998	803	134.2%
1999	911	117.6%

Additional Information

The additional information presented in above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years #
Asset valuation method	Smoothed market 4 years

Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

*Includes inflation

Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE JUDICIAL RETIREMENT SYSTEM (JRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2007	\$ 874	\$ 3,623	\$ 13,488	\$ 23	\$ 18,008
2006	697	3,154	8,137	-	11,988
2005	544	2,735	6,374	60	9,713
2004	454	2,674	8,531	3,291	14,950
2003	372	2,118	1,837	-	4,327
2002	378	2,051	(1,288)	-	1,141
2001	359	2,159	(1,206)	-	1,312
2000	343	2,120	6,099	22	8,584
1999	323	2,046	6,866	-	9,235
1998	346	2,043	1,978	-	4,367

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2007	\$ 5,494	\$ 21	\$ 10	\$ -	\$ 5,525
2006	5,113	24	26	-	5,163
2005	4,687	224	-	-	4,911
2004	4,481	12	-	-	4,493
2003	4,030	12	-	-	4,042
2002	3,499	9	-	-	3,508
2001	3,427	8	1	-	3,436
2000	3,185	8	9	-	3,202
1999	2,945	8	-	-	2,953
1998	2,794	13	-	-	2,807

STATE OF NEW MEXICO
 REVENUES AND EXPENSES BY TYPE
 THE MAGISTRATE RETIREMENT SYSTEM (MRS)
 For The Last Ten Years Ending June 30, 2007
 (IN THOUSANDS)

REVENUES BY SOURCE

Fiscal Year Ended June 30	Member	Employer	Investment	Other	Total
	Contributions	Contributions	Income	Income	
2007	\$ 286	\$ 920	\$ 6,187	\$ 10	\$ 7,403
2006	849	209	3,719	-	4,777
2005	172	763	2,928	28	3,891
2004	149	779	4,560	-	5,488
2003	205	1,143	1,020	-	2,368
2002	193	1,146	(611)	-	728
2001	180	1,282	(532)	15	945
2000	175	940	2,877	9	4,001
1999	160	1,077	3,256	1	4,494
1998	164	1,072	858	-	2,094

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefit	Administrative	Refunds to	Other	Total
	Payments	Expenses	Terminated Employees	Expenses	
2007	\$ 2,084	\$ 9	\$ 80	\$ -	\$ 2,173
2006	1,738	9	-	-	1,747
2005	1,624	102	80	-	1,806
2004	1,591	48	-	3,291	4,930
2003	1,462	10	-	-	1,472
2002	1,197	7	2	-	1,206
2001	1,122	6	14	-	1,142
2000	1,065	6	-	-	1,071
1999	895	6	40	-	941
1998	712	8	24	-	744

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2007	\$ -	\$ -	\$ 7,344	\$ 751	\$ 8,095
2006	-	750	4,326	-	5,076
2005	-	750	3,309	31	4,090
2004	-	750	4,465	-	5,215
2003	-	750	1,014	-	1,764
2002	-	500	(587)	-	(87)
2001	-	1,000	(557)	-	443
2000	-	1,250	2,660	-	3,910
1999	-	1,000	2,950	-	3,950
1998	-	1,000	744	-	1,744

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2007	\$ 499	\$ -	\$ -	\$ -	\$ 499
2006	405	-	-	-	405
2005	346	102	-	-	448
2004	307	-	-	-	307
2003	271	-	-	-	271
2002	247	-	-	-	247
2001	233	-	-	-	233
2000	212	-	-	-	212
1999	172	-	-	-	172
1998	147	2	-	-	149



**OTHER
SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
COMBINING BALANCE SHEET - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007
(IN THOUSANDS)

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
ASSETS					
Cash and cash equivalents	\$ 636,702	491,597	195,428	24,346	1,348,073
Deferred charges and other assets	44	-	10	-	54
Intergovernmental receivables	7,166	-	1,935	-	9,101
Due from other funds	200,960	40,407	62,824	-	304,191
Inventories	31	-	-	-	31
Investments, at fair value	44,960	-	-	114,846	159,806
Receivables, net	10,655	1,595	241	19,586	32,077
Total assets	\$ 900,518	533,599	260,438	158,778	1,853,333
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 19,686	119,088	7,077	-	145,851
Accrued liabilities	2,487	-	41	-	2,528
Deferred revenue	8,707	-	45,306	-	54,013
Due to other funds	173,142	164,621	2,189	-	339,952
Intergovernmental payables	410,962	-	26	17,991	428,979
Due to brokers	-	-	-	24,068	24,068
Funds held for others	996	-	2,367	-	3,363
Other obligations	32	-	-	-	32
Total liabilities	616,012	283,709	57,006	42,059	998,786
Fund Balances					
Fund balances reserved for:					
Capital projects	-	-	41,140	-	41,140
Inventories	31	-	-	-	31
Encumbrances	8,606	-	6,349	-	14,955
Subsequent years' expenditures	3,631	-	41,306	-	44,937
Special projects	115,129	-	-	-	115,129
Other	5,702	-	-	-	5,702
Fund balances segregated for:					
Debt service	-	248,348	-	-	248,348
Pooled participants	-	-	-	116,719	116,719
Unreserved - special revenue	151,407	-	-	-	151,407
Unreserved - debt service funds	-	1,542	-	-	1,542
Unreserved - capital projects funds	-	-	114,637	-	114,637
Total fund balances	284,506	249,890	203,432	116,719	854,547
Total liabilities and fund balances	\$ 900,518	533,599	260,438	158,778	1,853,333

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - BY FUND TYPE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
Revenues					
Charges for services	\$ 5,828	-	-	-	5,828
Federal funds	28,151	-	7,405	-	35,556
Interest and other investment income	10,809	66,350	1,086	13,918	92,163
Licenses, fees and permits	19,389	188	-	-	19,577
Assessments	11,278	-	-	-	11,278
Other	13,777	-	790	-	14,567
Rentals and royalties	3,963	-	1,242	-	5,205
Taxes	36,621	514,545	4,196	-	555,362
Total revenues	129,816	581,083	14,719	13,918	739,536
Expenditures					
Current					
General control	\$ 246,169	-	7,586	-	253,755
Culture, recreation, natural resources	37,700	-	14,481	-	52,181
Judicial	48,649	-	1,719	-	50,368
Public safety	14,758	-	1,580	-	16,338
Regulation, licensing, etc.	24,202	-	8,145	-	32,347
Debt service					
Interest payment	-	457,264	-	-	457,264
Principal payment	-	824,283	250	-	824,533
Capital outlay	4,528	-	78,827	-	83,355
Total expenditures	376,006	1,281,547	112,588	-	1,770,141
Excess (deficiency) of revenues over expenditures	(246,190)	(700,464)	(97,869)	13,918	(1,030,605)
Other Financing Sources (Uses)					
Face amount of bonds sold	\$ 31,337	757,083	53,647	-	842,067
Other non-operating expense	(41)	-	-	-	(41)
Transfers in	353,496	117,334	137,193	36,240	644,263
Transfers out	(83,147)	(127,350)	(8,793)	(18,120)	(237,410)
Total other financing sources (uses)	301,645	747,067	182,047	18,120	1,248,879
Net change in fund balances	55,455	46,603	84,178	32,038	218,274
Fund balances - beginning	229,051	203,287	119,254	84,681	636,273
Fund balances - ending	\$ 284,506	249,890	203,432	116,719	854,547

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control	Judicial
ASSETS			
Cash and cash equivalents	\$ 31,891	539,351	9,771
Deferred charges and other assets	-	3	3
Receivables, net	4,525	5,282	209
Due from other funds	23,511	162,997	8,366
Intergovernmental receivables	5,910	307	943
Inventories	-	-	-
Investments, at fair value	16,355	-	-
Total assets	\$ 82,192	707,940	19,292
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payables	\$ 4,478	13,318	1,245
Accrued liabilities	999	1,123	333
Deferred revenue	-	6,676	231
Due to other funds	6,794	162,481	634
Intergovernmental payables	-	410,960	-
Funds held for others	-	996	-
Other obligations	-	32	-
Total liabilities	12,271	595,586	2,443
Fund Balance			
Fund balances reserved for:			
Inventories	-	-	-
Encumbrances	-	-	-
Special projects	4,126	110,320	683
Subsequent years' expenditures	-	68	2,636
Other	3,551	-	141
Unreserved - special revenue	62,244	1,966	13,389
Total fund balances	69,921	112,354	16,849
Total liabilities and fund balance	\$ 82,192	707,940	19,292

	Public Safety	Regulation, Licensing, Etc.	Total
\$	4,179	51,510	636,702
	3	35	44
	-	639	10,655
	4,756	1,330	200,960
	3	3	7,166
	-	31	31
	-	28,605	44,960
\$	8,941	82,153	900,518

\$	645	-	19,686
	32	-	2,487
	-	1,800	8,707
	3,040	193	173,142
	-	2	410,962
	-	-	996
	-	-	32
	3,717	1,995	616,012

	-	31	31
	113	8,493	8,606
	-	-	115,129
	546	381	3,631
	-	2,010	5,702
	4,565	69,243	151,407
	5,224	80,158	284,506

\$	8,941	82,153	900,518
----	-------	--------	---------

STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control	Judicial	Public Safety
Revenues				
Charges for services	\$ 2,148	-	2,422	505
Federal funds	8,589	11,000	3,717	4,379
Interest and other investment income	8,713	905	-	212
Licenses, fees and permits	3,600	1,885	1	250
Assessments	5	180	-	940
Other	2,526	2,367	7,992	814
Rentals and royalties	3,815	93	41	-
Taxes	5,255	29,676	28	-
Total revenues	34,651	46,106	14,201	7,100
Expenditures				
Current	37,700	246,169	48,649	14,758
Capital outlay	3,067	-	1,255	-
Total expenditures	40,767	246,169	49,904	14,758
Excess (deficiency) of revenues over expenditures	(6,116)	(200,063)	(35,703)	(7,658)
Other Financing Sources (Uses)				
Face amount of bonds sold	-	23,191	7,972	-
Other non-operating expense	(41)			
Transfers in	53,830	254,738	36,254	6,572
Transfers out	(25,949)	(50,831)	(697)	(3,455)
Total other financing sources (uses)	27,840	227,098	43,529	3,117
Net change in fund balances	21,724	27,035	7,826	(4,541)
Fund balances - beginning	48,197	85,319	9,023	9,765
Fund balances - ending	\$ 69,921	112,354	16,849	5,224

	Regulation, Licensing, Etc.	Total
\$	753	5,828
	466	28,151
	979	10,809
	13,653	19,389
	10,153	11,278
	78	13,777
	14	3,963
	1,662	36,621
	<u>27,758</u>	<u>129,816</u>
	24,202	371,478
	206	4,528
	<u>24,408</u>	<u>376,006</u>
	3,350	(246,190)
	174	31,337
		(41)
	2,102	353,496
	(2,215)	(83,147)
	<u>61</u>	<u>301,645</u>
	3,411	55,455
	76,747	229,051
\$	<u>80,158</u>	<u>284,506</u>

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 103,324	73,624
Receivables, net	-	68
Intergovernmental receivables	1,935	-
Deferred charges and other assets	1	3
Due from other funds	23,906	32,700
Total assets	<u>\$ 129,166</u>	<u>106,395</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payables	\$ 5,175	426
Accrued liabilities	-	-
Intergovernmental payables	26	-
Funds held for others	-	2,367
Deferred revenue	15,496	29,488
Due to other funds	77	202
Total liabilities	<u>20,774</u>	<u>32,483</u>
Fund Balance		
Reserved for:		
Capital projects	27,732	5,339
Subsequent years' expenditures	41,306	-
Encumbrances	4,813	273
Unreserved - capital projects	34,541	68,300
Total fund balances	<u>108,392</u>	<u>73,912</u>
Total liabilities and fund balances	<u>\$ 129,166</u>	<u>106,395</u>

	Judicial	Public Safety	Regulation, Licensing, Etc.	Total
\$	1,135	7,778	9,567	195,428
	3	-	170	241
	-	-	-	1,935
	-	6	-	10
	2,000	4,184	34	62,824
\$	3,138	11,968	9,771	260,438
\$	282	775	419	7,077
	1	-	40	41
	-	-	-	26
	-	-	-	2,367
	322	-	-	45,306
	-	1,817	93	2,189
	605	2,592	552	57,006
	-	-	8,069	41,140
	-	-	-	41,306
	-	113	1,150	6,349
	2,533	9,263	-	114,637
	2,533	9,376	9,219	203,432
\$	3,138	11,968	9,771	260,438

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)**

	Culture Recreation and Natural Resources	General Control
Revenues		
Federal funds	\$ 5,730	-
Rentals and royalties	-	1,242
Interest and other investment income	115	939
Other	-	60
Taxes	4,196	-
Total revenues	<u>10,041</u>	<u>2,241</u>
Expenditures		
Current	14,481	7,586
Debt service		
Principal payments	250	-
Interest payments	-	-
Capital outlay	29,169	45,587
Total expenditures	<u>43,900</u>	<u>53,173</u>
Excess (deficiency) of revenues over expenditures	<u>(33,859)</u>	<u>(50,932)</u>
Other Financing Sources (Uses)		
Face amounts of bonds sold	21,256	28,014
Transfers in	54,150	73,268
Transfers out	(5,728)	(259)
Total other financing sources (uses)	<u>69,678</u>	<u>101,023</u>
Net change in fund balances	35,819	50,091
Fund balances - beginning	<u>72,573</u>	<u>23,821</u>
Fund balances - ending	<u>\$ 108,392</u>	<u>73,912</u>

	Judicial	Public Safety	Regulation, Licensing, Etc.	Total
\$	-	1,675	-	7,405
	-	-	-	1,242
	-	-	32	1,086
	-	-	730	790
	-	-	-	4,196
	-	1,675	762	14,719
	1,719	1,580	8,145	33,511
	-	-	-	250
	-	-	-	-
	-	2,146	1,925	78,827
	1,719	3,726	10,070	112,588
	(1,719)	(2,051)	(9,308)	(97,869)
	3,227	1,150	-	53,647
	-	6,414	3,361	137,193
	(28)	(354)	(2,424)	(8,793)
	3,199	7,210	937	182,047
	1,480	5,159	(8,371)	84,178
	1,053	4,217	17,590	119,254
\$	2,533	9,376	9,219	203,432

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	General Control	General Obligation Bonds	Severance Tax Bonds
ASSETS			
Cash and cash equivalents	\$ 164,251	48,740	274,288
Receivables, net	-	18	1,577
Due from other funds	304	2,100	37,614
Investments, at fair value	-	-	-
Total assets	\$ 164,555	50,858	313,479
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	-	119,088
Due to other funds	164,457	-	164
Total liabilities	164,457	-	119,252
Fund Balances			
Reserved for debt service	98	50,858	194,227
Unreserved - designated for arbitrage	-	-	-
Total fund balances	98	50,858	194,227
Total liabilities and fund balances	\$ 154,555	50,858	313,479

Culture Recreation and Natural Resources		Total
\$	4,318	491,597
	-	1,595
	389	40,407
	-	-
<u>\$</u>	<u>4,707</u>	<u>533,599</u>

\$	-	119,088
	-	164,621
	-	283,709

	3,165	248,348
	1,542	1,542
	4,707	249,890

<u>\$</u>	<u>4,707</u>	<u>533,599</u>
-----------	--------------	----------------

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	General Control	General Obligation Bonds	Severance Tax Bonds
Revenues			
Taxes	\$ 9,763	51,880	452,902
Licences, fees and permits	-	-	-
Interest and other investment income	444	9,006	56,650
Total revenues	<u>10,207</u>	<u>60,886</u>	<u>509,552</u>
Expenditures			
Debt service			
Interest payment	24,535	12,333	419,408
Principal payment	700,745	45,415	76,532
Total expenditures	<u>725,280</u>	<u>57,748</u>	<u>495,940</u>
Excess (deficiency) of revenues over expenditures	<u>(715,073)</u>	<u>3,138</u>	<u>13,612</u>
Other Financing Sources (Uses)			
Face amount of bonds sold	700,000	276	56,807
Transfer in	24,502	6,647	83,339
Transfer out	(10,452)	(7,715)	(108,913)
Total other financing sources (uses)	<u>714,050</u>	<u>(792)</u>	<u>31,233</u>
Net change in fund balances	(1,023)	2,346	44,845
Fund balances - beginning	<u>1,121</u>	<u>48,512</u>	<u>149,382</u>
Fund balances - ending	<u>\$ 98</u>	<u>50,858</u>	<u>194,227</u>

	Culture Recreation and Natural Resources	Total
\$	-	514,545
	188	188
	250	66,350
	438	581,083
	988	457,264
	1,591	824,283
	2,579	1,281,547
	(2,141)	(700,464)
	-	757,083
	2,846	117,334
	(270)	(127,350)
	2,576	747,067
	435	46,603
	4,272	203,287
\$	4,707	249,890

**STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2007**

NONMAJOR ENTERPRISE FUNDS

The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

Industries for the Blind – The New Mexico Commission for the Blind’s mission is to encourage and enable the State’s blind citizens to achieve vocational, economic, and social equality. This proprietary fund is used to provide career training and other assistance for New Mexico’s blind citizens and includes the operations of the Albuquerque Training Center.

Corrections Industries Revolving Fund – This fund is used to account for certain activities of the Corrections Industries Division. These activities include the manufacture of furniture and textiles, production of agricultural crops, and data entry services.

Environment Department – This fund is used to account for revolving loans for waste water and drinking water facilities.

New Mexico Magazine – New Mexico Magazine is a program of the Department of Tourism. The fund accounts for the publishing and distribution of a monthly magazine.

New Mexico Public Schools Insurance Authority (NMPSIA) – NMPSIA is a self-insurance pool that provides various benefits and risk coverage to participating public schools, school board members and public school employees, plus retired board members and employees. Coverage provided includes property, casualty, workers’ compensation, health, life and disability.

New Mexico Lottery Authority – This fund accounts for the operation of lottery games to provide revenues for public purposes as defined by the New Mexico Lottery Act. The New Mexico Lottery Authority is a separate legal entity from the State and therefore, a blended component unit. The New Mexico Lottery Authority was created by New Mexico State Statute 6-24-5A. A complete financial statement may be obtained from: New Mexico Lottery Authority, 4511 Osuna Road NE, Albuquerque, NM 87109.

State Infrastructure Bank – The State Infrastructure Bank is a proprietary fund administered by the Department of Transportation. The fund is used to account for loans made for road projects.

Miners' Colfax Medical Center - Miners' Colfax Medical Center is a State-owned medical facility in Raton, New Mexico. The current organization is a result of a merger between the Miners' Hospital and Northern Colfax County Hospital. Miners' Colfax operates a 33-bed acute care hospital; a 49 bed extended care facility and various outpatient clinics in Raton, New Mexico. Miners' Colfax has programs that serve both miners and non-miners.

**STATE OF NEW MEXICO
NONMAJOR FUNDS (CONTINUED)
JUNE 30, 2007**

NONMAJOR ENTERPRISE FUNDS (CONTINUED)

Unemployment Insurance Fund- The Unemployment Insurance Fund accounts for funds used for unemployment compensation. This fund does not account for other than unemployment compensation (i.e., workers' compensation, employment security labor market statistics, administration of the employment compensation program, etc).

State Fair Commission – This fund administers the operations of the annual New Mexico State Fair.

STATE OF NEW MEXICO
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 29	669	100,021	1,783
Deferred charges and other assets	1	-	2,321	12
Due from other funds	-	1,662	2,353	-
Inventories	162	1,955	-	198
Loans receivable, current	-	-	19,662	-
Receivables, net of allowance for uncollectible	10	89	3,752	171
Total current assets	202	4,375	128,109	2,164
Non Current Assets				
Loans receivable, long-term	-	-	111,092	-
Investments, long-term	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Other non current assets	-	-	-	-
Capital assets, not being depreciated	20	-	-	-
Capital assets, net of depreciation	69	511	-	12
Total noncurrent assets	89	511	111,092	12
Total assets	\$ 291	4,886	239,201	2,176
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 137	589	-	220
Accrued liabilities	121	77	-	57
Deferred revenues	-	15	-	111
Due to other funds	72	-	-	337
Other liabilities, current	14	116	-	624
Bonds payable, current	-	-	-	-
Other obligations	-	38	-	-
Total current liabilities	344	825	-	1,349
Noncurrent Liabilities				
Other liabilities, long-term	-	-	-	682
Bonds payable, long-term	-	-	-	-
Total liabilities	344	825	-	2,031
NET ASSETS				
Investment in capital assets, net of related debt	69	511	-	12
Restricted for				
Loans	-	-	-	-
Debt service	-	-	-	-
Future benefits	-	-	-	-
Other	-	-	239,201	-
Unrestricted net assets (deficit)	(122)	3,540	-	133
Total net assets (deficit)	(53)	4,051	239,201	145
Total net assets and liabilities	\$ 291	4,886	239,201	2,176

	New Mexico Public Schools Insurance Authority	New Mexico Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$	66,588	6,828	10,766	12,037	588,044	8,687	795,452
	256	2,434	-	1	-	5	5,030
	-	-	-	-	-	-	4,015
	-	16	-	520	-	-	2,851
	-	-	-	-	-	-	19,662
	484	1,651	8,118	3,413	27,878	334	45,900
	67,328	10,929	18,884	15,971	615,922	9,026	872,910
	-	-	-	-	-	-	111,092
	37,127	-	-	8,118	-	-	45,245
	-	-	-	-	-	607	607
	-	-	-	6	-	-	6
	-	-	-	20,148	-	6,201	26,369
	503	359	-	8,472	-	34,083	44,009
	37,630	359	-	36,744	-	40,891	227,328
\$	104,958	11,288	18,884	52,715	615,922	49,917	1,100,238
\$	5,882	2,551	-	819	-	831	11,029
	20	5,576	-	737	3,164	131	9,883
	-	-	-	-	22,562	465	23,153
	-	3,161	-	-	-	-	3,570
	19,705	-	-	290	-	45	20,794
	-	-	-	653	-	542	1,195
	-	-	-	-	767	155	960
	25,607	11,288	-	2,499	26,493	2,169	70,584
	43,519	-	-	32	-	173	44,406
	-	-	-	15,391	-	4,275	19,666
	69,126	11,288	-	17,922	26,493	6,617	134,656
	503	359	-	12,577	-	35,469	49,500
	-	-	18,316	-	-	-	18,316
	-	-	-	176	-	685	861
	35,158	-	-	-	-	-	35,158
	-	-	-	4,678	589,429	8,508	841,816
	171	(359)	568	17,362	-	(1,362)	19,931
	35,832	-	18,884	34,793	589,429	43,300	965,582
\$	104,958	11,288	18,884	52,715	615,922	49,917	1,100,238

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine
Operating Revenues				
Charges for services	\$ 492	4,402	-	4,061
Federal funds	-	-	-	-
Interest and other investment income	-	-	7,946	-
Licenses, fees and permits	-	-	-	-
Other operating revenues	-	-	69	-
Total operating revenues	492	4,402	8,015	4,061
Operating Expenses				
Benefits, claims and premiums	-	-	-	-
Game expense	-	-	-	-
Depreciation expense	16	137	-	5
General and administrative	831	-	429	-
Losses	-	-	-	-
Other operating expenses	-	4,597	-	4,057
Total operating expenses	847	4,734	429	4,062
Operating (loss) income	(355)	(332)	7,586	(1)
Non-Operating Revenue (Expense)				
Other non-operating revenues	38	524	15,271	-
Total non-operating revenues (expenses) income before transfers	38	524	15,271	-
Transfers in (out)	147	-	-	-
Change in net assets	(170)	192	22,857	(1)
Net assets at beginning of year	117	3,859	216,344	146
Net assets (deficit) at end of year	\$ (53)	4,051	239,201	145

	New Mexico Public Schools Insurance Authority	New Mexico Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$	288,168	148,080	-	16,367	-	9,169	470,739
	-	-	-	260	11,369	-	11,629
	1,734	-	568	2,690	28,385	-	41,323
	-	-	-	-	-	4,450	4,450
	-	-	-	353	103,718	2,013	106,153
	<u>289,902</u>	<u>148,080</u>	<u>568</u>	<u>19,670</u>	<u>143,472</u>	<u>15,632</u>	<u>634,294</u>
	29,539	3,686	-	-	120,931	6,822	160,978
	-	108,181	-	-	-	-	108,181
	29	392	-	1,032	-	2,100	3,711
	20,165	-	-	-	-	8,704	30,129
	234,262	-	-	-	-	-	234,262
	-	1,704	-	18,445	-	-	28,803
	<u>283,995</u>	<u>113,963</u>	<u>-</u>	<u>19,477</u>	<u>120,931</u>	<u>17,626</u>	<u>566,064</u>
	5,907	34,117	568	193	22,541	(1,994)	68,230
	9,727	713	-	105	-	12,560	38,938
	9,727	713	-	105	-	12,560	38,938
	-	(34,880)	(568)	(1)	-	-	(35,302)
	15,634	(50)	-	297	22,541	10,566	71,866
	20,198	50	18,884	34,496	566,888	32,734	893,716
\$	<u>35,832</u>	<u>-</u>	<u>18,884</u>	<u>34,793</u>	<u>589,429</u>	<u>43,300</u>	<u>965,582</u>

STATE OF NEW MEXICO
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine
Cash Flows from Operating Activities				
Amounts paid to third party administrators and other vendors	\$ -	(456)	-	-
Cash paid to suppliers and employees	(775)	(4,982)	(23)	(3,472)
Cash payments made to borrowers	-	-	(22,750)	-
Cash received on interest from loans	-	-	8,328	-
Cash paid for unemployment benefits	-	-	-	-
From retailers - sales net of commissions	-	-	-	-
From MUSL-Powerball jackpot	-	-	-	-
Losses and loss adjustment expenses paid	-	-	-	-
Other income	-	-	-	-
Participant premiums collected	-	-	-	-
Premiums paid to health maintenance organizations	-	-	-	-
Receipts from customers	619	4,402	-	4,135
To MUSL	-	-	-	-
To prize winners and related taxes	-	-	-	-
Net cash provided (used) by operating activities	(156)	(1,036)	(14,445)	663
Cash Flows from Investing Activities				
Interest, dividends, gains and losses, net, on investment	-	513	-	-
Receipts of rent	-	-	-	-
Other	-	-	-	-
Net cash provided (used) by investing activities	-	513	-	-
Cash Flows from Non-Capital Financing Activities				
Appropriation from/reversion to State General Fund	147	-	-	-
Interest paid on borrowing	-	-	-	-
Principal payments on bank borrowing	-	-	-	-
Transfers	38	-	-	-
Net cash (used) provided by non-capital financing	185	-	-	-
Cash Flows from Capital and Related Financing Activities				
Grant proceeds - EPA	-	-	13,366	-
Special Appropriations Proceeds	-	-	1,500	-
Interest and fees paid on capital debt and leases	-	-	-	-
Principal paid on capital debt and leases	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Proceeds from contributed capital	-	-	-	-
Purchase of premises and equipment	-	-	-	-
Net cash provided (used) by capital financing activities	-	-	14,866	-
Net increase (decrease) in cash	29	(523)	421	663
Cash and cash equivalents at beginning of year, as restated	-	1,191	99,601	1,120
Cash and cash equivalents at end of year	\$ 29	668	100,022	1,783

New Mexico Public Schools Insurance Authority	New Mexico Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$ (20,480)	-	-	-	-	-	(20,936)
-	(18,288)	-	(18,794)	103,812	(14,010)	43,468
-	-	-	-	-	-	(22,750)
-	-	525	-	-	-	8,853
-	-	-	-	(120,931)	-	(120,931)
-	137,671	-	-	-	-	137,671
-	29,450	-	-	-	-	29,450
(230,412)	-	-	-	-	-	(230,412)
1,734	-	-	-	28,385	-	30,119
287,847	-	-	-	-	-	287,847
(27,716)	-	-	-	-	-	(27,716)
-	-	-	19,253	-	13,418	41,827
-	(11,765)	-	-	-	-	(11,765)
-	(100,724)	-	-	-	-	(100,724)
10,973	36,344	525	459	11,266	(592)	44,001
3,617	376	-	13,015	-	352	17,873
-	126	-	-	-	-	126
-	-	-	(876)	-	-	(876)
3,617	502	-	12,139	-	352	17,123
-	-	-	-	-	-	147
9	-	-	-	-	-	9
-	-	(5,070)	-	-	-	(5,070)
-	(34,388)	-	-	-	-	(34,350)
9	(34,388)	(5,070)	-	-	-	(39,264)
-	-	-	-	7,592	-	20,958
-	-	-	-	-	-	1,500
-	-	-	-	-	(152)	(152)
-	(106)	-	-	-	-	(106)
-	-	-	(603)	-	(530)	(1,133)
-	-	-	-	-	12,361	12,361
(13)	(99)	-	(16,909)	-	(8,645)	(25,666)
(13)	(205)	-	(17,512)	7,592	3,034	7,762
14,586	2,253	(4,545)	(4,914)	18,858	2,794	29,622
52,002	4,575	15,311	16,951	569,186	6,500	766,437
\$ 66,588	6,828	10,766	12,037	588,044	9,294	796,059

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control	Judicial	Public Safety
Revenues				
Charges for services	\$ 2,148	-	2,422	505
Federal funds	8,589	11,000	3,717	4,379
Interest and other investment income	8,713	905	-	212
Licenses, fees and permits	3,600	1,885	1	250
Assessments	5	180	-	940
Other	2,526	2,367	7,992	814
Rentals and royalties	3,815	93	41	-
Taxes	5,255	29,676	28	-
Total revenues	34,651	46,106	14,201	7,100
Expenditures				
Current	37,700	246,169	48,649	14,758
Capital outlay	3,067	-	1,255	-
Total expenditures	40,767	246,169	49,904	14,758
Excess (deficiency) of revenues over expenditures	(6,116)	(200,063)	(35,703)	(7,658)
Other Financing Sources (Uses)				
Face amount of bonds sold	-	23,191	7,972	-
Other non-operating expense	(41)			
Transfers in	53,830	254,738	36,254	6,572
Transfers out	(25,949)	(50,831)	(697)	(3,455)
Total other financing sources (uses)	27,840	227,098	43,529	3,117
Net change in fund balances	21,724	27,035	7,826	(4,541)
Fund balances - beginning	48,197	85,319	9,023	9,765
Fund balances - ending	\$ 69,921	112,354	16,849	5,224

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 103,324	73,624
Receivables, net	-	68
Intergovernmental receivables	1,935	-
Deferred charges and other assets	1	3
Due from other funds	23,906	32,700
Total assets	<u>\$ 129,166</u>	<u>106,395</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payables	\$ 5,175	426
Accrued liabilities	-	-
Intergovernmental payables	26	-
Funds held for others	-	2,367
Deferred revenue	15,496	29,488
Due to other funds	77	202
Total liabilities	<u>20,774</u>	<u>32,483</u>
Fund Balance		
Reserved for:		
Capital projects	27,732	5,339
Subsequent years' expenditures	41,306	-
Encumbrances	4,813	273
Unreserved - capital projects	34,541	68,300
Total fund balances	<u>108,392</u>	<u>73,912</u>
Total liabilities and fund balances	<u>\$ 129,166</u>	<u>106,395</u>

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)**

	Culture Recreation and Natural Resources	General Control
Revenues		
Federal funds	\$ 5,730	-
Rentals and royalties	-	1,242
Interest and other investment income	115	939
Other	-	60
Taxes	4,196	-
Total revenues	<u>10,041</u>	<u>2,241</u>
Expenditures		
Current	14,481	7,586
Debt service		
Principal payments	250	-
Interest payments	-	-
Capital outlay	29,169	45,587
Total expenditures	<u>43,900</u>	<u>53,173</u>
Excess (deficiency) of revenues over expenditures	<u>(33,859)</u>	<u>(50,932)</u>
Other Financing Sources (Uses)		
Face amounts of bonds sold	21,256	28,014
Transfers in	54,150	73,268
Transfers out	(5,728)	(259)
Total other financing sources (uses)	<u>69,678</u>	<u>101,023</u>
Net change in fund balances	35,819	50,091
Fund balances - beginning	<u>72,573</u>	<u>23,821</u>
Fund balances - ending	<u>\$ 108,392</u>	<u>73,912</u>

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	General Control	General Obligation Bonds	Severance Tax Bonds
ASSETS			
Cash and cash equivalents	\$ 164,251	48,740	274,288
Receivables, net	-	18	1,577
Due from other funds	304	2,100	37,614
Investments, at fair value	-	-	-
Total assets	\$ 164,555	50,858	313,479
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	-	119,088
Due to other funds	164,457	-	164
Total liabilities	164,457	-	119,252
Fund Balances			
Reserved for debt service	98	50,858	194,227
Unreserved - designated for arbitrage	-	-	-
Total fund balances	98	50,858	194,227
Total liabilities and fund balances	\$ 154,555	50,858	313,479

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	General Control	General Obligation Bonds	Severance Tax Bonds
Revenues			
Taxes	\$ 9,763	51,880	452,902
Licences, fees and permits	-	-	-
Interest and other investment income	444	9,006	56,650
Total revenues	<u>10,207</u>	<u>60,886</u>	<u>509,552</u>
Expenditures			
Debt service			
Interest payment	24,535	12,333	419,408
Principal payment	700,745	45,415	76,532
Total expenditures	<u>725,280</u>	<u>57,748</u>	<u>495,940</u>
Excess (deficiency) of revenues over expenditures	<u>(715,073)</u>	<u>3,138</u>	<u>13,612</u>
Other Financing Sources (Uses)			
Face amount of bonds sold	700,000	276	56,807
Transfer in	24,502	6,647	83,339
Transfer out	(10,452)	(7,715)	(108,913)
Total other financing sources (uses)	<u>714,050</u>	<u>(792)</u>	<u>31,233</u>
Net change in fund balances	(1,023)	2,346	44,845
Fund balances - beginning	<u>1,121</u>	<u>48,512</u>	<u>149,382</u>
Fund balances - ending	<u>\$ 98</u>	<u>50,858</u>	<u>194,227</u>

**STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2007**

NONMAJOR ENTERPRISE FUNDS

The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

Industries for the Blind – The New Mexico Commission for the Blind’s mission is to encourage and enable the State’s blind citizens to achieve vocational, economic, and social equality. This proprietary fund is used to provide career training and other assistance for New Mexico’s blind citizens and includes the operations of the Albuquerque Training Center.

Corrections Industries Revolving Fund – This fund is used to account for certain activities of the Corrections Industries Division. These activities include the manufacture of furniture and textiles, production of agricultural crops, and data entry services.

Environment Department – This fund is used to account for revolving loans for waste water and drinking water facilities.

New Mexico Magazine – New Mexico Magazine is a program of the Department of Tourism. The fund accounts for the publishing and distribution of a monthly magazine.

New Mexico Public Schools Insurance Authority (NMPSIA) – NMPSIA is a self-insurance pool that provides various benefits and risk coverage to participating public schools, school board members and public school employees, plus retired board members and employees. Coverage provided includes property, casualty, workers’ compensation, health, life and disability.

New Mexico Lottery Authority – This fund accounts for the operation of lottery games to provide revenues for public purposes as defined by the New Mexico Lottery Act. The New Mexico Lottery Authority is a separate legal entity from the State and therefore, a blended component unit. The New Mexico Lottery Authority was created by New Mexico State Statute 6-24-5A. A complete financial statement may be obtained from: New Mexico Lottery Authority, 4511 Osuna Road NE, Albuquerque, NM 87109.

State Infrastructure Bank – The State Infrastructure Bank is a proprietary fund administered by the Department of Transportation. The fund is used to account for loans made for road projects.

Miners' Colfax Medical Center - Miners' Colfax Medical Center is a State-owned medical facility in Raton, New Mexico. The current organization is a result of a merger between the Miners' Hospital and Northern Colfax County Hospital. Miners' Colfax operates a 33-bed acute care hospital; a 49 bed extended care facility and various outpatient clinics in Raton, New Mexico. Miners' Colfax has programs that serve both miners and non-miners.

STATE OF NEW MEXICO
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 29	669	100,021	1,783
Deferred charges and other assets	1	-	2,321	12
Due from other funds	-	1,662	2,353	-
Inventories	162	1,955	-	198
Loans receivable, current	-	-	19,662	-
Receivables, net of allowance for uncollectible	10	89	3,752	171
Total current assets	202	4,375	128,109	2,164
Non Current Assets				
Loans receivable, long-term	-	-	111,092	-
Investments, long-term	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Other non current assets	-	-	-	-
Capital assets, not being depreciated	20	-	-	-
Capital assets, net of depreciation	69	511	-	12
Total noncurrent assets	89	511	111,092	12
Total assets	\$ 291	4,886	239,201	2,176
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 137	589	-	220
Accrued liabilities	121	77	-	57
Deferred revenues	-	15	-	111
Due to other funds	72	-	-	337
Other liabilities, current	14	116	-	624
Bonds payable, current	-	-	-	-
Other obligations	-	38	-	-
Total current liabilities	344	835	-	1,349
Noncurrent Liabilities				
Other liabilities, long-term	-	-	-	682
Bonds payable, long-term	-	-	-	-
Total liabilities	344	835	-	2,031
NET ASSETS				
Investment in capital assets, net of related debt	69	511	-	12
Restricted for				
Loans	-	-	-	-
Debt service	-	-	-	-
Future benefits	-	-	-	-
Other	-	-	239,201	-
Unrestricted net assets (deficit)	(122)	3,540	-	133
Total net assets (deficit)	(53)	4,051	239,201	145
Total net assets and liabilities	\$ 291	4,886	239,201	2,176

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine
Operating Revenues				
Charges for services	\$ 492	4,402	-	4,061
Federal funds	-	-	-	-
Interest and other investment income	-	-	7,946	-
Licenses, fees and permits	-	-	-	-
Other operating revenues	-	-	69	-
Total operating revenues	492	4,402	8,015	4,061
Operating Expenses				
Benefits, claims and premiums	-	-	-	-
Game expense	-	-	-	-
Depreciation expense	16	137	-	5
General and administrative	831	-	429	-
Losses	-	-	-	-
Other operating expenses	-	4,597	-	4,057
Total operating expenses	847	4,734	429	4,062
Operating (loss) income	(355)	(332)	7,586	(1)
Non-Operating Revenue (Expense)				
Other non-operating revenues	38	524	15,271	-
Total non-operating revenues (expenses) income before transfers	38	524	15,271	-
Transfers in (out)	147	-	-	-
Change in net assets	(170)	192	22,857	(1)
Net assets at beginning of year	117	3,859	216,344	146
Net assets (deficit) at end of year	\$ (53)	4,051	239,201	145

STATE OF NEW MEXICO
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine
Cash Flows from Operating Activities				
Amounts paid to third party administrators and other vendors	\$ -	(456)	-	-
Cash paid to suppliers and employees	(775)	(4,982)	(23)	(3,472)
Cash payments made to borrowers	-	-	(22,750)	-
Cash received on interest from loans	-	-	8,328	-
Cash paid for unemployment benefits	-	-	-	-
From retailers - sales net of commissions	-	-	-	-
From MUSL-Powerball jackpot	-	-	-	-
Losses and loss adjustment expenses paid	-	-	-	-
Other income	-	-	-	-
Participant premiums collected	-	-	-	-
Premiums paid to health maintenance organizations	-	-	-	-
Receipts from customers	619	4,402	-	4,135
To MUSL	-	-	-	-
To prize winners and related taxes	-	-	-	-
Net cash provided (used) by operating activities	(156)	(1,036)	(14,445)	663
Cash Flows from Investing Activities				
Interest, dividends, gains and losses, net, on investment	-	513	-	-
Receipts of rent	-	-	-	-
Other	-	-	-	-
Net cash provided (used) by investing activities	-	513	-	-
Cash Flows from Non-Capital Financing Activities				
Appropriation from/reversion to State General Fund	147	-	-	-
Interest paid on borrowing	-	-	-	-
Principal payments on bank borrowing	-	-	-	-
Transfers	38	-	-	-
Net cash (used) provided by non-capital financing	185	-	-	-
Cash Flows from Capital and Related Financing Activities				
Grant proceeds - EPA	-	-	13,366	-
Special Appropriations Proceeds	-	-	1,500	-
Interest and fees paid on capital debt and leases	-	-	-	-
Principal paid on capital debt and leases	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Proceeds from contributed capital	-	-	-	-
Purchase of premises and equipment	-	-	-	-
Net cash provided (used) by capital financing activities	-	-	14,866	-
Net increase (decrease) in cash	29	(523)	421	663
Cash and cash equivalents at beginning of year, as restated	-	1,191	99,601	1,120
Cash and cash equivalents at end of year	\$ 29	668	100,022	1,783

STATE OF NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving	Environment Department	New Mexico Magazine
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (355)	(332)	7,586	(1)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Accounts payable and accrued liabilities	61	(4)	(314)	227
Accrued capital purchases	-	-	-	-
Accrued wages payable	-	(2)	-	-
Compensated absences	(9)	(2)	-	-
Deferred revenues	-	-	-	33
Depreciation	16	137	-	5
Due from (to) other funds	-	(44)	-	258
Accrued interest	-	-	-	-
Inventories	113	(887)	-	2
Loans receivable	-	-	(22,054)	-
Other assets	(1)	-	337	-
Prepaid expenses and deposits	-	-	-	(8)
Provision for bad debts	5	-	-	-
Prize payables	-	-	-	-
Vendors' non-cash transactions	-	-	-	-
Additional contributions to MUSL reserve accounts	-	-	-	-
Receivables, net	14	98	-	48
Due to insurance carriers for claims paid	-	-	-	-
Reserves for losses and loss adjustment expenses	-	-	-	-
Reserves on deposit	-	-	-	-
Unearned premium revenue	-	-	-	-
Unexpired subscriptions	-	-	-	99
Net cash provided (used) by operating activities	\$ (156)	(1,036)	(14,445)	663

STATE OF NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving	Environment Department	New Mexico Magazine
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (355)	(332)	7,586	(1)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Accounts payable and accrued liabilities	61	(4)	(314)	227
Accrued capital purchases	-	-	-	-
Accrued wages payable	-	(2)	-	-
Compensated absences	(9)	(2)	-	-
Deferred revenues	-	-	-	33
Depreciation	16	137	-	5
Due from (to) other funds	-	(44)	-	258
Accrued interest	-	-	-	-
Inventories	113	(887)	-	2
Loans receivable	-	-	(22,054)	-
Other assets	(1)	-	337	-
Prepaid expenses and deposits	-	-	-	(8)
Provision for bad debts	5	-	-	-
Prize payables	-	-	-	-
Vendors' non-cash transactions	-	-	-	-
Additional contributions to MUSL reserve accounts	-	-	-	-
Receivables, net	14	98	-	48
Due to insurance carriers for claims paid	-	-	-	-
Reserves for losses and loss adjustment expenses	-	-	-	-
Reserves on deposit	-	-	-	-
Unearned premium revenue	-	-	-	-
Unexpired subscriptions	-	-	-	99
Net cash provided (used) by operating activities	\$ (156)	(1,036)	(14,445)	663

	New Mexico Public Schools Insurance Authority	New Mexico Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Total
\$	5,907	34,117	568	193	22,541	(1,994)	68,230
	(324)	325	-	(358)	(357)	(394)	(1,138)
	-	43	-	-	-	-	43
	-	-	-	-	-	-	(2)
	9	-	-	15	-	-	13
	-	-	-	-	(8,028)	(248)	(8,243)
	29	392	-	1,032	-	2,100	3,711
	-	-	-	-	-	-	214
	-	24	-	-	-	-	24
	-	-	-	(4)	-	-	(776)
	-	-	-	-	-	-	(22,054)
	-	-	(43)	-	(356)	48	(15)
	-	24	-	(1)	-	-	15
	-	-	-	2,614	-	-	2,619
	-	2,081	-	-	-	-	2,081
	-	(3)	-	-	-	-	(3)
	-	(6)	-	-	-	-	(6)
	(288)	(655)	-	(3,032)	(2,534)	(104)	(6,453)
	1,823	-	-	-	-	-	1,823
	3,850	-	-	-	-	-	3,850
	-	2	-	-	-	-	2
	(33)	-	-	-	-	-	(33)
	-	-	-	-	-	-	99
\$	10,973	36,344	525	459	11,266	(592)	44,001

**STATE OF NEW MEXICO
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2007**

PRIVATE PURPOSE TRUST FUNDS

The Private Purpose Trust Funds are used to account for assets held by the government in a trustee capacity and where the principal may not be expended.

Scholarship Fund – This grouping includes scholarship trust funds administered by the Commission on Higher Education and the Department of Education.

Land Grant Permanent Fund – Under terms of the Fergusson Act of 1898 and the Enabling Act of 1910, certain lands held by the federal government were granted to the territory of New Mexico. The lands, totaling 13 million acres, are held in trust for the benefit of the public schools and other specific institutions. Only the portion of the fund that does not benefit the State is presented as a Private Purpose Trust Fund. Other portions of the fund that benefit the State are presented in both the Governmental Funds and the Proprietary Funds. The fund is administered by the State Investment Council.

Higher Education Savings Fund – The 529 Higher Education Savings Plan is a variable return college savings program that enables individuals to save and invest in order to fund future higher education expenses of a child or beneficiary. The program is designed to be a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and is maintained by the Education Trust Board of New Mexico.

STATE OF NEW MEXICO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	Scholarship Fund	Land Grant Permanent Fund	Higher Education Savings Fund	Total
ASSETS				
Cash and cash equivalents	\$ 4,240	311,215	48	315,503
Due from other funds	1,290	6,102	-	7,392
Due from brokers	-	90,836	-	90,836
Investments, at fair value	95,000	10,416,714	861,217	11,372,931
Other assets	-	-	1,439	1,439
Receivables, net of allowance	-	12,384	882	13,266
Total assets	100,530	10,837,251	863,586	11,801,367
LIABILITIES				
Due to beneficiaries	-	30,387	-	30,387
Accrued liabilities	513	-	1,793	2,306
Payables	-	-	639	639
Due to other funds	28	-	-	28
Due to brokers	-	1,911,286	-	1,911,286
Total liabilities	541	1,941,673	2,432	1,944,646
NET ASSETS				
Net assets held in trust for pool participants	99,882	8,895,578	-	8,995,460
Net assets reserved for other beneficiaries	107	-	861,154	861,261
Net assets	\$ 99,989	8,895,578	861,154	9,856,721

STATE OF NEW MEXICO
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Scholarship Fund	Land Grant Permanent Fund	Higher Education Savings Fund	Total
ADDITIONS				
Deposits	\$ 48,000	388,534	240,867	677,401
Interest and other investment income	2,803	1,362,504	102,887	1,468,194
Total additions	50,803	1,751,038	343,754	2,145,595
DEDUCTIONS				
Distributions	2,000	421,938	180,044	603,982
Management expenses	50	12,706	-	12,756
Total deductions	2,050	434,644	180,044	616,738
Change in net assets	48,753	1,316,394	163,710	1,528,857
Net assets, beginning, as restated	51,236	7,579,184	697,444	8,327,864
Net assets, ending	\$ 99,989	8,895,578	861,154	9,856,721

STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2007

PENSION TRUST FUNDS

The Pension Trust Funds are used to account for assets held by the government in a trustee capacity. These funds account for the activities of the Public and Educational Employees Retirement Systems.

Magistrate Retirement – The Magistrate Retirement Fund is a cost-sharing, multiple-employer defined benefit pension plan. All magistrates are eligible for membership upon election or appointment to office (eligibility is set forth in Section 10-12C-4, NMSA 1978).

Public Employees Retirement Fund (PERA) – PERA is a cost-sharing, multiple-employer defined benefit pension plan. Membership is open to employees and elected officials of every affiliated public employer (eligibility is set forth in Section 10-11-3, NMSA 1978). There are six divisions of members and eighteen coverage plans. The State of New Mexico also offers its employees a deferred compensation plan (eligibility is set forth in Section 10-7A-1, NMSA 1978). The plan permits employees to defer a portion of their income until future years.

Educational Employees' Retirement System (ERA) – ERA is a qualified, defined benefit, governmental retirement plan established and administered by the State of New Mexico to provide pension benefits for all state certified employees, teachers and other employees of the State educational institutions, junior colleges, and technical vocational institutes.

Judicial Retirement – The Judicial Retirement Fund is a cost-sharing, multiple-employer defined benefit pension plan. Every judge or justice is eligible for membership upon election or appointment to office (eligibility is set forth in Section 10-12B-4, NMSA 1978).

Volunteer Firefighters Retirement – The Volunteer Firefighters Retirement Fund is a cost-sharing, multiple-employer defined pension benefit plan with a special funding mandate. Membership is open to most volunteer, nonsalaried firefighters who are listed as active members on the rolls of a fire department and meet certain age and service credit requirements (eligibility set forth in Section 10-11A-2, NMSA 1978).

Deferred Compensation Plan (IRC 457) – The State of New Mexico offers its employees a deferred compensation plan (Plan) under NMSA 1978, Sections 10-7-A-1 through 10-7A-12, the “Deferred Compensation Act,” is in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Public Employee’s Retiree Association is the trustee of the Plan; however, the Plan is administered by a third party administrator (the “Administrator”) acting under contract with PERA.

New Mexico Retiree Health Care Authority (RHCA) – RHCA is an insurance fund that provides comprehensive group health insurance coverage for retired public employees, their spouses, dependents and surviving spouses.

STATE OF NEW MEXICO
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
JUNE 30, 2007
(IN THOUSANDS)

	Magistrate Retirement	Public Employees Retirement Fund	Educational Employees Retirement System
ASSETS			
Cash and cash equivalents	\$ 2,809	704,386	327,739
Due from other funds	-	377	-
Due from brokers	6,146	2,013,963	887,335
Investments at fair value	47,253	15,483,438	10,298,666
Receivables, net of allowance	249	67,077	91,316
Other assets	-	9,591	7,529
Total assets	<u>56,457</u>	<u>18,278,832</u>	<u>11,612,585</u>
LIABILITIES			
Payables	2	8,126	6,385
Accrued liabilities	-	218	332
Due to other funds	86	-	-
Deferred revenue	-	-	-
Due to brokers	9,042	2,962,944	826,761
Funds held for others	-	-	693
Other liabilities	-	249	1,088
Security lending liability	6,702	2,196,245	1,321,530
Total liabilities	<u>15,832</u>	<u>5,167,782</u>	<u>2,156,789</u>
NET ASSETS			
Net assets held in trust for pension	<u>\$ 40,625</u>	<u>13,111,050</u>	<u>9,455,796</u>

	Judicial Retirement	Volunteer Firefighters Retirement	Deferred Compensation (IRC 457) Plan	New Mexico Retiree Health Care Authority	Total
\$	7,397	3,162	-	20,397	1,065,890
	-	-	-	-	377
	13,409	7,467	-	-	2,928,320
	103,084	57,410	318,487	176,829	26,485,167
	560	161	4,861	11,546	175,770
	-	-	2,212	66	19,398
	124,450	68,200	325,560	208,838	30,674,922
	1	10,986	-	11,421	36,921
	15	-	-	51	616
	187	104	-	15	392
	-	-	-	8,278	8,278
	19,726	-	-	-	3,818,473
	-	-	-	-	693
	-	-	-	13,359	14,696
	14,623	8,143	-	-	3,547,243
	34,552	19,233	-	33,124	7,427,312
\$	89,898	48,967	325,560	175,714	23,247,610

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)**

	Magistrate Retirement	Public Employees Retirement Fund	Educational Employees Retirement System
ADDITIONS			
Employee contributions	\$ 286	179,317	189,391
Employer contributions	920	269,571	255,853
Interest and other investment income	6,187	1,984,164	1,360,224
Other operating revenues	10	18,396	4,332
Total additions	7,403	2,451,448	1,809,800
DEDUCTIONS			
Benefits and claims	2,084	511,709	540,144
General and administrative Expenses and management fees	-	9,116	5,625
Other operating expenses	9	-	-
Refunds	-	-	-
	80	34,589	27,525
Total deductions	2,173	555,414	573,294
Change in net assets	5,230	1,896,034	1,236,506
Net assets, beginning	35,395	11,215,016	8,219,290
Net assets, ending	\$ 40,625	13,111,050	9,455,796

	Judicial Retirement	Volunteer Firefighters Retirement	Deferred Compensation (IRC 457) Plan	New Mexico Retiree Health Care Authority	Total
\$	874	-	33,088	94,828	497,784
	3,623	-	-	48,875	578,842
	13,488	7,344	35,866	28,816	3,436,089
	23	751	278,755	22,832	325,099
	18,008	8,095	347,709	195,351	4,837,814
	5,494	499	21,158	171,751	1,252,839
	-	-	803	2,489	18,033
	21	-	-	-	30
	-	-	188	-	188
	10	-	-	-	62,204
	5,525	499	22,149	174,240	1,333,294
	12,483	7,596	325,560	21,111	3,504,520
	77,415	41,371	-	154,603	19,743,090
\$	89,898	48,967	325,560	175,714	23,247,610

**STATE OF NEW MEXICO
EXTERNAL TRUST FUNDS
JUNE 30, 2007**

EXTERNAL TRUST FUNDS

The External Trust Funds account for assets held by the government in a trustee capacity. These funds are used to account for cash, securities and other investments held in custody for participants in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds.

State Investment Council – The State Investment Council is responsible for the investment activities of certain State of New Mexico Trust Funds. Pursuant to New Mexico law, the Council created the following investment pools: Large Capitalization Active, Large Capitalization Index, Core Bonds, Mid/Small Capitalization, Non-U.S. Index, Non-U.S. Developed Markets, Non-U.S. Emerging Markets and High Yield Bonds. The investment pools provide long-term investment opportunities for state agencies and designated institutions that have funds available for a long-term investment program that will extend for more than one year.

State Treasurer – The Office of the State Treasurer holds and invests monies for other state agencies and local governments. There are three external investment pools: State Funds Investment Pool, Short-Term Investment Pool and Consolidated Investment Pool.

**STATE OF NEW MEXICO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 EXTERNAL TRUST FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)**

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and cash equivalents	\$ 29,321	245,637	274,958
Due from custodian	40	-	40
Due from brokers	7,894	-	7,894
Investments, at fair value	746,256	4,633,557	5,379,813
Receivables, net of allowance	3,135	-	3,135
Total assets	<u>786,646</u>	<u>4,879,194</u>	<u>5,665,840</u>
LIABILITIES			
Due to brokers	175,486	-	175,486
Due to beneficiary	4,000	-	4,000
Intergovernmental payables	155	-	155
Total liabilities	<u>179,641</u>	<u>-</u>	<u>179,641</u>
NET ASSETS			
Net assets held in trust for pool participants	<u>\$ 607,005</u>	<u>4,879,194</u>	<u>5,486,199</u>

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EXTERNAL TRUST FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)**

	State Investment Council	State Treasurer	Total
ADDITIONS			
Deposits	\$ 113,618	-	113,618
Other operating revenue	36,000	-	36,000
Interest and other investment income	73,664	242,311	315,975
Total additions	223,282	242,311	465,593
DELETIONS			
Distributions	41,556	582,577	624,133
Expenses and management fees	865	384	1,249
Total deductions	42,421	582,961	625,382
Change in net assets	180,861	(340,650)	(159,789)
Net assets, beginning	426,144	5,219,844	5,645,988
Net assets, ending	\$ 607,005	4,879,194	5,486,199

AGENCY FUNDS

The Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or funds.

Allotment Related Funds – These funds are administered by the Department of Finance and Administration and serve to receive revenues and systematically distribute funds to state, county and municipal agencies. The funds are broadly classified as Policy Development, Fiscal Management and Community Development. Policy Development funds account for proceeds from sales of various bond issues, such as General Obligation and Severance Tax Bonds. Fiscal Management funds account for funds transmitted or transferred to various state agencies, including educational facilities. Community Development funds account for distributions of funds to county and municipal governments for designated projects.

Culture, Recreation and Natural Resources – These funds are administered by the Office of Cultural Affairs and the Office of Natural Resources Trustee.

Receipts Pending Distribution of Funds – These are funds administered by the Secretary of State, Regulation and Licensing, Gaming Control Board, Racing Commission, Department of Education, Health and Human Services Department, Livestock Board, and Department of Finance and Administration.

Suspense Related Funds – These funds are administered by Taxation and Revenue, Racing Commission, Energy, Minerals and Natural Resources, State Engineer, Department of Health and Human Services, and Worker's Compensation Administration.

Other Agency Funds – This grouping contains all other agency funds.

STATE OF NEW MEXICO
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	Other Agency Funds	Allotment Related Funds	Culture, Recreation and Natural Resources
ASSETS			
Cash and cash equivalents	\$ 300,987	1,081,265	278
Due from other funds	22,190	576	-
Investments at fair value	15,860	-	-
Intergovernmental receivables	577	846	-
Receivables, net of allowance	68,324	-	201
Total assets	407,938	1,082,687	479
LIABILITIES			
Deposits held in trust	3,370	-	-
Due to other funds	323,802	1,078,950	1
Intergovernmental payables	19,287	-	-
Funds held for others	10,468	-	-
Other liabilities	2,598	-	478
Payables	48,413	3,737	-
Total liabilities	407,938	1,082,687	479
NET ASSETS	\$ -	-	-

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Rental Housing Programs (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<i>2001 Multi-Family Housing Refunding Revenue – Series B</i>	\$ 7,565	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series C</i>	5,910	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series D</i>	2,785	5.00	2031
<i>2001 Series E and F Multi-Family Housing Revenue – Manzano Mesa</i>	9,695	5.55 – 7.05	2034
<i>2002 Series A & B Multi-Family Risk Sharing – Sandpiper</i>	9,725	5.40 – 6.75	2038
<i>2003 Series A & B Multi-Family Risk Sharing – Aztec</i>	9,250	5.10 – 5.35	2038
<i>2004 Series A & B Multi-Family Risk Sharing – NM5</i>	9,775	4.625 – 5.20	2039
<i>2004 Series C & D Multi-Family Risk Sharing – Alta Vista</i>	12,395	5.25 – 6.00	2039
<i>2004 Series E Multi-Family Housing Revenue – Lafayette</i>	7,455	6.5	2037
<i>2004 Series F & G Multi Family Risk Sharing – Arioso</i>	11,115	4.95 – 5.85	2040
<i>2005 Series A & B Multi Family Risk Sharing – Las Palomas</i>	11,890	4.70 – 5.68	2040
<i>2005 Series C & D Multi Family Risk Sharing – Chateau</i>	4,150	4.16 - 4.70	2040
<i>2005 Series E & F Multi Family Risk Sharing – Sun Pointe</i>	13,130	4.80 – 5.06	2040
<i>2006 Series A Multi Family Risk Sharing – Sunset View</i>	9,230	4.25 – 4.70	2045
<i>2007 Series A & B Multi Family Risk Sharing – St. Anthony</i>	5,975	5.05 – 5.60	2042
<i>2007 Series C & D Multi Family Risk Sharing – NM Rainbow</i>	14,060	5.85 – 10.00	2043
	<u>172,235</u>		

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Unit (Continued)

Annual debt service requirements to maturity are as follows:

Year ending September 30,	Principal	Interest	Total
2008	\$ 12,465	77,238	89,703
2009	16,648	76,614	93,262
2010	212,123	134,143	346,266
2011	28,596	74,987	103,583
2012	19,852	73,371	93,223
2013 to 2017	118,051	350,650	468,701
2018 to 2022	166,804	315,039	481,843
2023 to 2027	246,867	266,359	513,226
2028 to 2032	338,907	190,382	529,289
2033 to 2037	241,517	113,018	354,535
2038 to 2042	47,050	7,543	54,593
2043 to 2047	15,685	1,352	17,037
Total	1,464,565	1,680,696	3,145,261
Net unaccredited premium	26,470	-	26,470
Total	\$ 1,491,035	1,680,696	3,171,731

Bonds payable activity for the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 1,290,949	853,981	(653,895)	1,491,035	12,465

Certain General Obligation and Mortgage Purchase Program bonds were legally defeased in 2005 and 1992 and, therefore, are not reflected on the accompanying balance sheets. The outstanding balance of these bonds totaled approximately \$38,195 at September 30, 2007. The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, mortgage loans, MBSs, and other assets in the accounts established by the respective bond resolutions.

In November 2005, the NMMFA began issuing bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bonds are secured, as described in the General Indenture and the applicable amended and supplemented Series Indenture, by the revenues, moneys, investments, mortgage loans, MBSs, and other assets in the accounts established under the General Indenture and each Series Indenture.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
General obligation bonds	\$ 274,735	143,264	(46,125)	371,874	52,434
Severance tax bonds	577,935	164,901	(73,150)	669,686	116,708
Revenue bonds	1,453,057	460,485	(84,014)	1,829,528	74,170
Total bonds payable	2,305,727	768,650	(203,289)	2,871,088	243,312
Other payables					
Notes and loans payable	2,169	-	(94)	2,075	86
Capital leases	2,425	301	(1,400)	1,326	294
Other	58,724	13,280	(12)	71,992	4,284
Claims and judgments	48,466	3,640	(7,280)	44,826	9,012
Reserve for losses	13,743	-	(438)	13,305	-
Compensated absences	60,194	59,797	(57,333)	62,658	48,938
	185,721	77,018	(66,557)	196,182	62,614
Governmental activity long-term liabilities	\$ 2,491,448	845,668	(269,846)	3,067,270	305,926
Business-Type Activities					
Bonds payable					
Revenue bonds	\$ 718,629	2,406	(22,455)	698,580	23,930
Bond premiums and discounts	1,170	892	(1,189)	873	-
Total bonds payable	719,799	3,298	(23,644)	699,453	23,930
Capital leases	2,713	609	(992)	2,330	682
Compensated absences	57,648	52,833	(49,270)	61,211	40,918
Other	95,072	11,423	(8,838)	97,657	20,154
	155,433	64,865	(59,100)	161,198	61,754
Business-type activity long-term liabilities	\$ 875,232	68,163	(82,744)	860,651	85,684

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Tax and Revenue Anticipation Notes (Continued)

Short-term Debt

The State Treasurer issues six month, fixed-rate tax and revenue anticipation notes to provide short-term cash to carry on the State of New Mexico operations until tax revenues are received in June. Repayment of the notes comes from tax payments received in the year.

NOTE 3. OTHER INFORMATION

A. Risk Management

The State of New Mexico manages its risks internally and sets aside assets for claim settlement through its Internal Service Fund. Coverage is provided for the following:

Workers' Compensation	General Liability
Civil Rights and Foreign Jurisdiction	Automobile
Aircraft	Property
Money and Securities	Employee Fidelity Bond
Health/Life	ST & LT Disability

Coverage is extended to the entities contained within the enterprise funds, including universities and other schools.

The Internal Service Fund (ISF) services all claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and unemployment compensation. ISF has reinsurance for liability and civil rights claims in the amounts of \$1,050 each. All funds, agencies, and authorities of the State participate in ISF. ISF allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency, or public authority based on claims history and exposure of each participant. The charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophe losses.

ISF fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans

Plan Descriptions

The State maintains five cost-sharing multiple-employer public employees' retirement systems (Systems): Four separate systems are administered by the New Mexico Public Employees' Retirement Association (PERA) and one system is administered by the New Mexico Educational Employees' Retirement Board (ERB). PERA is the administrator of four pension plan funds, including the Public Employees Retirement System (PERS), the Judicial Retirement System (JRS), the Magistrate Retirement System (MRS), and the Volunteer Firefighters Retirement Fund (VFRF), (collectively, the Systems, offer an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators). The laws governing the administration of the Systems are set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (NMSA 1978) and applicable Replacement Pamphlets. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502.

PERA is directed by the Public Employees Retirement Board (Board) which consists of twelve members. Ten of the Board members are elected by PERA active and retired members under state and municipal coverage plans. Two Board members, the Secretary of State and the State Treasurer, are ex-officio members.

The number of participating government employers, the number of members, and payroll amounts for each system for the year ended June 30, 2007 were:

	JRS	MRS	VFRS	PERS	EERS
Number of employers					
State Agencies	-	-	-	119	10
Cities	-	-	-	83	-
Counties	-	-	-	33	-
Public Schools	-	-	-	-	90
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	58
Other	16	9	389	66	-
Retirees and beneficiaries receiving benefits	97	55	388	23,844	29,969
Terminated plan members not yet receiving benefits	12	13	N/A	3,325	29,942
Active plan members	117	52	5,638	51,645	62,687

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2007, was determined by the actuary to be \$586.

Judicial Retirement System (JRS) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Judicial Retirement Fund is set forth in 10-12B-4 NMSA 1978. Every judge or justice becomes a member in the Judicial Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 1980, is determined as 75.0 percent of the salary received during the last years in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For those individuals who become members subsequent to July 1, 1980, the annual pension amount is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by 5.0 percent of the number of years in service, not exceeding fifteen years, plus five years. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5.0 percent of their salaries and the members' court contributes 9.0 percent of the member's salary. Additionally, the district court contributes \$38 (not in thousands) for each civil case docket fee paid. Contribution rates are established by State statute.

Magistrate Retirement Fund (MRF) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in 10-12C-4 NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 5 years. Early retirement at age 60 is available to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0 percent of the salary received during the last year prior to retirement by 5.0 percent of the number of years of service, not exceeding 15 years, plus 5 years.

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

- (1) A further requirement to be eligible to retire is that one must be a "member" having at least one year of employment after July 1, 1957 and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five, may contribute to the fund for each year needed. The cost of such contributions is 15.2 percent of the average salary of the last five years for each year of contributory employment needed plus 3 percent compounded interest from July 1, 1957 to the date of payment.
- (2) Normal Forms of Payment – The benefit is paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.
- (3) Normal Benefit – There are no reductions to the monthly benefit and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions less benefits paid.
- (4) Optional Forms of Payment – There are two optional forms of payment available: Option B or Option C. The benefit reduction with an Option B or C form of payment depends on the age of the member and the age of the beneficiary at the time of retirement. The form of payment election and the beneficiary designated to receive a survivor's benefit are irrevocable. Details of Options B and C follow:

Option B – The normal monthly benefit is reduced to provide for a 100.0 percent survivors benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement day to the election of Option B.

Option C – The normal monthly benefit is reduced to provide for a 50.0 percent survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the reduced 50.0 percent benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C.

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions

In addition to pension benefits as described in Note 3.C., the State provides other post-employment benefits (OPEB).

The Retiree Health Care Act (10-7C-1 to 10-7C-19, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico (Plan). The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the Retiree Health Care Fund, and by co-payments or out-of-pocket payments of eligible retirees.

The legislation establishing the Retiree Health Care Authority (RHCA) specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and the RHCA administering the Retiree Health Care Act (Act). However, the substantive plan created by the Act contains all requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for any participating government entity to withdraw membership and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. The RHCA received a legal opinion that the manner of legal organization of the RHCA is substantially equivalent to a trust. As such, this requires the RHCA to apply GASB 43 as a multi-employer cost sharing plan. The net assets of the RHCA are reported as restricted per GASB 46 and 10-7-C-14 NMSA 1978.

Monies flow to the RHCA on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority, and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, or the Magistrate Retirement Act or the Public Employees Retirement Act.

Employees of RHCA are allowed to participate in the Retiree Health Care Act. Eligible employees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Act on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years (per 2005 amendment).

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The projection of benefits does not incorporate potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The following simplifying assumptions were made when the Alternative Measurement Method was used:

- *Actuarial cost method* – Entry age normal, level percent of pay.
- *Amortization method* – 30 year open ended amortization, with the initial payment determined as if future payments would theoretically increase each year on a level percent of pay basis.
- *Remaining amortization period* – 30 years as of June 30, 2006.
- *Asset valuation method*- The actuarial value of assets is the market value of assets.

Actuarial assumptions:

- *Discount rate* – 5.0 percent
- *Projected payroll increases* – 4.0 percent

Health care cost trend rate:

- *Prescription Drug* – 11.0 percent from July 1, 2007 to July 1, 2008, decreasing by 1.0 percent for each year until it reaches an ultimate rate of 5.0 percent.
- *Medical*- Under Age 65 – 11.0 percent from July 1, 2007 to July 1, 2008, then decreasing by 1.0 percent for each year until it reaches an ultimate rate of 5 percent. Age 65 and over – 8.6 percent from July 1, 2007 to July 1, 2008, then 10.5 percent decreasing by 1.0 percent for each year until it reaches an ultimate rate of 5.0 percent.

The State of New Mexico is required to adopt GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (Statement)*, for the year ended June 30, 2008. The State of New Mexico, through the RHCA, offers retiree healthcare (*other postemployment benefits*) (OPEB) as part of the total compensation offered. OPEB includes *postemployment healthcare*, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB.

D. Deferred Compensation Plan

The State of New Mexico offers state, local government and school district employees a deferred compensation plan (Plan) under NMSA 1978, Sections 10-7A-1 through 10-7A-12, the “Deferred Compensation Act,” in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available until termination, retirement, death or unforeseeable emergency.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds (Continued)

	Bond Year End of First Rebate Computation	First Arbitrage Rebate Due Date	First Computation of Arbitrage Completed
Severance Tax Bonds Series 1994 – B	7/1/99	8/1/99	X
Severance Tax Bonds Series 1995 – A	7/1/00	8/1/00	X
Severance Tax Bonds Series 1995 – B	7/1/00	8/1/00	X
Severance Tax Bonds Series 1996 – A	12/20/01	2/20/02	X
Severance Tax Bonds Series 1999 – B	7/1/04	8/1/04	X
Severance Tax Bonds Series 1999 – A Supplemental	11/17/04	1/17/05	X
Severance Tax Bonds Series 2000	7/1/05	8/1/05	X
Severance Tax Bonds Series 2000C Supplemental	11/16/05	1/16/06	X
Severance Tax Bonds Refunding Series 2001 – A	12/20/06	2/20/07	
Severance Tax Bonds Series 2002 – A	6/19/07	8/18/07	
Severance Tax Bonds Series 2002 – A Supplemental	1/16/07	3/16/07	
Severance Tax Bonds Series 2002B Supplemental	11/14/07	1/13/08	
Severance Tax Bonds Series 2006 – A	6/20/11	8/16/11	
Severance Tax Bonds Series 2003 – A	6/27/08	8/26/08	
Severance Tax Bonds Series 2003B Supplemental	10/14/08	12/13/08	
Severance Tax Bonds Series 2004 – A	6/15/09	8/14/09	
Severance Tax Bonds Series 2004B Supplemental	11/17/09	1/16/10	
Severance Tax Bonds Series 2005 – A	6/15/10	8/14/10	
Severance Tax Bonds Series 2005B – 1 Refunding	6/28/10	8/27/10	
Severance Tax Bonds Series 2005B – 2 Supplemental	6/28/10	8/27/10	
Enhanced 911 Revenue Bonds Series 2000	9/12/05	10/12/05	X

Interest earnings on invested bond proceeds through June 30, 2007, did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service which are known and measurable are recorded as an accrued liability in the accompanying financial statements.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

H. Land Grant Permanent Fund (Continued)

The Legislature, by a three-fifth's vote of the members elected to each house, may suspend any additional distributions noted above. In addition, no additional distribution shall be made in any fiscal year if the average of the year-end market values of the LGPF for the immediately preceding five calendar years is less than \$5,800,000.

<u>Beneficiary</u>	<u>Balance June 30, 2006</u>	<u>Earnings from State Lands</u>	<u>Other Decreases in Capital Accounts, Net</u>	<u>Balance June 30, 2007</u>	<u>Participation Percentage June 30, 2007</u>
Benefiting the State, included in governmental funds:					
Charitable Penal and Reform	\$ 80,535	5,380	11,636	97,551	0.91%
Miner's Colfax Medical Center	100,811	3,853	12,093	116,757	1.09
New Mexico Boys School	681	-	62	743	0.01
New Mexico State Hospital	21,156	1,316	3,653	26,125	0.24
Improvements to the Rio Grande	28,194	514	2,913	31,621	0.30
Water Reservoirs	96,316	7,384	16,600	120,300	1.12
Penitentiary of New Mexico	184,971	7,428	21,567	213,966	2.00
Public Buildings – Capitol	109,045	3,382	12,867	125,294	1.17
	<u>621,709</u>	<u>29,257</u>	<u>81,391</u>	<u>732,357</u>	<u>6.84</u>
Benefiting the State, included in proprietary funds:					
Eastern New Mexico University	8,783	196	794	9,773	0.09
New Mexico Highlands University	2,577	198	233	3,008	0.03
New Mexico Institute of Mining and Technology	17,945	1,471	1,992	21,408	0.20
New Mexico Military Institute	321,225	11,237	38,503	370,965	3.46
New Mexico School for the Deaf	191,252	7,512	22,403	221,167	2.06
New Mexico School for the Visually Handicapped	190,765	7,397	22,361	220,523	2.06
New Mexico State University	40,862	5,335	5,957	52,154	0.49
Northern New Mexico College	1,865	199	180	2,244	0.02
The University of New Mexico	151,693	6,458	17,018	175,169	1.64
The University of New Mexico Saline Lands	668	-	50	718	0.01
Western New Mexico University	2,596	199	234	3,029	0.03
	<u>930,231</u>	<u>40,202</u>	<u>109,725</u>	<u>1,080,158</u>	<u>10.09</u>
No: considered to benefit the State, included in fiduciary funds:					
Public Schools	7,579,186	329,144	987,248	8,895,578	83.07
Total net assets held in trust for pool participants	\$ 9,131,126	398,603	1,178,363	1,708,093	100%

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. OTHER INFORMATION (CONTINUED)

I. Segment Information (Continued)

	Educational Institutions								
	State Fair	Miners' Colfax Medical Center	New Mexico State	Eastern New Mexico	New Mexico Highlands	New Mexico Military Institute	New Mexico Tech	Western New Mexico	University of New Mexico
Non Operating Revenue (Expense)									
Government grants and contracts	\$ -	-	-	45,673	32,564	-	30,093	19,625	295,425
Net investment income	352	102	7,480	1,883	1,535	54,213	4,260	355	88,477
Other revenue	12,360	3	196,208	2,565	-	16,913	981	-	131,711
Interest expense	(152)	-	(2,221)	(819)	-	(363)	-	-	(15,251)
Other expense	-	-	(13,106)	-	-	(29)	-	-	-
Total non-operating income	12,560	105	188,361	49,302	34,099	70,734	35,334	19,980	500,362
Other	-	-	52,094	7,625	1,448	8,487	3,215	2,231	49,313
Net transfers	-	(1)	-	-	-	-	-	-	-
Change in net assets	10,566	297	40,325	10,745	4,891	64,099	12,544	2,497	160,097
Net assets at beginning of year	32,734	34,496	105,870	432,773	63,888	380,751	183,674	29,556	1,040,793
Net assets at end of year	\$ 43,300	34,793	116,614	473,099	68,778	444,850	196,218	32,053	1,200,891
Condensed Statement of Cash Flows									
Net cash provided (used) by:									
Operating activities	\$ (592)	459	(179,791)	(39,979)	(28,065)	(12,425)	(18,468)	(19,026)	(311,225)
Non-capital financing activities	-	-	202,839	48,238	34,011	39	27,822	19,625	442,028
Capital and related financing activities	3,034	(17,512)	(18,650)	(13,017)	(4,247)	(1,062)	(2,576)	(505)	(182,602)
Investing activities	352	12,139	7,179	4,002	641	11,838	(469)	355	113,813
Cash and cash equivalents at beginning of year	6,500	16,951	20,504	23,395	20,210	7,390	26,156	4,623	94,067
Cash and cash equivalents at end of year	\$ 9,294	12,037	32,081	22,639	22,550	5,780	32,465	5,072	156,081

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - GENERAL FUND
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	General Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Direct revenues				
Licenses and fees	\$ 6,974	7,040	8,932	1,892
Taxes	-	-	-	-
Miscellaneous	21,378	29,516	29,002	(514)
Interest	2,862	6,182	8,858	2,676
Grants	157,087	205,508	93,261	(112,247)
Other	49,041	49,927	68,216	18,289
Prior year funds rebudgeted	26,775	31,607	3,963	(27,644)
Other state funds	38,570	39,414	38,426	(988)
	<u>302,687</u>	<u>369,194</u>	<u>250,658</u>	<u>(118,536)</u>
Indirect revenues				
Transfers	10,294	12,644	8,860	(3,784)
Appropriations*	780,677	805,176	801,874	(3,302)
Other financing sources	46,846	51,520	52,052	532
	<u>837,817</u>	<u>869,340</u>	<u>862,786</u>	<u>(6,554)</u>
Total revenues	<u>\$ 1,140,504</u>	<u>1,238,534</u>	<u>1,113,444</u>	<u>(125,090)</u>
Expenditures				
Personnel services and benefits	\$ 627,859	630,257	608,014	22,243
Supplies	-	-	-	-
Contractual services	145,601	179,138	136,006	43,132
Operating costs	14,679	17,212	15,700	1,512
Other costs	343,399	403,402	257,128	146,274
Capital outlay	9,720	9,470	11,054	(1,584)
Other uses	7,209	8,768	9,922	(1,154)
Total expenditures	<u>\$ 1,148,467</u>	<u>1,248,247</u>	<u>1,037,824</u>	<u>210,423</u>

* This is tax revenue that is appropriated to the individual general funds of each agency from the State General Fund's Appropriation Account.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - HEALTH AND HUMAN SERVICES
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

Health and Human Services				
	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues				
Direct revenues				
Fees and charges	\$ 14,790	15,276	16,864	1,588
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	18,257	20,327	18,745	(1,582)
Interest	25,877	17,824	25,899	8,075
Grants	2,855,952	2,910,548	2,818,376	(92,172)
Other	193,514	209,026	260,445	51,419
Other state funds	7,792	10,319	15,203	4,884
Prior year funds rebudgeted	69,877	99,092	2,413	(96,679)
	<u>3,186,059</u>	<u>3,282,412</u>	<u>3,157,945</u>	<u>(124,467)</u>
Indirect revenues				
Transfers	63	83	50	(33)
Appropriations*	1,240,663	1,261,988	1,257,781	(4,207)
Other financing sources	110,481	127,444	120,655	(6,789)
	<u>1,351,207</u>	<u>1,389,515</u>	<u>1,378,486</u>	<u>(11,029)</u>
Total revenues	\$ 4,537,266	4,571,927	4,536,431	(135,496)
Expenditures				
Personnel services and benefits	\$ 462,584	478,556	466,372	12,184
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	335,977	375,785	336,365	39,420
Operating costs	519	623	501	122
Other costs	3,564,295	3,624,878	3,464,971	159,907
Capital outlay	-	-	-	-
Other uses	193,472	211,184	194,111	17,073
Total expenditures	\$ 4,556,847	4,691,026	4,462,320	228,706

* This is tax revenue that is appropriated to the individual general funds of each agency from the State General Fund's Appropriation Account.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	General	Education	Health and Human Services	Highway and Transportation
REVENUES				
Budgetary basis revenues	\$ 1,113,444	2,989,364	4,536,431	820,109
Change in accounts receivable	-	97,640	-	-
Change in deferred revenue	104	-	-	-
Change in due from	-	-	-	-
Change in other financing sources	3,287	(54,082)	20,466	(17,886)
Prior cash budgeted	(14,631)	-	-	-
Revenue not budgeted	4,761,229	(2,642,987)	(1,461,278)	(29,280)
Reclassifications and other	(111)	-	(6,139)	(11,711)
GAAP basis revenues	<u>\$ 5,863,322</u>	<u>389,935</u>	<u>3,089,480</u>	<u>761,232</u>
EXPENDITURES				
Budgetary basis expenditures	\$ 1,037,824	2,993,387	4,462,320	1,106,003
Change in accounts payable	1,021	(1,661)	(108)	-
Change in other accruals	2	-	36	-
Change in valid encumbrances	-	(4,990)	-	(173,246)
Change in due to	8,204	-	-	-
Change in other financing uses	18,649	-	15	7,927
Other	99,838	96,880	68,966	265,585
GAAP basis expenditures	<u>\$ 1,165,538</u>	<u>3,083,616</u>	<u>4,531,229</u>	<u>1,206,269</u>

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

NOTE A – BUDGETARY REPORTING (CONTINUED)

Budgetary Basis of Accounting

The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the laws of 2004, Chapter 114, Section 3, Paragraph N and Paragraph O. It is effective for fiscal years beginning July 1, 2004. Balances remaining at the end of the fiscal year from appropriations made from the State General Fund shall revert to the appropriate fund, unless otherwise indicated in the appropriations act or otherwise provided by law. As part of the modified accrual budgetary basis, encumbrances will no longer carry over to the next year.

Most appropriations made lapse at year-end and revert to the original funding source. A reconciliation of the budgetary basis to the GAAP basis of accounting is presented in supplementary information. Pursuant to the General Appropriations Act of 2005 (Laws of 2005, Chapter 114, Section 3.M) the budgetary basis currently in use will be converted to the modified accrual basis of accounting, i.e. GAAP basis, beginning with fiscal year 2005 appropriations. As a result, a reconciliation of budgetary basis to GAAP basis will be unnecessary in subsequent financial statements for appropriations that lapse at fiscal year end.

The General Fund presented herein includes the general funds of all state agencies. The largest of these general funds is the component appropriation accounts. These appropriation accounts are part of the Department of Finance and Administration. The State's component appropriation accounts do not adopt an annual appropriated budget. However, the expenditures of the component appropriations by law must equal the individual amounts appropriated in the various appropriation acts.

Budget to GAAP Reconciliation

The budgetary comparison schedules for the General Fund and the major special revenue funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for the purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a budget to GAAP reconciliation is presented following the budgetary comparison schedules.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (Excess) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 12,049,358	\$ 12,982,072	\$ 932,714	93%	\$ 1,908,520	49%
June 30, 2006	10,863,895	11,800,861	936,966	92%	1,774,918	53%
June 30, 2005	10,008,511	10,920,967	912,456	92%	1,607,839	57%
June 30, 2004	9,275,676	9,973,755	698,079	93%	1,499,069	47%
June 30, 2003	8,976,908	9,223,602	246,694	97%	1,437,357	17%
June 30, 2002	8,769,234	8,505,931	(263,303)	103%	1,396,209	0%
June 30, 2001	8,308,210	7,883,447	(424,763)	105%	1,318,275	0%
June 30, 2000	7,527,280	7,118,975	(408,305)	106%	1,253,305	0%
June 30, 1999	6,494,487	6,554,553	60,066	99%	1,200,505	5%
June 30, 1998	5,487,475	6,000,439	512,964	91%	1,146,991	45%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	\$ 257,095	100%
2006	235,863	100%
2005	219,164	100%
2004	206,836	100%
2003	213,713	100%
2002	204,734	100%
2001	196,544	100%
2000	182,000	100%
1999	174,324	100%
1998	165,248	100%

Additional Information

The additional information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age
Amortization method	Level percent, open
Amortization period	13 years
Asset valuation method	4 year smoothed market

Rate of return on investment of present and future assets*	8%
Inflation increase	4.0%
Post retirement benefit increases	3.0%
Projected salary increases*	4.5% - 19.0%

* Includes inflation

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)**

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2007	\$ 37,242	\$ 36,964	\$ (278)	101%	\$ 3,465	0%
June 30, 2006	33,694	33,362	(332)	101%	3,150	0%
June 30, 2005	31,303	31,385	82	100%	3,196	3%
June 30, 2004	30,072	30,195	123	100%	3,002	4%
June 30, 2003	29,630	29,078	(552)	102%	3,082	0%
June 30, 2002	32,040	28,959	(3,081)	111%	3,997	0%
June 30, 2001	30,258	26,685	(3,573)	113%	3,651	0%
June 30, 2000	27,097	23,738	(3,359)	114%	3,485	0%
June 30, 1999	23,369	21,645	(1,724)	108%	3,427	0%
June 30, 1998	19,998	20,388	400	98%	2,471	16%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 984	127.8%
2006	1,009	104.8%
2005	927	100.8%
2004	894	87.1%
2003	881	129.7%
2002	779	147.1%
2001	730	175.5%
2000	750	101.5%
1998	803	134.2%
1999	911	117.6%

Additional Information

The additional information presented in above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years #
Asset valuation method	Smoothed market 4 years

Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

*Includes inflation

Assets currently exceed actuarial accrued liabilities. The excess was amortized over 30 years and applied as a credit to determine the required contribution.

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2007	\$ 189,391	\$ 255,853	\$ 1,360,224	\$ 4,332	\$ 1,809,800
2006	178,221	226,479	943,071	3,867	1,351,638
2005	169,099	197,873	690,360	4,032	1,061,364
2004	162,119	189,325	919,402	4,201	1,275,047
2003	154,427	179,010	160,929	4,344	498,710
2002	151,378	173,863	(582,713)	3,450	(254,022)
2001	150,068	161,524	(807,706)	3,689	(492,425)
2000	139,180	153,260	853,378	3,485	1,149,303
1999	130,644	145,522	688,313	2,849	967,328
1998	122,499	136,191	199,961	4,283	462,934

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2007	\$ 540,144	\$ 5,625	\$ 27,525	\$ -	\$ 573,294
2006	494,097	65,094	24,062	233	583,486
2005	454,983	43,344	23,444	-	521,771
2004	422,418	2,583	21,859	-	446,860
2003	396,082	4,013	28,338	274	428,707
2002	367,495	3,622	28,508	-	399,625
2001	340,595	3,518	36,634	-	380,747
2000	311,814	2,544	35,153	-	349,511
1999	274,836	4,207	29,955	-	308,998
1998	254,407	2,489	28,246	-	285,142

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE JUDICIAL RETIREMENT SYSTEM (JRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2007	\$ 874	\$ 3,623	\$ 13,488	\$ 23	\$ 18,008
2006	697	3,154	8,137	-	11,988
2005	544	2,735	6,374	60	9,713
2004	454	2,674	8,531	3,291	14,950
2003	372	2,118	1,837	-	4,327
2002	378	2,051	(1,288)	-	1,141
2001	359	2,159	(1,206)	-	1,312
2000	343	2,120	6,099	22	8,584
1999	323	2,046	6,866	-	9,235
1998	346	2,043	1,978	-	4,367

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2007	\$ 5,494	\$ 21	\$ 10	\$ -	\$ 5,525
2006	5,113	24	26	-	5,163
2005	4,687	224	-	-	4,911
2004	4,481	12	-	-	4,493
2003	4,030	12	-	-	4,042
2002	3,499	9	-	-	3,508
2001	3,427	8	1	-	3,436
2000	3,185	8	9	-	3,202
1999	2,945	8	-	-	2,953
1998	2,794	13	-	-	2,807

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)
For The Last Ten Years Ending June 30, 2007
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2007	\$ -	\$ -	\$ 7,344	\$ 751	\$ 8,095
2006	-	750	4,326	-	5,076
2005	-	750	3,309	31	4,090
2004	-	750	4,465	-	5,215
2003	-	750	1,014	-	1,764
2002	-	500	(587)	-	(87)
2001	-	1,000	(557)	-	443
2000	-	1,250	2,660	-	3,910
1999	-	1,000	2,950	-	3,950
1998	-	1,000	744	-	1,744

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2007	\$ 499	\$ -	\$ -	\$ -	\$ 499
2006	405	-	-	-	405
2005	346	102	-	-	448
2004	307	-	-	-	307
2003	271	-	-	-	271
2002	247	-	-	-	247
2001	233	-	-	-	233
2000	212	-	-	-	212
1999	172	-	-	-	172
1998	147	2	-	-	149

STATE OF NEW MEXICO
COMBINING BALANCE SHEET - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007
(IN THOUSANDS)

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
ASSETS					
Cash and cash equivalents	\$ 636,702	491,597	195,428	24,346	1,348,073
Deferred charges and other assets	44	-	10	-	54
Intergovernmental receivables	7,166	-	1,935	-	9,101
Due from other funds	200,960	40,407	62,824	-	304,191
Inventories	31	-	-	-	31
Investments, at fair value	44,960	-	-	114,846	159,806
Receivables, net	10,655	1,595	241	19,586	32,077
Total assets	\$ 900,518	533,599	260,438	158,778	1,853,333
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 19,686	119,088	7,077	-	145,851
Accrued liabilities	2,487	-	41	-	2,528
Deferred revenue	8,707	-	45,306	-	54,013
Due to other funds	173,142	164,621	2,189	-	339,952
Intergovernmental payables	410,962	-	26	17,991	428,979
Due to brokers	-	-	-	24,068	24,068
Funds held for others	996	-	2,367	-	3,363
Other obligations	32	-	-	-	32
Total liabilities	616,012	283,709	57,006	42,059	998,786
Fund Balances					
Fund balances reserved for:					
Capital projects	-	-	41,140	-	41,140
Inventories	31	-	-	-	31
Encumbrances	8,606	-	6,349	-	14,955
Subsequent years' expenditures	3,631	-	41,306	-	44,937
Special projects	115,129	-	-	-	115,129
Other	5,702	-	-	-	5,702
Fund balances segregated for:					
Debt service	-	248,348	-	-	248,348
Pooled participants	-	-	-	116,719	116,719
Unreserved - special revenue	151,407	-	-	-	151,407
Unreserved - debt service funds	-	1,542	-	-	1,542
Unreserved - capital projects funds	-	-	114,637	-	114,637
Total fund balances	284,506	249,890	203,432	116,719	854,547
Total liabilities and fund balances	\$ 900,518	533,599	260,438	158,778	1,853,333

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control	Judicial
ASSETS			
Cash and cash equivalents	\$ 31,891	539,351	9,771
Deferred charges and other assets	-	3	3
Receivables, net	4,525	5,282	209
Due from other funds	23,511	162,997	8,366
Intergovernmental receivables	5,910	307	943
Inventories	-	-	-
Investments, at fair value	16,355	-	-
Total assets	\$ 82,192	707,940	19,292
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payables	\$ 4,478	13,318	1,245
Accrued liabilities	999	1,123	333
Deferred revenue	-	6,676	231
Due to other funds	6,794	162,481	634
Intergovernmental payables	-	410,960	-
Funds held for others	-	996	-
Other obligations	-	32	-
Total liabilities	12,271	595,586	2,443
Fund Balance			
Fund balances reserved for:			
Inventories	-	-	-
Encumbrances	-	-	-
Special projects	4,126	110,320	683
Subsequent years' expenditures	-	68	2,636
Other	3,551	-	141
Unreserved - special revenue	62,244	1,966	13,389
Total fund balances	69,921	112,354	16,849
Total liabilities and fund balance	\$ 82,192	707,940	19,292

STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control	Judicial	Public Safety
Revenues				
Charges for services	\$ 2,148	-	2,422	505
Federal funds	8,589	11,000	3,717	4,379
Interest and other investment income	8,713	905	-	212
Licenses, fees and permits	3,600	1,885	1	250
Assessments	5	180	-	940
Other	2,526	2,367	7,992	814
Rentals and royalties	3,815	93	41	-
Taxes	5,255	29,676	28	-
Total revenues	34,651	46,106	14,201	7,100
Expenditures				
Current	37,700	246,169	48,649	14,758
Capital outlay	3,067	-	1,255	-
Total expenditures	40,767	246,169	49,904	14,758
Excess (deficiency) of revenues over expenditures	(6,116)	(200,063)	(35,703)	(7,658)
Other Financing Sources (Uses)				
Face amount of bonds sold	-	23,191	7,972	-
Other non-operating expense	(41)			
Transfers in	53,830	254,738	36,254	6,572
Transfers out	(25,949)	(50,831)	(697)	(3,455)
Total other financing sources (uses)	27,840	227,098	43,529	3,117
Net change in fund balances	21,724	27,035	7,826	(4,541)
Fund balances - beginning	48,197	85,319	9,023	9,765
Fund balances - ending	\$ 69,921	112,354	16,849	5,224

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 103,324	73,624
Receivables, net	-	68
Intergovernmental receivables	1,935	-
Deferred charges and other assets	1	3
Due from other funds	23,906	32,700
Total assets	<u>\$ 129,166</u>	<u>106,395</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payables	\$ 5,175	426
Accrued liabilities	-	-
Intergovernmental payables	26	-
Funds held for others	-	2,367
Deferred revenue	15,496	29,488
Due to other funds	77	202
Total liabilities	<u>20,774</u>	<u>32,483</u>
Fund Balance		
Reserved for:		
Capital projects	27,732	5,339
Subsequent years' expenditures	41,306	-
Encumbrances	4,813	273
Unreserved - capital projects	34,541	68,300
Total fund balances	<u>108,392</u>	<u>73,912</u>
Total liabilities and fund balances	<u>\$ 129,166</u>	<u>106,395</u>

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)**

	Culture Recreation and Natural Resources	General Control
Revenues		
Federal funds	\$ 5,730	-
Rentals and royalties	-	1,242
Interest and other investment income	115	939
Other	-	60
Taxes	4,196	-
Total revenues	<u>10,041</u>	<u>2,241</u>
Expenditures		
Current	14,481	7,586
Debt service		
Principal payments	250	-
Interest payments	-	-
Capital outlay	29,169	45,587
Total expenditures	<u>43,900</u>	<u>53,173</u>
Excess (deficiency) of revenues over expenditures	<u>(33,859)</u>	<u>(50,932)</u>
Other Financing Sources (Uses)		
Face amounts of bonds sold	21,256	28,014
Transfers in	54,150	73,268
Transfers out	(5,728)	(259)
Total other financing sources (uses)	<u>69,678</u>	<u>101,023</u>
Net change in fund balances	35,819	50,091
Fund balances - beginning	<u>72,573</u>	<u>23,821</u>
Fund balances - ending	<u>\$ 108,392</u>	<u>73,912</u>

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	General Control	General Obligation Bonds	Severance Tax Bonds
ASSETS			
Cash and cash equivalents	\$ 164,251	48,740	274,288
Receivables, net	-	18	1,577
Due from other funds	304	2,100	37,614
Investments, at fair value	-	-	-
Total assets	\$ 164,555	50,858	313,479
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	-	119,088
Due to other funds	164,457	-	164
Total liabilities	164,457	-	119,252
Fund Balances			
Reserved for debt service	98	50,858	194,227
Unreserved - designated for arbitrage	-	-	-
Total fund balances	98	50,858	194,227
Total liabilities and fund balances	\$ 154,555	50,858	313,479

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	General Control	General Obligation Bonds	Severance Tax Bonds
Revenues			
Taxes	\$ 9,763	51,880	452,902
Licences, fees and permits	-	-	-
Interest and other investment income	444	9,006	56,650
Total revenues	<u>10,207</u>	<u>60,886</u>	<u>509,552</u>
Expenditures			
Debt service			
Interest payment	24,535	12,333	419,408
Principal payment	700,745	45,415	76,532
Total expenditures	<u>725,280</u>	<u>57,748</u>	<u>495,940</u>
Excess (deficiency) of revenues over expenditures	<u>(715,073)</u>	<u>3,138</u>	<u>13,612</u>
Other Financing Sources (Uses)			
Face amount of bonds sold	700,000	276	56,807
Transfer in	24,502	6,647	83,339
Transfer out	(10,452)	(7,715)	(108,913)
Total other financing sources (uses)	<u>714,050</u>	<u>(792)</u>	<u>31,233</u>
Net change in fund balances	(1,023)	2,346	44,845
Fund balances - beginning	<u>1,121</u>	<u>48,512</u>	<u>149,382</u>
Fund balances - ending	<u>\$ 98</u>	<u>50,858</u>	<u>194,227</u>

**STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2007**

NONMAJOR ENTERPRISE FUNDS

The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

Industries for the Blind – The New Mexico Commission for the Blind’s mission is to encourage and enable the State’s blind citizens to achieve vocational, economic, and social equality. This proprietary fund is used to provide career training and other assistance for New Mexico’s blind citizens and includes the operations of the Albuquerque Training Center.

Corrections Industries Revolving Fund – This fund is used to account for certain activities of the Corrections Industries Division. These activities include the manufacture of furniture and textiles, production of agricultural crops, and data entry services.

Environment Department – This fund is used to account for revolving loans for waste water and drinking water facilities.

New Mexico Magazine – New Mexico Magazine is a program of the Department of Tourism. The fund accounts for the publishing and distribution of a monthly magazine.

New Mexico Public Schools Insurance Authority (NMPSIA) – NMPSIA is a self-insurance pool that provides various benefits and risk coverage to participating public schools, school board members and public school employees, plus retired board members and employees. Coverage provided includes property, casualty, workers’ compensation, health, life and disability.

New Mexico Lottery Authority – This fund accounts for the operation of lottery games to provide revenues for public purposes as defined by the New Mexico Lottery Act. The New Mexico Lottery Authority is a separate legal entity from the State and therefore, a blended component unit. The New Mexico Lottery Authority was created by New Mexico State Statute 6-24-5A. A complete financial statement may be obtained from: New Mexico Lottery Authority, 4511 Osuna Road NE, Albuquerque, NM 87109.

State Infrastructure Bank – The State Infrastructure Bank is a proprietary fund administered by the Department of Transportation. The fund is used to account for loans made for road projects.

Miners' Colfax Medical Center - Miners' Colfax Medical Center is a State-owned medical facility in Raton, New Mexico. The current organization is a result of a merger between the Miners' Hospital and Northern Colfax County Hospital. Miners' Colfax operates a 33-bed acute care hospital; a 49 bed extended care facility and various outpatient clinics in Raton, New Mexico. Miners' Colfax has programs that serve both miners and non-miners.

STATE OF NEW MEXICO
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2007
 (IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 29	669	100,021	1,783
Deferred charges and other assets	1	-	2,321	12
Due from other funds	-	1,662	2,353	-
Inventories	162	1,955	-	198
Loans receivable, current	-	-	19,662	-
Receivables, net of allowance for uncollectible	10	89	3,752	171
Total current assets	202	4,375	128,109	2,164
Non Current Assets				
Loans receivable, long-term	-	-	111,092	-
Investments, long-term	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Other non current assets	-	-	-	-
Capital assets, not being depreciated	20	-	-	-
Capital assets, net of depreciation	69	511	-	12
Total noncurrent assets	89	511	111,092	12
Total assets	\$ 291	4,886	239,201	2,176
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 137	589	-	220
Accrued liabilities	121	77	-	57
Deferred revenues	-	15	-	111
Due to other funds	72	-	-	337
Other liabilities, current	14	116	-	624
Bonds payable, current	-	-	-	-
Other obligations	-	38	-	-
Total current liabilities	344	835	-	1,349
Noncurrent Liabilities				
Other liabilities, long-term	-	-	-	682
Bonds payable, long-term	-	-	-	-
Total liabilities	344	835	-	2,031
NET ASSETS				
Investment in capital assets, net of related debt	69	511	-	12
Restricted for				
Loans	-	-	-	-
Debt service	-	-	-	-
Future benefits	-	-	-	-
Other	-	-	239,201	-
Unrestricted net assets (deficit)	(122)	3,540	-	133
Total net assets (deficit)	(53)	4,051	239,201	145
Total net assets and liabilities	\$ 291	4,886	239,201	2,176

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine
Operating Revenues				
Charges for services	\$ 492	4,402	-	4,061
Federal funds	-	-	-	-
Interest and other investment income	-	-	7,946	-
Licenses, fees and permits	-	-	-	-
Other operating revenues	-	-	69	-
Total operating revenues	492	4,402	8,015	4,061
Operating Expenses				
Benefits, claims and premiums	-	-	-	-
Game expense	-	-	-	-
Depreciation expense	16	137	-	5
General and administrative	831	-	429	-
Losses	-	-	-	-
Other operating expenses	-	4,597	-	4,057
Total operating expenses	847	4,734	429	4,062
Operating (loss) income	(355)	(332)	7,586	(1)
Non-Operating Revenue (Expense)				
Other non-operating revenues	38	524	15,271	-
Total non-operating revenues (expenses) income before transfers	38	524	15,271	-
Transfers in (out)	147	-	-	-
Change in net assets	(170)	192	22,857	(1)
Net assets at beginning of year	117	3,859	216,344	146
Net assets (deficit) at end of year	\$ (53)	4,051	239,201	145

STATE OF NEW MEXICO
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine
Cash Flows from Operating Activities				
Amounts paid to third party administrators and other vendors	\$ -	(456)	-	-
Cash paid to suppliers and employees	(775)	(4,982)	(23)	(3,472)
Cash payments made to borrowers	-	-	(22,750)	-
Cash received on interest from loans	-	-	8,328	-
Cash paid for unemployment benefits	-	-	-	-
From retailers - sales net of commissions	-	-	-	-
From MUSL-Powerball jackpot	-	-	-	-
Losses and loss adjustment expenses paid	-	-	-	-
Other income	-	-	-	-
Participant premiums collected	-	-	-	-
Premiums paid to health maintenance organizations	-	-	-	-
Receipts from customers	619	4,402	-	4,135
To MUSL	-	-	-	-
To prize winners and related taxes	-	-	-	-
Net cash provided (used) by operating activities	(156)	(1,036)	(14,445)	663
Cash Flows from Investing Activities				
Interest, dividends, gains and losses, net, on investment	-	513	-	-
Receipts of rent	-	-	-	-
Other	-	-	-	-
Net cash provided (used) by investing activities	-	513	-	-
Cash Flows from Non-Capital Financing Activities				
Appropriation from/reversion to State General Fund	147	-	-	-
Interest paid on borrowing	-	-	-	-
Principal payments on bank borrowing	-	-	-	-
Transfers	38	-	-	-
Net cash (used) provided by non-capital financing	185	-	-	-
Cash Flows from Capital and Related Financing Activities				
Grant proceeds - EPA	-	-	13,366	-
Special Appropriations Proceeds	-	-	1,500	-
Interest and fees paid on capital debt and leases	-	-	-	-
Principal paid on capital debt and leases	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Proceeds from contributed capital	-	-	-	-
Purchase of premises and equipment	-	-	-	-
Net cash provided (used) by capital financing activities	-	-	14,866	-
Net increase (decrease) in cash	29	(523)	421	663
Cash and cash equivalents at beginning of year, as restated	-	1,191	99,601	1,120
Cash and cash equivalents at end of year	\$ 29	668	100,022	1,783

STATE OF NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

	Industries for the Blind	Corrections Industries Revolving	Environment Department	New Mexico Magazine
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (355)	(332)	7,586	(1)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Accounts payable and accrued liabilities	61	(4)	(314)	227
Accrued capital purchases	-	-	-	-
Accrued wages payable	-	(2)	-	-
Compensated absences	(9)	(2)	-	-
Deferred revenues	-	-	-	33
Depreciation	16	137	-	5
Due from (to) other funds	-	(44)	-	258
Accrued interest	-	-	-	-
Inventories	113	(887)	-	2
Loans receivable	-	-	(22,054)	-
Other assets	(1)	-	337	-
Prepaid expenses and deposits	-	-	-	(8)
Provision for bad debts	5	-	-	-
Prize payables	-	-	-	-
Vendors' non-cash transactions	-	-	-	-
Additional contributions to MUSL reserve accounts	-	-	-	-
Receivables, net	14	98	-	48
Due to insurance carriers for claims paid	-	-	-	-
Reserves for losses and loss adjustment expenses	-	-	-	-
Reserves on deposit	-	-	-	-
Unearned premium revenue	-	-	-	-
Unexpired subscriptions	-	-	-	99
Net cash provided (used) by operating activities	\$ (156)	(1,036)	(14,445)	663

**STATE OF NEW MEXICO
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2007**

PRIVATE PURPOSE TRUST FUNDS

The Private Purpose Trust Funds are used to account for assets held by the government in a trustee capacity and where the principal may not be expended.

Scholarship Fund – This grouping includes scholarship trust funds administered by the Commission on Higher Education and the Department of Education.

Land Grant Permanent Fund – Under terms of the Fergusson Act of 1898 and the Enabling Act of 1910, certain lands held by the federal government were granted to the territory of New Mexico. The lands, totaling 13 million acres, are held in trust for the benefit of the public schools and other specific institutions. Only the portion of the fund that does not benefit the State is presented as a Private Purpose Trust Fund. Other portions of the fund that benefit the State are presented in both the Governmental Funds and the Proprietary Funds. The fund is administered by the State Investment Council.

Higher Education Savings Fund – The 529 Higher Education Savings Plan is a variable return college savings program that enables individuals to save and invest in order to fund future higher education expenses of a child or beneficiary. The program is designed to be a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and is maintained by the Education Trust Board of New Mexico.

STATE OF NEW MEXICO
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2007
 (IN THOUSANDS)

	Scholarship Fund	Land Grant Permanent Fund	Higher Education Savings Fund	Total
ADDITIONS				
Deposits	\$ 48,000	388,534	240,867	677,401
Interest and other investment income	2,803	1,362,504	102,887	1,468,194
Total additions	50,803	1,751,038	343,754	2,145,595
DEDUCTIONS				
Distributions	2,000	421,938	180,044	603,982
Management expenses	50	12,706	-	12,756
Total deductions	2,050	434,644	180,044	616,738
Change in net assets	48,753	1,316,394	163,710	1,528,857
Net assets, beginning, as restated	51,236	7,579,184	697,444	8,327,864
Net assets, ending	\$ 99,989	8,895,578	861,154	9,856,721

STATE OF NEW MEXICO
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
JUNE 30, 2007
(IN THOUSANDS)

	Magistrate Retirement	Public Employees Retirement Fund	Educational Employees Retirement System
ASSETS			
Cash and cash equivalents	\$ 2,809	704,386	327,739
Due from other funds	-	377	-
Due from brokers	6,146	2,013,963	887,335
Investments at fair value	47,253	15,483,438	10,298,666
Receivables, net of allowance	249	67,077	91,316
Other assets	-	9,591	7,529
Total assets	56,457	18,278,832	11,612,585
LIABILITIES			
Payables	2	8,126	6,385
Accrued liabilities	-	218	332
Due to other funds	86	-	-
Deferred revenue	-	-	-
Due to brokers	9,042	2,962,944	826,761
Funds held for others	-	-	693
Other liabilities	-	249	1,088
Security lending liability	6,702	2,196,245	1,321,530
Total liabilities	15,832	5,167,782	2,156,789
NET ASSETS			
Net assets held in trust for pension	\$ 40,625	13,111,050	9,455,796

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)**

	Magistrate Retirement	Public Employees Retirement Fund	Educational Employees Retirement System
ADDITIONS			
Employee contributions	\$ 286	179,317	189,391
Employer contributions	920	269,571	255,853
Interest and other investment income	6,187	1,984,164	1,360,224
Other operating revenues	10	18,396	4,332
Total additions	7,403	2,451,448	1,809,800
DEDUCTIONS			
Benefits and claims	2,084	511,709	540,144
General and administrative	-	9,116	5,625
Expenses and management fees	9	-	-
Other operating expenses	-	-	-
Refunds	80	34,589	27,525
Total deductions	2,173	555,414	573,294
Change in net assets	5,230	1,896,034	1,236,506
Net assets, beginning	35,395	11,215,016	8,219,290
Net assets, ending	\$ 40,625	13,111,050	9,455,796

**STATE OF NEW MEXICO
EXTERNAL TRUST FUNDS
JUNE 30, 2007**

EXTERNAL TRUST FUNDS

The External Trust Funds account for assets held by the government in a trustee capacity. These funds are used to account for cash, securities and other investments held in custody for participants in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds.

State Investment Council – The State Investment Council is responsible for the investment activities of certain State of New Mexico Trust Funds. Pursuant to New Mexico law, the Council created the following investment pools: Large Capitalization Active, Large Capitalization Index, Core Bonds, Mid/Small Capitalization, Non-U.S. Index, Non-U.S. Developed Markets, Non-U.S. Emerging Markets and High Yield Bonds. The investment pools provide long-term investment opportunities for state agencies and designated institutions that have funds available for a long-term investment program that will extend for more than one year.

State Treasurer – The Office of the State Treasurer holds and invests monies for other state agencies and local governments. There are three external investment pools: State Funds Investment Pool, Short-Term Investment Pool and Consolidated Investment Pool.

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EXTERNAL TRUST FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)**

	State Investment Council	State Treasurer	Total
ADDITIONS			
Deposits	\$ 113,618	-	113,618
Other operating revenue	36,000	-	36,000
Interest and other investment income	73,664	242,311	315,975
Total additions	<u>223,282</u>	<u>242,311</u>	<u>465,593</u>
DELETIONS			
Distributions	41,556	582,577	624,133
Expenses and management fees	865	384	1,249
Total deductions	<u>42,421</u>	<u>582,961</u>	<u>625,382</u>
Change in net assets	180,861	(340,650)	(159,789)
Net assets, beginning	<u>426,144</u>	<u>5,219,844</u>	<u>5,645,988</u>
Net assets, ending	<u>\$ 607,005</u>	<u>4,879,194</u>	<u>5,486,199</u>

STATE OF NEW MEXICO
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
YEAR ENDED JUNE 30, 2007
(IN THOUSANDS)

	Other Agency Funds	Allotment Related Funds	Culture, Recreation and Natural Resources
ASSETS			
Cash and cash equivalents	\$ 300,987	1,081,265	278
Due from other funds	22,190	576	-
Investments at fair value	15,860	-	-
Intergovernmental receivables	577	846	-
Receivables, net of allowance	68,324	-	201
Total assets	407,938	1,082,687	479
LIABILITIES			
Deposits held in trust	3,370	-	-
Due to other funds	323,802	1,078,950	1
Intergovernmental payables	19,287	-	-
Funds held for others	10,468	-	-
Other liabilities	2,598	-	478
Payables	48,413	3,737	-
Total liabilities	407,938	1,082,687	479
NET ASSETS	\$ -	-	-

	Receipts Pending Distribution of Funds	Suspense Related Funds	Total
\$	701	789,584	2,172,815
	215	131,958	154,939
	-	2,957	18,817
	-	17	1,440
	588	778,776	847,889
	<u>1,504</u>	<u>1,703,292</u>	<u>3,195,900</u>
	-	6,062	9,432
	15	388,870	1,791,638
	188	627,737	647,212
	661	459,586	470,715
	638	186,736	190,450
	2	34,301	86,453
	<u>1,504</u>	<u>1,703,292</u>	<u>3,195,900</u>
\$	-	-	-



**STATISTICAL
SECTION**

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

INDEX TO STATISTICAL SECTION

The Statistical Section provides additional historical, context and detail to aid in using the information in the financial statements, notes to the financial statements and required supplementary information for the primary government of the State of New Mexico in understanding and assessing the State's overall financial health.

Financial Trends Information

These schedules present trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.

Schedule A-1 Net Assets by Component -----	172
Schedule A-2 Changes in Net Assets-----	173
Schedule A-3 Fund Balances, Governmental Funds-----	175
Schedule A-4 Changes in Fund Balances, Governmental Funds-----	176

Revenue Capacity Information

These schedules contain information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Schedule B-1 Revenues by Source and Expenditures by Function -----	177
Schedule B-2 Schedule of Revenues, State General Fund-----	179
Schedule B-3 Revenue Base-----	183
Schedule B-4 Revenue Payers by Industry – Taxable Sales, Services and Use Tax Purchases----	184
Schedule B-5 Revenue Payers – Personal Income Tax -----	185
Schedule B-6 Personal Income Tax Rates -----	186

Debt Capacity Information

These schedules present information to help the reader understand and assess the State's levels of outstanding debt and the State's ability to issue additional debt in the future.

Schedule C-1 Ratios of Outstanding Debt by Type-----	187
Schedule C-2 Other Long-Term Liabilities -----	188
Schedule C-3 Legal Debt Margin -----	190
Schedule C-4 Statutory Debt Limit -----	191
Schedule C-5 Pledged Revenue Bond Coverage -----	192

Demographics and Economic Information

These schedules contain demographic and economic indicators to help the reader to understand the environment within which the State's financial activities take place.

Schedule D-1 Demographic and Economic Indicators-----	193
Schedule D-2 Principal Employers-----	194
Schedule D-3 Composition of Labor Force -----	195
Schedule D-4 Public Higher Education Enrollment -----	196

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

INDEX TO STATISTICAL SECTION (CONTINUED)

Operating Information

These schedules offer operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

Schedule E-1 Full-Time Equivalent State Employees by Function -----	197
Schedule E-2 Operating Indicators by Function -----	198
Schedule E-3 Capital Asset Statistics by Function -----	201

Other Information

These graphs and schedules offer a historical view of expenditures in constant dollars.

Schedule F-1 Expenditures - Historical and Constant Dollars -----	202
Schedule F-2 Per Capita Expenditures - Historical and Constant Dollars -----	203

Sources: Unless otherwise noted, the information in the following schedules is derived from the State of New Mexico Comprehensive Annual Financial Report.

STATE OF NEW MEXICO
NET ASSETS BY COMPONENT
Last Five Fiscal Years
(IN THOUSANDS)
(ACCRUAL BASIS OF ACCOUNTING)

SCHEDULE A-1

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental Activities						
Invested in capital assets, net of related debt	\$ 7,226,617	7,830,967	7,187,781	6,689,355	5,724,003	5,516,914
Restricted	4,166,965	4,075,363	5,301,338	5,282,593	6,427,635	7,632,435
Unrestricted	1,321,140	351,759	171,430	762,177	752,605	214,145
Total governmental activities net assets	\$ 12,714,722	12,258,089	12,660,549	12,734,125	12,904,243	13,363,494
Business-Type Activities						
Invested in capital assets, net of related debt	\$ 874,302	892,515	955,999	885,520	945,940	940,608
Restricted	1,682,804	1,506,856	1,561,273	1,391,203	2,145,306	2,422,434
Unrestricted	494,137	582,996	624,269	979,918	489,752	657,530
Total business-type activities net assets	\$ 3,051,243	2,982,367	3,141,541	3,256,641	3,580,998	4,020,572
Primary Government						
Invested in capital assets, net of related debt	\$ 8,100,919	8,723,482	8,143,780	7,574,875	6,669,943	6,457,522
Restricted	5,849,769	5,582,219	6,862,611	6,673,796	8,572,941	10,054,869
Unrestricted	1,815,277	934,755	795,699	1,742,095	1,242,357	871,675
Total primary government net assets	\$ 15,765,965	15,240,456	15,802,090	15,990,766	16,485,241	17,384,066

STATE OF NEW MEXICO
 CHANGES IN NET ASSETS
 Last Five Fiscal Years
 (IN THOUSANDS)
 (ACCRUAL BASIS OF ACCOUNTING)

SCHEDULE A-2

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Program expenses						
Governmental Activities						
General government	\$ 367,506	279,041	537,442	882,809	869,013	950,600
Culture, recreation, natural resources	169,027	203,607	183,074	185,303	202,330	263,457
Highway and transportation	875,972	585,187	785,042	877,638	1,027,618	1,126,085
Judicial	153,391	158,362	168,013	184,319	194,452	215,954
Legislative	11,874	22,424	12,036	12,412	14,052	22,079
Public safety	323,909	338,676	345,779	378,394	390,557	451,320
Regulation, licensing, etc.	100,022	75,894	81,551	88,722	97,956	115,717
Health and human services	3,148,466	3,424,129	3,732,015	3,729,641	4,055,602	4,534,851
Education	2,336,909	2,381,521	2,611,476	2,637,052	2,902,753	3,083,845
Interest	92,062	246,340	132,440	125,476	92,505	547,366
Total governmental activities expenses	7,579,138	7,715,181	8,588,868	9,101,766	9,846,838	11,311,274
Business-Type Activities						
Unemployment insurance trust fund	135,748	174,705	159,954	129,422	-	-
Educational institutions	1,733,310	1,801,107	1,876,567	1,996,826	2,142,898	2,273,301
Non-Major enterprise funds	419,484	344,429	374,388	395,307	533,039	566,064
Total business-type activity expenses	2,288,542	2,320,241	2,410,909	2,521,555	2,675,937	2,839,365
Total primary government expenses	\$ 9,867,680	10,035,422	10,999,777	11,623,321	12,522,775	14,150,639
Program revenues						
Governmental Activities						
Charges for services	\$ 720,718	503,908	640,028	827,248	1,297,926	1,205,421
Operating grants and contributions	2,413,596	2,765,888	3,182,126	3,268,985	3,283,620	3,416,802
Capital grants and contributions	334,663	324,588	292,847	275,053	323,013	290,317
Total governmental activities program revenues	3,468,977	3,594,384	4,115,001	4,371,286	4,904,559	4,912,540
Business-Type Activities						
Charge for services	1,196,953	1,053,341	1,265,229	1,807,340	1,866,396	1,986,387
Operating grants and contributions	-	581,150	460,203	35,418	120,205	143,300
Capital grants and contributions	6,519	13,080	20,699	30,553	28,934	30,924
Total business-type activities program revenues	1,203,472	1,647,571	1,746,131	1,873,311	2,015,535	2,160,611
Total primary government program revenues	\$ 4,672,449	5,241,955	5,861,132	6,244,597	6,920,094	7,073,151
Net (Expense)/Revenue						
Governmental activities	\$ (4,110,161)	(4,120,797)	(4,473,867)	(4,730,480)	(4,942,279)	(6,398,734)
Business-Type activities	(1,085,070)	(672,670)	(664,778)	(648,244)	(660,402)	(678,754)
Total primary government net expense	\$ (5,195,231)	(4,793,467)	(5,138,645)	(5,378,724)	(5,602,681)	(7,077,488)

STATE OF NEW MEXICO
 CHANGES IN NET ASSETS
 Last Five Fiscal Years
 (IN THOUSANDS)
 (ACCRUAL BASIS OF ACCOUNTING)

SCHEDULE A-2

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General revenues and other changes in net assets						
Governmental Activities						
Taxes						
Individual income tax	\$ 1,009,224	980,326	1,090,733	1,089,031	1,543,262	1,520,214
Corporate income tax	138,078	102,846	131,897	244,371	374,957	453,857
Sales and use tax	303,615	275,873	327,878	368,716	388,739	403,909
Business privilege	1,305,730	1,684,150	1,821,396	1,970,239	2,370,530	2,962,550
Severance	194,347	-	-	-	-	-
Other taxes	381,209	301,555	360,940	507,381	30,683	30,683
Tribal gaming revenue	107,339	-	-	-	-	-
Investment income	169,647	639,731	1,071,990	994,872	1,203,881	1,622,183
Other revenue	27,775	139,060	181,707	239,724	(264,596)	290,160
Transfers	(484,860)	(473,007)	(481,507)	(495,101)	(533,035)	(560,187)
Total governmental activities	<u>3,152,104</u>	<u>3,650,534</u>	<u>4,505,034</u>	<u>4,919,233</u>	<u>5,114,421</u>	<u>6,723,369</u>
Business-Type Activities						
Non-operating grants and contracts	534,293	-	-	-	-	-
Investment income (loss)	(55,987)	77,334	134,001	115,187	129,014	261,374
Other revenue (expense)	115,727	160,058	186,383	154,389	259,303	296,767
Transfers	484,860	473,007	481,507	495,101	533,035	560,187
Total business-type activities	<u>1,078,893</u>	<u>710,399</u>	<u>801,891</u>	<u>764,677</u>	<u>921,352</u>	<u>1,118,328</u>
Total primary government	<u>\$ 4,230,997</u>	<u>4,360,933</u>	<u>5,306,925</u>	<u>5,683,910</u>	<u>6,035,773</u>	<u>7,841,697</u>
Change in net assets						
Governmental Activities	\$ (958,057)	(470,263)	31,167	188,753	172,142	324,635
Business-Type Activities	(6,177)	37,729	137,113	116,432	260,950	439,574
Total Primary Government	<u>\$ (964,234)</u>	<u>(432,534)</u>	<u>168,280</u>	<u>305,185</u>	<u>433,092</u>	<u>764,209</u>

STATE OF NEW MEXICO
 FUND BALANCES, GOVERNMENTAL FUNDS
 Last Five Fiscal Years
 (IN THOUSANDS)
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

SCHEDULE A-3

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	\$ 197,938	230,781	186,655	69,687	76,990	72,979
Unreserved	298,084	172,240	427,605	732,395	859,338	681,061
Total general fund	\$ 496,022	403,021	614,260	802,082	936,328	754,040
All other governmental funds						
Reserved	\$ 4,890,316	4,507,256	5,183,451	5,253,182	5,516,982	6,672,312
Unreserved, reported in:						
Special revenue funds	221,350	196,816	116,023	422,245	685,478	898,371
Capital projects funds	4,569	12,497	105,151	36,745	224,278	114,637
Debt service funds	11,486	177,355	889,304	621,143	1,147	1,542
Total all other governmental funds	\$ 5,127,721	4,893,924	6,293,929	6,333,315	6,427,885	7,686,862

STATE OF NEW MEXICO
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Five Fiscal Years
 (IN THOUSANDS)
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

SCHEDULE A-4

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Revenues						
Taxes	\$ 3,217,911	3,366,514	3,957,290	4,122,934	4,701,612	5,360,317
Licenses, fees and permits	92,360	113,421	79,069	98,114	212,590	202,897
Interest and other investment income	163,936	639,731	1,069,187	991,789	1,200,119	1,617,035
Rents and royalties	275,350	302,101	370,014	499,319	623,131	571,919
Charges for services	85,089	88,386	190,945	229,816	151,759	57,883
Intergovernmental	2,792,421	3,090,476	3,474,722	3,543,855	3,606,240	3,708,912
Other revenues	497,998	139,060	175,300	233,804	220,093	148,132
Total Revenues	7,125,065	7,739,689	9,314,527	9,719,631	10,715,544	11,667,095
Expenditures						
General control	359,439	272,941	343,036	852,544	488,674	546,890
Culture, recreation, natural resources	163,326	199,287	173,455	175,341	190,662	249,460
Highways and transportation	478,520	208,190	291,302	374,151	515,262	623,619
Judicial	148,217	154,441	164,519	178,863	188,703	209,601
Legislative	11,484	22,121	11,935	12,313	13,940	20,564
Public safety	312,982	330,397	325,687	359,980	373,973	437,857
Regulation, licensing, etc.	96,649	73,338	79,517	87,008	96,071	112,887
Health and human services	3,042,898	3,383,743	3,639,440	3,790,976	4,043,961	4,527,036
Education	2,258,083	2,321,789	2,610,544	2,636,367	2,901,712	3,083,174
Debt Service						
Interest	92,062	246,340	133,740	125,476	92,556	547,366
Principal	270,071	176,328	364,460	1,190,529	1,106,838	903,289
Bond issuance costs	-	-	10,597	3,870	445	397
Advance refunding escrow	-	-	7,286	651	-	-
Capital outlay	392,205	563,652	364,113	371,535	491,493	502,040
Total expenditures	7,625,936	7,952,567	8,519,631	10,159,604	10,504,290	11,764,180
Excess (deficiency) of revenues over expenditures	(500,871)	(212,878)	794,896	(439,973)	211,254	(97,085)
Other Financing Sources (Uses)						
Bonds issued	513,880	336,653	1,103,469	1,535,043	795,012	1,468,650
Bond premium	-	-	59,904	18,977	-	-
Refunding bond issue	-	-	437,950	-	-	-
Payment to refunded bond escrow	-	-	(408,856)	(75,077)	-	-
Other nonoperating revenues and expenditures	-	-	-	-	6,885	137,964
Operating transfers in	4,195,209	4,628,455	4,697,378	5,217,701	5,888,308	6,179,320
Operating transfers out	(4,681,988)	(5,103,650)	(5,180,257)	(5,725,723)	(6,425,666)	(6,746,776)
Total other financing sources (uses)	27,101	(138,542)	709,588	970,921	264,539	1,039,158
Net change in fund balances	\$ (473,770)	(351,420)	1,504,484	530,948	475,793	942,073
Debt service as a percentage of noncapital expenditures	5.0%	5.7%	6.1%	13.4%	12.0%	12.9%

STATE OF NEW MEXICO
REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL FUND TYPES
For the Last Ten Fiscal Years
(IN THOUSANDS)

	2007	2006	2005	2004	2003	2002*
<u>Revenues by Source</u>						
Taxes	\$ 5,360,317	4,727,837	4,200,737	3,653,775	3,275,713	3,283,859
Licenses, fees and permits	19,577	212,590	98,114	79,069	113,421	92,360
Interest and other investment income	1,468,194	4,477,484	3,539,435	4,521,673	1,545,064	(1,112,306)
Rents and royalties	677,401	842,823	792,131	558,013	182,946	484,890
Charges for services	3,257,602	3,224,728	2,688,146	1,926,916	1,579,478	2,045,448
Intergovernmental	3,893,922	3,759,989	3,640,312	3,992,434	3,695,529	3,334,171
Contributions	1,076,626	900,114	832,132	849,577	805,552	674,600
Other sources	(19,577)	6,070	399,677	187,348	80,286	121,375
Total Revenues	\$ 15,734,062	18,151,635	16,190,684	15,768,805	11,277,989	8,924,397
<u>Expenditures by Function</u>						
Legislative	\$ 22,079	14,052	12,412	12,036	22,424	11,874
Judicial	215,954	194,452	184,319	168,013	158,362	153,391
General Control	616,738	3,342,254	3,271,852	2,741,228	2,392,404	2,589,502
Regulation, License, etc.	115,717	97,956	88,722	81,551	75,894	100,022
Culture, Recreation and Natural Resources	263,457	202,330	185,333	183,074	203,607	169,027
Health and Human Services	4,534,851	4,055,602	3,729,641	3,732,015	3,424,129	3,148,466
Public Safety	451,320	390,557	378,334	345,779	338,676	323,909
Highway and Transportation	1,126,085	1,027,618	877,638	785,042	585,187	875,972
Education	5,357,146	5,045,651	4,633,879	4,488,043	4,182,628	4,070,219
Total Expenditures	\$ 12,703,347	14,370,472	13,362,170	12,536,781	11,383,311	11,442,382

*As a result of adopting GASB 34 in 2002, certain revenues and expenditure amounts are not comparable to years prior to 2002. 2002 Amounts include the primary government and component unit amounts from the Statement of Activities and fiduciary fund amounts from the Statement of Changes in Fiduciary Net Assets.

SCHEDULE B-1

	2001	2000	1999	1998
\$	3,504,194	3,127,685	2,927,032	2,952,593
	81,523	73,457	86,612	76,376
	(1,239,950)	3,525,310	3,702,083	2,004,432
	421,409	249,249	156,876	245,529
	462,562	416,302	402,942	360,410
	2,411,266	2,199,250	1,875,180	1,812,429
	728,773	676,252	636,762	598,660
	310,404	299,884	273,623	250,649
\$	<u>6,680,181</u>	<u>10,567,389</u>	<u>10,061,110</u>	<u>8,301,078</u>

\$	19,280	15,258	17,564	8,343
	174,901	133,534	116,834	108,975
	2,203,032	1,902,418	1,746,989	1,754,206
	88,126	88,696	84,827	74,277
	179,171	164,039	141,441	123,888
	2,847,600	2,545,270	2,227,138	2,150,013
	290,413	269,535	290,887	224,811
	951,306	897,716	640,222	570,785
	4,210,928	4,051,113	3,762,107	3,486,091
\$	<u>10,964,757</u>	<u>10,067,579</u>	<u>9,028,009</u>	<u>8,501,389</u>

STATE OF NEW MEXICO
SCHEDULE OF REVENUES
STATE GENERAL FUND
For the Last Eight Fiscal Years
(IN THOUSANDS)

	2007	2006	2005	2004	2003
Revenues					
Taxes and License Fees					
General and selective sales taxes:					
Gross receipts	\$ 1,840,489	1,689,838	1,512,483	1,556,015	1,340,369
Compensating	61,352	51,835	44,117	36,718	38,398
Tobacco (luxury)	46,775	48,405	48,477	51,828	18,318
Alcoholic beverage	26,726	29,340	25,173	28,472	25,376
Insurance	108,044	103,081	95,464	102,201	53,763
Fire protection	19,929	24,589	27,157	25,765	20,756
Public utilities	10,182	8,064	8,923	8,320	7,347
Racing	1,378	362	897	1,188	1,150
Private car	384	411	537	476	661
Motor vehicle and other excise tax	131,254	121,870	118,919	115,730	111,142
Gaming tax	70,893	56,677	46,353	41,646	38,997
Leased vehicles gross receipts and surcharge	6,036	19,948	26,018	6,556	6,067
Bed surcharge tax	560	-	-	-	-
Gasoline tax	410	-	-	-	-
Telecommunications relay surcharge	101	99	100	108	94
Boat excise tax	751	581	219	307	366
Total general and selective sales tax	2,325,264	2,155,100	1,954,837	1,975,330	1,662,804
Income Taxes					
Gross Withholding	972,374	942,470	888,168	950,904	832,687
Final settlements	516,122	471,952	446,945	420,278	346,920
Less:					
Transfer - Retiree health care	(9,647)	(8,453)	(7,623)	(7,368)	(6,017)
Transfer - PIT suspense and others	(299,375)	(373,974)	(247,158)	(281,740)	(248,067)
Refunds - TAA suspense	(7,868)	(13,784)	(6,142)	(2,684)	(1,112)
Net personal income taxes	1,171,606	1,018,211	1,074,190	1,079,390	924,411
Corporate taxes	498,413	410,377	265,999	172,712	154,669
Less refunds	(38,533)	(33,192)	(23,537)	(49,269)	(51,823)
Net corporate income taxes	459,880	377,185	242,462	123,443	102,846
Estate taxes	78	3,138	4,925	8,764	28,443
Fiduciary taxes	8,597	12,960	11,825	11,033	7,003
Total income taxes	1,640,161	1,411,494	1,333,402	1,222,630	1,062,703
Severance taxes					
Oil and gas school tax	420,254	483,240	381,302	366,056	229,639
7% oil conservation	19,916	22,564	17,822	16,689	11,939
Resources excise	10,767	9,151	6,547	6,182	5,756
Natural gas processors	35,627	26,841	21,728	16,513	21,077
Total severance taxes	486,564	541,796	427,399	405,440	268,411
Total taxes	4,451,989	4,108,390	3,715,638	3,603,400	2,993,918
License Fees					
Manufactured housing	652	674	728	623	440
Franchise	22	33	82	121	57
Corporate filing	2,955	2,841	2,810	2,651	2,540
Alcoholic beverage and gaming	4,195	3,509	3,541	4,075	3,480
Financial institutions	3,011	3,073	2,845	2,585	2,288
Corporate special	4,014	8,339	4,070	4,620	4,356
Construction industries	7,369	6,825	6,800	6,432	4,881
Gaming license and permit fees	302	327	322	267	246
Securities receipts	15,824	14,840	13,830	16,273	12,307
Health facilities fee	172	290	175	271	329
Pipeline fees	137	11	38	55	56
Motor vehicles miscellaneous fees	146	139	142	141	123
Drivers training fees	-	39	41	46	27
State engineers' fees	-	-	-	-	-
Total license fees	38,799	40,940	35,424	38,160	31,130
Total taxes and license fees	4,490,788	4,149,330	3,751,062	3,641,560	3,025,048
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund income	364,697	354,156	350,285	292,235	275,684
Earning on state balances	87,307	77,935	34,386	25,374	40,504
Severance Tax Permanent Fund income	170,973	171,798	173,249	172,434	170,955
Total interest income	622,977	603,889	557,920	490,043	487,143

SCHEDULE B-2

	2002	2001	2000
S	1,274,281	1,253,424	1,142,105
	36,009	36,593	33,502
	17,985	18,422	18,939
	24,688	26,687	26,752
	50,690	44,562	47,022
	24,587	19,953	16,414
	8,326	4,521	6,154
	1,154	1,146	1,058
	336	579	346
	106,966	97,440	97,042
	28,920	23,353	19,416
	6,362	6,352	6,367
	-	-	-
	76	68	-
	537	574	-
	<u>1,580,917</u>	<u>1,533,674</u>	<u>1,415,117</u>
	798,038	760,579	692,300
	460,162	326,820	389,414
	(5,373)	(5,068)	(4,781)
	(234,204)	(194,357)	(225,690)
	(2,207)	9,513	16,191
	<u>1,016,416</u>	<u>897,487</u>	<u>867,434</u>
	178,758	240,112	177,744
	(37,085)	(20,325)	(11,942)
	<u>141,673</u>	<u>219,787</u>	<u>165,802</u>
	21,185	24,228	16,237
	9,331	8,607	8,644
	<u>1,188,605</u>	<u>1,150,109</u>	<u>1,058,117</u>
	205,121	329,031	169,506
	10,763	16,687	8,931
	5,356	5,691	6,118
	20,270	12,111	12,262
	<u>241,510</u>	<u>363,520</u>	<u>196,817</u>
	<u>3,011,032</u>	<u>3,047,303</u>	<u>2,670,051</u>
	485	610	710
	17	3	5
	2,239	2,402	2,435
	3,471	4,105	3,670
	2,123	2,029	2,038
	4,267	7,319	4,774
	4,846	6,315	5,084
	263	306	759
	12,454	12,749	11,866
	391	75	252
	71	54	30
	124	402	679
	31	18	-
	110	-	112
	<u>30,892</u>	<u>36,387</u>	<u>32,414</u>
	<u>3,041,924</u>	<u>3,083,690</u>	<u>2,702,465</u>
	258,049	234,280	219,820
	67,162	98,707	72,034
	159,183	144,650	141,814
	<u>484,394</u>	<u>477,637</u>	<u>433,668</u>

STATE OF NEW MEXICO
SCHEDULE OF REVENUES
STATE GENERAL FUND (CONTINUED)
For the Last Eight Fiscal Years
(IN THOUSANDS)

	2007	2006	2005	2004	2003
Other Revenue Sources (Continued)					
Rents and Royalties					
Federal mineral leasing	\$ 501,124	556,541	445,004	334,883	268,366
Land office	50,410	52,696	42,044	22,061	20,727
Total rents and royalties	551,534	609,237	487,048	356,944	289,093
Miscellaneous Receipts and Fees					
Miscellaneous					
Environment Department filing fees	1,237	1,272	1,181	1,492	1,449
Local Government Investment Pool	-	-	-	-	-
Administrative fees	-	-	-	-	-
Tribal revenue sharing	56,158	49,520	41,263	58,634	33,096
Media lease payments	18	18	19	18	19
MVD penalty assessments	6,053	5,704	5,894	5,933	6,597
Fines and forfeitures	8,086	8,425	8,243	8,041	8,443
Birth and death certificates	865	661	576	572	709
District judge receipts	1,042	986	1,032	986	968
Notary public fees	56	728	721	783	751
Court of appeals	-	-	-	-	-
Legislative receipts	59	38	59	44	61
Workmen's compensation fees	67	10	21	2	29
Payroll administrative costs	-	-	-	-	-
Law enforcement protection	6,838	8,593	7,042	-	669
Small county assistance	-	-	1,563	1,669	2,561
Supreme court fees	-	-	-	-	-
Unclaimed property	12,291	12,501	13,456	7,463	6,201
Public defender reimbursement	404	389	595	260	223
Small cities assistance	-	-	447	371	1,851
Total miscellaneous receipts and fees	93,174	88,845	82,112	86,268	63,627
Other Revenues					
Miscellaneous non-recurring	51,210	42,209	44,653	4,896	93
Transfers - reversions	38,880	45,030	82,589	45,984	50,340
Total other revenues	90,090	87,239	127,242	50,880	50,433
Total other revenue sources	1,357,775	1,389,210	1,254,322	984,135	890,296
Total revenues	\$ 5,848,563	5,538,540	5,005,384	4,625,695	3,915,344

SCHEDULE B-2

	2002	2001	2000
\$	229,323	374,464	205,321
	19,919	31,239	23,815
	<u>249,242</u>	<u>405,703</u>	<u>229,136</u>
	130	-	13
	2,300	342	372
	-	-	4
	107,339	53	17,917
	-	-	-
	6,081	5,753	5,737
	8,223	8,605	8,442
	533	561	525
	978	1,173	1,140
	808	574	593
	-	566	-
	40	65	46
	-	39	-
	-	-	1
	1,096	339	2,038
	3,170	2,714	4,497
	-	2	1
	7,415	4,823	7,736
	207	192	233
	559	1,357	532
	<u>138,879</u>	<u>27,158</u>	<u>49,827</u>
	-	-	-
	<u>42,119</u>	-	-
	<u>42,119</u>	-	-
	<u>914,634</u>	<u>910,498</u>	<u>712,631</u>
\$	<u>3,956,558</u>	<u>3,994,188</u>	<u>3,415,096</u>

STATE OF NEW MEXICO
REVENUE BASE
LAST SIX FISCAL YEARS
(IN THOUSANDS)

SCHEDULE B-3

	Calendar Year					
	2002	2003	2004	2005	2006	2007
Taxable Gross Receipts						
Agriculture, Forestry and Fishing	\$ 62,817	66,610	73,783	83,895	81,043	84,941
Mining	1,098,102	1,089,119	1,238,262	1,626,594	2,063,727	2,162,156
Construction	4,202,590	4,585,905	5,299,913	6,038,563	7,402,413	7,546,822
Manufacturing	841,759	795,101	964,158	1,058,988	1,296,135	1,373,810
Transportation	605,369	226,665	291,512	399,323	500,233	577,428
Communications and Utilities	1,894,213	2,362,770	2,740,597	2,953,396	3,166,151	3,298,025
Wholesale Trade	1,694,814	1,982,751	2,184,839	2,419,634	2,702,003	2,583,579
Retail Trade	11,381,575	11,791,656	12,511,302	11,067,204	11,826,522	12,884,778
Finance, Insurance and Real Estate	751,295	756,685	847,706	955,373	1,047,208	1,198,885
Services and Other	12,677,159	13,445,195	14,195,843	14,679,218	16,085,796	17,201,063
Public Administration	450,910	344,280	452,731	469,556	460,533	521,733
Total Taxable Gross Receipts	\$ 35,660,603	37,446,737	40,800,646	41,751,744	46,631,764	49,433,220
State Gross Receipts Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Personal Income by Industry						
Federal Civilian	\$ 2,185	2,254	2,451	2,580	2,768	2,887
Federal Military	931	1,036	1,115	1,125	1,125	1,083
State and Local Government	6,399	6,788	7,264	7,692	7,584	7,429
Farm Earnings	498	528	681	659	414	526
Forestry, Fishing and Related Activities	115	113	114	120	127	126
Mining	1,115	1,230	1,258	1,477	1,820	1,990
Utilities	295	305	338	360	372	417
Construction	2,113	2,239	2,456	2,776	3,102	3,121
Manufacturing	2,090	2,117	2,188	2,264	2,468	2,636
Wholesale Trade	1,096	1,100	1,161	1,249	1,373	1,464
Retail	2,633	2,711	2,824	2,940	3,053	3,185
Transportation and Warehousing	904	929	1,056	1,125	1,201	1,278
Information	741	733	725	753	834	838
Financial, Insurance, Real Estate, Rental and Leasing	1,900	1,932	2,036	2,150	2,250	2,297
Services	6,549	6,934	7,403	7,827	8,906	9,915
Other ¹	15,421	15,701	16,743	18,896	20,734	22,810
Total Personal Income	\$ 44,985	46,650	49,813	53,993	58,131	62,002
Highest Income Tax Rate	8.2%	7.7%	6.8%	5.7%	5.3%	5.3%

¹ Other personal income includes dividends, interest, rents, residence adjustment, government transfers to individuals, and deduction for social insurance contributions.

Source: New Mexico Department of Taxation and Revenue, Report 80 NAICS code version
<http://www.tax.state.nm.us/pubs/rp806d.htm>
 Department of Commerce Bureau of Regional Economic Analysis, Report SA05
<http://www.bea.gov/regional/spi/default.cfm?satable=SA05N&series=NAICS>

STATE OF NEW MEXICO
 REVENUE PAYERS BY INDUSTRY - TAXABLE SALES, SERVICES AND USE TAX PURCHASED
 MOST CURRENT CALENDAR YEAR AND HISTORICAL COMPARISON
 (IN THOUSANDS)

SCHEDULE B-4

	Calendar Year 2002				Calendar Year 2007			
	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total
Agriculture, Forestry and Fishing	3,853	0.6%	\$ 62,817	0.2%	5,305	0.4%	\$ 84,941	0.2%
Mining	5,085	0.7%	1,098,102	3.1%	9,129	0.8%	2,162,156	4.4%
Construction	77,931	11.2%	4,202,590	11.8%	139,685	11.7%	7,546,822	15.3%
Manufacturing	29,293	4.2%	841,759	2.4%	46,724	3.9%	1,373,810	2.8%
Transportation	13,791	2.0%	605,369	1.7%	15,242	1.3%	577,428	1.2%
Communications and Utilities	8,718	1.2%	1,894,213	5.3%	67,939	5.7%	3,298,025	6.7%
Wholesale Trade	34,377	4.9%	1,694,814	4.8%	71,761	6.0%	2,583,579	5.2%
Retail Trade	142,234	20.4%	11,381,575	31.9%	245,469	20.6%	12,884,778	26.1%
Finance, Insurance and Real Estate	22,155	3.2%	751,295	2.1%	55,329	4.6%	1,198,885	2.4%
Services and Other	358,349	51.4%	12,677,159	35.5%	533,573	44.8%	17,201,063	34.8%
Public Administration	2,010	0.3%	450,910	1.3%	2,099	0.2%	521,733	1.1%
Total Number of Filers and Total Taxable Gross Revenues	697,796	100.0%	\$ 35,660,603	100.0%	1,192,255	100.0%	\$ 49,433,220	100.0%

State Gross Receipts Tax Rate 5.0% 5.0%

Source: New Mexico Department of Taxation and Revenue, Report 80 NAICS code version
<http://www.tax.state.nm.us/pubs/rp806d.htm>

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

STATE OF NEW MEXICO
 REVENUE PAYERS - PERSONAL INCOME TAX
 MOST CURRENT CALENDAR YEAR AND HISTORICAL COMPARISON
 (DOLLARS, EXCEPT INCOME LEVEL, ARE IN THOUSANDS)

SCHEDULE B-5

Income Level	2002				2006			
	Number of Returns	Percent of Total	Personal Income Tax Liability	Percent of Total	Number of Returns	Percent of Total	Personal Income Tax Liability	Percent of Total
\$200,000 and higher	8,097	18.7%	\$ 876,946	184.5%	16,439	27.7%	\$ 1,835,054	340.8%
\$100,000 - \$199,999	36,026	83.1%	781,752	164.4%	58,554	98.7%	1,109,736	206.1%
\$75,000 - \$99,999	43,361	100.0%	475,407	100.0%	59,336	100.0%	538,454	100.0%
\$50,000 - \$74,999	91,317	210.6%	562,587	118.3%	106,295	179.1%	583,230	108.3%
\$49,999 and lower	626,050	1443.8%	679,431	142.9%	646,552	1089.6%	635,010	117.9%
Total	804,851	1856.2%	\$ 3,376,123	710.2%	887,176	1495.2%	\$ 4,701,484	873.1%

Source: United States Department of the Treasury, Internal Revenue Service,
<http://www.irs.gov/taxstats/article/0,,id=171535,00.html>

**STATE OF NEW MEXICO
PERSONAL INCOME TAX RATES
LAST SEVEN FISCAL YEARS**

SCHEDULE B-6

Year	Top Tax Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Effective Rate
		Single	Married Filing Jointly	Head of Household	
2002	8.2%	\$ 65,000	\$ 100,000	\$ 83,000	N/A
2003	7.7%	42,000	64,000	53,000	2.6%
2004	6.8%	26,000	40,000	33,000	2.1%
2005	5.7%	16,000	24,000	24,000	2.2%
2006	5.3%	16,000	24,000	24,000	1.6%
2007	5.3%	16,000	24,000	24,000	N/A
2008	4.9%	16,000	24,000	24,000	N/A

Source: New Mexico Department of Taxation and Revenue, Income Tax Facts annual publications,
<http://www.tax.state.nm.us/pubs/TaxreseStat/personal.htm>

STATE OF NEW MEXICO
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SIX FISCAL YEARS
(IN THOUSANDS)

SCHEDULE C-1

	Fiscal year					
	2002	2003	2004	2005	2006	2007
Governmental Activities						
General Obligation	\$ 230,104	339,752	289,023	380,864	324,187	446,389
Enhanced E911 Revenue Bonds	4,543	3,785	3,032	2,277	1,521	762
Severance Tax Bonds	496,808	560,025	576,828	603,300	683,671	787,031
Revenue Bonds	1,203,531	1,112,334	2,446,077	2,235,958	\$2,062,285	2,718,748
Capital Leases	7,117	7,895	5,628	3,902	2,425	1,573
Total Government	<u>1,942,103</u>	<u>2,023,790</u>	<u>3,320,588</u>	<u>3,226,301</u>	<u>3,074,089</u>	<u>3,954,503</u>
Business-Type Activities						
Revenue Bonds	460,570	553,295	549,720	953,939	1,534,406	1,133,609
NMFA Bonds	470,036	568,691	569,053	839,924	1,067,832	1,177,178
NMMFA Bonds	2,591,942	2,399,111	2,324,594	2,748,587	2,689,046	3,171,731
Operating Leases	220	258	267	278	280	320
Capital Leases	5,483	3,433	2,882	3,042	2,713	2,480
Total Primary Government	<u>3,528,251</u>	<u>3,524,788</u>	<u>3,446,516</u>	<u>4,545,770</u>	<u>5,294,277</u>	<u>5,485,318</u>
Total Debt	\$ <u>5,470,354</u>	<u>5,548,578</u>	<u>6,767,104</u>	<u>7,772,071</u>	<u>8,368,366</u>	<u>9,439,821</u>
New Mexico Personal Income	\$ 44,986,517	46,650,275	49,813,042	53,992,896	58,131,416	62,001,991
Debt as a Percentage of Personal Income	12.2%	11.9%	13.6%	14.4%	14.4%	15.2%
New Mexico Population	1,876	1,900	1,930	1,969	2,014	2,059
General Obligation Debt Per Capita	123	179	150	193	161	217
Total Long-Term Debt Per Capita	2,916	2,920	3,506	3,947	4,155	4,585

Source: State of New Mexico Comprehensive Annual Financial Report for outstanding bonded and non-bonded debt. See Schedule for Demographics and Economic Statistics for personal income and population data. Ratios are calculated based upon personal income and population which are reported for the prior calendar year.

**STATE OF NEW MEXICO
OTHER LONG-TERM LIABILITIES
LAST SIX FISCAL YEARS
(IN THOUSANDS)**

	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities				
General Obligation Bonds	\$ 204,267	290,700	249,150	318,055
Severance Tax Bonds	416,311	473,405	486,840	512,180
Revenue Bonds	891,465	841,781	1,637,999	1,559,535
Net Unamortized Premium	-	-	58,604	-
Notes and Loans Payable	115,354	108,165	-	2,168
Capital Leases	7,117	7,895	5,628	3,902
Unexpired Magazine Subscriptions	1,000	-	-	-
Claims and Judgments	36,043	36,555	37,000	44,666
Reserve for Losses	38,753	43,613	51,157	71,466
Compensated Absences	52,270	51,968	54,006	56,040
Other	-	-	1,090	1,085
Total Governmental Activities	<u>1,762,580</u>	<u>1,854,082</u>	<u>2,581,474</u>	<u>2,569,097</u>
Business-Type Activities				
Revenue Bonds	298,802	341,236	352,137	593,908
Bond Premiums and Discounts	(241)	23	2,502	777
Notes and Loans Payable	3,362	2,860	2,533	334
Capital Leases	5,483	3,433	2,882	3,042
Deferred Gain	24,829	-	-	-
Student Loan Programs	18,638	-	-	-
Compensated Absences	65,669	42,699	48,159	49,118
Reserved for Losses	48,480	-	-	-
Unearned Premiums	8,799	-	-	-
Other	-	49,119	28,311	27,032
Total Business-Type Activities	<u>473,821</u>	<u>439,370</u>	<u>436,524</u>	<u>674,211</u>
Total Primary Government				
Other Long-term Liabilities	<u>\$ 2,236,401</u>	<u>2,293,452</u>	<u>3,017,998</u>	<u>3,243,308</u>

Note: Details regarding the liabilities listed above can be found in Note 2. F Changes in Long-term Liabilities in the financial statements.

SCHEDULE C-2

Fiscal Year	
2006	2007
\$ 274,735	371,874
577,935	669,686
1,453,057	1,829,528
-	-
2,169	2,075
2,425	1,326
-	-
48,466	44,826
13,743	13,305
60,194	62,658
58,724	71,992
<u>2,491,448</u>	<u>3,067,270</u>
718,629	698,580
1,170	873
-	-
2,713	2,330
-	-
-	-
57,648	61,211
-	-
-	-
95,072	97,657
<u>875,232</u>	<u>860,651</u>
<u>\$ 3,366,680</u>	<u>3,927,921</u>

STATE OF NEW MEXICO
 LEGAL DEBT MARGIN
 LAST SIX FISCAL YEARS
 (IN THOUSANDS)

SCHEDULE C-3

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Net Taxable Value of Property	\$ 30,901,933	31,750,454	32,149,435	35,890,023	38,910,768	42,985,028
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	309,019	317,505	321,494	358,900	389,108	429,850
General Obligation Bonds	230,104	339,752	289,023	380,864	324,187	446,389
Enhanced E-911 Bonds	4,543	3,785	3,032	2,277	1,521	762
	234,647	343,537	292,055	383,141	325,708	447,151
Legal Debt Margin	\$ 74,372	\$ (26,032)	\$ 29,439	\$ (24,241)	\$ 63,400	\$ (17,301)
Legal Debt Margin as a Percentage of the Debt Limit	24.1%	(8.2)%	9.2%	(6.8)%	16.3%	(4.0)%

Source: Note information regarding general bonded debt outstanding can be located within the State of New Mexico's comprehensive annual financial report per fiscal year. Property value data was provided by the Department of Finance and Administration, Local Government Division *Financial and Property Tax Data by County and Municipality*. Per capita information is based upon population data located in the Demographics and Economic Statistics schedule. The legal debt margin is the remaining maximum borrowing authority available and is calculated by subtracting the bonded debt outstanding from the legal debt limit as calculated per regulation requirements. The Constitution of the State of New Mexico Article 9, Sec 8 limits the State's outstanding general debt to a maximum of 1% of the net taxable value of all property subject to taxation within the State.

STATE OF NEW MEXICO
 PLEDGED REVENUE BOND COVERAGE
 LAST SIX FISCAL YEARS
 (IN THOUSANDS)

SCHEDULE C-4

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
Severance Tax Bonds (Including Supplemental Subordinate Liens)				
2002	\$ 463,859	\$ 416,311	\$ 80,497	93.4%
2003	614,828	473,405	86,620	109.8%
2004	629,339	486,840	89,988	109.1%
2005	817,872	512,180	91,120	135.6%
2006	996,911	577,935	105,736	145.8%
2007	1,097,517	669,686	117,345	139.5%
Highway Infrastructure Bonds				
2002	\$ 2,452,589	\$ 982,060	\$ 343,579	185.0%
2003	2,766,794	928,280	297,300	225.8%
2004	3,352,441	1,576,463	740,558	144.7%
2005	5,095,626	1,504,043	668,971	234.5%
2006	4,857,704	1,424,629	599,736	240.0%
2007	5,558,581	1,432,834	602,912	273.0%
Energy and Minerals Bonds				
2002	\$ 3,092	\$ 18,603	\$ 8,579	11.4%
2003	3,416	17,750	7,668	13.4%
2004	3,064	24,161	8,680	9.3%
2005	3,527	22,890	8,009	11.4%
2006	4,369	21,574	7,222	15.2%
2007	3,911	20,223	6,316	14.7%

Source: New Mexico Taxation and Revenue Department, Financial Distributions Bureau
 New Mexico Department of Finance and Administration, Board of Finance
 New Mexico Department of Transportation audited financial statements
 New Mexico Energy, Minerals and Natural Resources audited financial statements
 New Mexico Department of Finance and Administration, Administrative Services Division

**STATE OF NEW MEXICO
STATUTORY DEBT LIMIT
LAST SIX FISCAL YEARS
(IN THOUSANDS)**

SCHEDULE C-5

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Annual deposits into Severance Tax Bonding Fund	\$ 246,046	257,157	319,337	405,541	532,386	508,508
50% of annual deposits	123,023	128,579	159,669	202,771	266,193	254,254
Statutory debt limit amount	<u>123,023</u>	<u>128,579</u>	<u>159,669</u>	<u>202,771</u>	<u>266,193</u>	<u>254,254</u>
Annual bond servicing amount	77,016	80,751	86,869	87,348	93,005	107,154
Statutory debt margin amount	<u>\$ 46,007</u>	<u>47,828</u>	<u>72,800</u>	<u>115,423</u>	<u>173,188</u>	<u>147,100</u>
Statutory debt margin as a percentage of debt limit.	37.4%	37.2%	45.6%	56.9%	65.1%	57.9%

Source: New Mexico Office Of The State Treasurer audited financial statements
State of New Mexico continuing disclosure annual financial information filing/New Mexico Board
of Finance

STATE OF NEW MEXICO
 DEMOGRAPHIC AND ECONOMIC INDICATORS
 LAST SIX FISCAL YEARS
 (IN THOUSANDS)

SCHEDULE D-1

Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling (Pop=25 Yrs & >)	Public School Enrollment
2002	1,876,287	\$ 44,986,517,000	\$ 24,310	35.1	12.20	312,209
2003	1,899,846	46,650,275,000	24,945	35.4	12.23	313,037
2004	1,929,713	49,813,042,000	26,326	35.7	12.26	315,543
2005	1,969,291	53,992,896,000	28,175	36.1	12.31	320,452
2006	2,014,006	58,131,416,000	29,929	35.3	12.31	321,663
2007	2,059,075	62,001,991,000	31,474	N/A	N/A	326,525

Source: Population, Personal Income, Per Capita Personal Income and Median Age provided through the New Mexico Bureau of Business and Economic Research, University of New Mexico. Education level in years of schooling sourced from the U.S. Census Bureau. School enrollment provided by the New Mexico Department of Finance and Administration, Office of Education and Accountability.

STATE OF NEW MEXICO
 PRINCIPLE EMPLOYERS
 MOST CURRENT CALENDAR YEAR AND HISTORICAL COMPARISON
 (IN THOUSANDS)

SCHEDULE D-2

Entity Name	Calendar Year 2002			Calendar Year 2007		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
Wal-Mart Associates	11,269	1	1.5%	13,841	1	1.7%
Los Alamos National Laboratories ¹	N/A	N/A	N/A	10,111	2	1.2%
Sandia Corporation	7,928	2	1.1%	8,727	3	1.1%
Presbyterian Healthcare	5,671	3	0.8%	7,630	4	0.9%
Intel Corporation	5,196	4	0.7%	5,319	5	0.6%
Lovelace Health Systems	3,224	5	0.4%	3,738	7	0.5%
Atlas Resources	2,997	6	0.4%	3,987	6	0.5%
Public Service Company of NM	2,325	7	0.3%	2,042	10	0.2%
Albertsons	2,264	8	0.3%	2,089	8	0.3%
Ladera Nursing ²	2,137	9	0.3%	N/A	N/A	N/A
Smiths's Food and Drugs	2,129	10	0.3%	2,052	9	0.2%
Total Employees of Principal Employers	45,140		6.1%	59,536		7.2%

¹ During 2002, Los Alamos National Laboratories was affiliated with The University of California at Berkeley and was not considered a New Mexico employer.

² 2007 was the first year Ladera Nursing was considered a principal employer.

Source: New Mexico Office of Workforce Solutions

Note: Number of employees is based on a calendar year average.

STATE OF NEW MEXICO
 COMPOSITION OF LABOR FORCE
 LAST SIX FISCAL YEARS
 (IN MILLIONS OF DOLLARS)

SCHEDULE D-3

	Calendar Year					
	2002	2003	2004	2005	2006	2007
Nonagricultural Jobs						
Government	\$ 171,687	175,067	178,280	181,088	183,436	186,955
Mining	13,945	14,221	15,010	16,860	18,624	19,347
Construction	45,746	47,166	50,301	54,356	59,191	59,966
Manufacturing	38,365	36,472	35,870	36,306	37,659	37,606
Trade, Transportation and Utilities	133,918	134,167	136,223	138,417	139,875	142,935
Information	16,864	15,906	14,816	14,651	15,859	17,327
Financial Activity	32,452	32,643	33,171	33,617	33,870	33,822
Professional and Business Services	89,033	88,553	89,996	92,472	102,361	109,233
Education and Health Services	82,116	86,713	90,856	93,236	96,060	99,639
Leisure and Hospitality	80,051	81,447	82,443	83,763	86,621	89,249
Other Services	20,293	20,802	21,133	21,362	21,817	21,869
Total Nonagricultural Jobs	\$ 724,470	733,157	748,099	766,128	795,373	817,948
Civilian Labor Force	\$ 785,739	798,594	812,365	826,405	846,790	863,518
Total Employed	737,418	745,935	760,449	778,233	807,063	830,424
Unemployed	48,321	52,659	51,916	48,172	39,727	33,094
Unemployment Rate	5.5%	5.9%	5.8%	5.3%	4.2%	3.5%

Source: U.S. Department of Labor, Bureau of Labor Statistics Data, <http://www.data.bls.gov>

Note: 2007 Information is available as of September of the same year.

STATE OF NEW MEXICO
PUBLIC HIGHER EDUCATION ENROLLMENT
LAST SEVEN ACADEMIC YEARS

SCHEDULE D-4

	Academic Year						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Eastern New Mexico University	7,083	7,332	7,973	8,914	8,945	8,863	4,180
Highlands University	3,190	3,024	3,207	3,551	3,484	3,726	3,457
New Mexico Institute of Mining and Technology	1,562	1,747	1,800	1,829	1,888	1,868	1,844
New Mexico State University	23,485	24,305	25,757	26,645	26,902	27,507	16,726
Northern New Mexico College ²	N/A	N/A	N/A	N/A	2,196	2,250	N/A
University of New Mexico	30,505	32,102	32,953	33,614	33,108	32,506	25,749
Western New Mexico University	2,441	2,551	2,982	2,858	2,844	2,738	2,727
Total All 4 Year Institutions	68,266	71,061	74,672	77,411	79,367	79,458	54,683

	Academic Year						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Albuquerque Technical Vocational Institute ¹	18,880	20,017	22,002	22,927	N/A	N/A	³
Central New Mexico College ¹	N/A	N/A	N/A	N/A	24,057	23,607	³
Clovis Community College	3,807	3,763	4,126	4,195	3,937	3,652	³
Luna Community College	1,394	1,651	1,655	2,041	2,034	1,807	³
Mesalands Community College	474	407	498	574	648	692	³
New Mexico Junior College	3,222	3,258	3,280	3,546	3,104	3,106	³
New Mexico Military Institute	508	458	435	483	493	513	³
Northern New Mexico College ²	1,879	1,961	1,822	2,121	N/A	N/A	N/A
San Juan Community College	6,001	6,604	7,585	9,128	8,993	9,941	³
Santa Fe Community College	4,095	4,470	4,405	5,170	5,412	5,450	³
Total All Two Year Institutions	40,260	42,589	45,808	50,185	48,678	48,768	N/A
Total All Institutions	108,526	113,650	120,480	127,596	128,045	128,226	N/A

¹ Albuquerque Technical Vocational Institute's name changed to Central New Mexico Community College

² In the 2005 - 2006 year, Northern New Mexico College was accredited as a 4 year institution

³ Information was not available at the time the State's financial statements were published.

Source: New Mexico Higher Education Department, Condition of Higher Education in New Mexico Report
<http://hed.state.nm.us/content.asp?CustComKey=193252&CategoryKey=193253&pn=Page&DomName=hed.state.nm.us>
 NM Council of University Presidents, Annual Performance Effectiveness Report
<http://www.unm.edu/~cup/Reports.htm>

STATE OF NEW MEXICO
 FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION
 LAST SIX FISCAL YEARS

SCHEDULE E-1

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Government							
Government Operations	1,169.0	1,173.3	1,189.6	1,245.3	1,220.8	1,231.1	1,311.3
Taxation and Revenue	1,008.1	987.7	987.7	1,010.7	1,109.7	1,124.7	1,241.7
Human Services and Youth Corrections	3,854.9	3,781.4	3,776.3	3,779.8	3,985.1	4,100.1	4,375.1
Adult Corrections	2,254.0	2,231.5	2,287.0	2,295.0	2,326.0	2,473.5	2,538.5
Public Safety	1,300.0	1,376.0	1,384.0	1,449.5	1,476.1	1,520.1	1,595.6
State Courts	2,694.4	2,746.2	2,844.0	2,905.8	2,988.3	3,175.3	3,481.0
Health and Environment							
Department of Health	3,666.0	3,848.1	3,904.3	3,866.8	4,014.5	4,065.5	4,141.0
Department of Environment	630.5	642.5	640.5	640.5	647.5	664.5	720.5
Miners Colfax Community Hospital	216.0	215.0	225.0	225.0	225.0	225.0	225.0
Employment and Family Services	647.2	648.2	650.2	651.5	672.0	674.0	696.5
Natural Resources	855.5	858.4	863.7	870.7	957.7	1,002.8	1,041.3
Cultural Affairs	540.0	536.3	557.4	555.0	561.5	565.5	586.0
Business, Labor and Agriculture	1,897.2	1,863.9	1,873.3	1,874.4	1,893.7	2,110.2	1,960.1
Education	288.9	289.9	316.7	333.9	386.3	391.8	427.8
Transportation	2,675.5	2,673.5	2,673.5	2,673.5	2,673.5	2,673.5	2,756.5
Total Full-Time Equivalent State Employees	23,697.2	23,871.8	24,173.2	24,377.4	25,137.7	25,997.6	27,097.9
Change	3.5%	0.7%	1.2%	0.8%	3.0%	3.3%	4.1%

Source: New Mexico Legislative General Appropriation Act for each fiscal year's annual appropriation.
<http://legis.state.nm.us/lcs/lfc/lfcbudget.asp>

Note: During 2006, adult protective services division was moved to Aging and Long-Term Services Department from Children, Youth, and Families Department.

STATE OF NEW MEXICO
OPERATING INDICATORS BY FUNCTION
LAST FOUR FISCAL YEARS

SCHEDULE E-2

	Fiscal Year			
	2004	2005	2006	2007
General Government				
Operations				
Public Employees' Retirement Fund's National Performance Ranking Percentile (five-year annualized) ^{5 7}	87 th	83 rd	82 nd	41 st
% Decrease in Workers' Compensation Claims ⁵	5%	37%	9%	21%
Projected Financial Position of Workers' Comp Liability Funds (\$ millions)	(9)	(17)	(23)	(25)
# of Newly Registered Voters ^{5 7}	112,000	317,000	46,614	45,907
Taxation				
% of Electronically Filed Personal Income Tax Returns ^{5 6}	17%	30%	34%	37%
% of Motor Vehicle Registrations Issued (with liability insurance) ^{5 6}	83%	86%	87%	89%
% of Delinquent Property Tax Accounts Resolved ^{5 6}	78%	89%	62%	66%
Regulation				
# of Vehicular Port Traffic at New Mexico Ports ^{5 7}	664,528	623,855	693,583	740,931
Nursing Licenses Issued ^{5 7}	11,586	11,099	11,885	13,281
Tri-annual Physician Licenses Issued ^{5 7}	1,668	2,787	3,010	2,831
Biennial Physician Assistant Licenses Issued ^{5 7}	201	411	221	245
Annual Veterinarian Licenses Issued ^{5 7}	63	59	56	84
Public Safety				
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{5 7}	20,250	48,774	26,196	25,817
Attrition Rate of New Mexico Army National Guard ^{5 7}	15%	24%	16%	12%
# of Traffic Fatalities ⁵	521	469	519	424
# of Driving While Intoxicated Fatalities ⁵	217	146	199	137
# of Driving While Intoxicated Arrests ^{5 7}	4,314	3,879	3,261	3,883
Pounds of Narcotics Seized by Motor Transportation ⁵	N/A	51,770	33,349	26,377
# of Dismantled Methamphetamine Laboratories ⁵	83	71	36	N/A
Education				
Public				
# of High School Graduates ¹	18,080	17,830	17,660	18,260
Student Dropout Rate for Grades 9 - 12 ²	5%	5%	5%	6%
Public School Capital Outlay Allocation (\$ millions) ^{3 4}	248	280	242	159.5
Higher				
Graduation Rate of Bachelor Degree Students (Period of six years for completion)	39.07%	39.31%	32.0%	N/A
% of First Time Freshman Lottery Scholarship Recipients at four year Institutions Who Complete Within Six Years ^{5 6}	64%	64%	65%	N/A
Health and Human Services				
# of Blind/Visually Impaired Individuals Who Received Adaptation Training ^{5 7}	580	560	595	879
% of Children Receiving Services in Medicaid Managed Care ^{5 6}	52%	45%	55%	65%
% of Child Support Collected of Support Owed ^{5 6}	52%	52%	54%	56%
# of Homeless Veterans Provided Shelter (Period of Two Weeks Or More) ^{5 7}	72	840	160	270
% of Children Adopted within 24 Months of Entry into Foster Care ^{5 7}	44%	35%	33%	38%
% of Abused Children with Repeat Maltreatment ^{5 6}	11%	7%	8%	7%
% of Preschoolers Fully Immunized ^{5 6}	75%	84%	78%	72%
# Childhood Vaccines Distributed ⁵	825,000	870,365	N/A	N/A

STATE OF NEW MEXICO
 OPERATING INDICATORS BY FUNCTION (CONTINUED)
 LAST FOUR FISCAL YEARS

SCHEDULE E-2

	Fiscal Year			
	2004	2005	2006	2007
Health and Human Services (Continued)				
New Mexico Teenage Birth Rate/1000 Population for Females Ages 15 - 17 ^{5 6}	38%	36%	35%	35%
U.S. Teenage Birth Rate/1000 Population for Females Ages 15 - 17 ⁵	22%	21%	22%	N/A
Suicide Rate for Adults (Age 20 & Older)/100,000 Population ^{5 6}	N/A	24%	22%	23%
# of Operating School-Based Health Centers ^{5 6}	13	34	66	65
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{5 7}	3.7	3.8	4.1	3.7
Corrections				
Juvenile				
% Juveniles Earning Education Credits While Incarcerated ^{5 6}	N/A	42%	72%	84%
% of Juveniles who Complete Formal Probation ^{5 6}	83%	80%	90%	91%
% of Juveniles Recommended to a Youth Detention Facility ^{5 6}	17%	17%	14%	13%
Adult				
Turnover Rate of Correctional Officers ^{5 7}	12%	11%	21%	15%
Success Rate for No recidivism of Offenders Enrolled in After Release Program (36 months) ^{5 7}	N/A	38%	41%	38%
% of Prisoners Reincarcerated within 12 months after Release into Community Supervision Program ^{5 7}	N/A	26%	30%	32%
% of Prisoners Reincarcerated within 24 months after Release into Community Supervision Program ^{5 7}	N/A	42%	38%	42%
# of Inmates Enrolled in Adult Basic Education ^{5 7}	1,685	1,397	2,850	2,738
Judicial				
Medicaid Fraud Recoupments (\$ millions) ⁷	1.22	1.62	1.95	1.42
Culture and Recreation				
# of Visits to Visitor Information Centers (millions) ^{5 7}	0.90	1.06	1.05	0.51
# of Unique Website Visitor Sessions (millions) ^{5 7}	N/A	2.59	5.09	5.26
Circulation Rate for New Mexico Magazine ^{5 7}	113,333	106,758	107,870	105,275
Attendance to Museum Exhibitions, Performances, Films, Programs ^{5 7}	808,457	886,812	902,282	790,175
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{5 7}	85%	84%	85%	83%
Fish Output from Hatchery System (in pounds) ^{5 7}	312,625	477,665	441,707	410,579
# of Visitors to State Parks (millions) ^{5 6}	3.84	4.20	4.16	4.03
Natural Resources, Environment				
% of Annual Inspections Conducted of Oil and Gas Wells (includes reinspections)	38.9%	42.4%	42.4%	48.2%
# of Projects Funded To Improve New Mexico's Natural Resources	35	35	35	32
# of Mine Inspections Conducted ^{5 7}	282	278	324	220
# of Abandoned Mine Hazards Safeguarded ^{5 7}	78	126	42	52
% of Landfills Meeting Groundwater Monitoring Requirements ^{5 6}	88%	80%	71%	66%
# of Wildlife Habitat Acres Conserved or Enhanced	N/A	N/A	106,921	110,621
# of Threatened/Endangered Species Monitored/Involved in Recovery Process ^{5 7}	42	49	58	69
Business, Labor and Agriculture				
# of Individuals Served by Labor Market Services who found Employment ^{5 7}	51,935	35,522	35,217	39,190
# of Individuals Served by Labor Market Services ^{5 7}	367,901	338,928	74,818	108,172
% of Adults who Entered Employment in 1st Quarter of Receiving Training Services ⁵	77%	74%	80%	85%

STATE OF NEW MEXICO
 OPERATING INDICATORS BY FUNCTION (CONTINUED)
 LAST FOUR FISCAL YEARS

SCHEDULE E-2

	Fiscal Year			
	2004	2005	2006	2007
Business, Labor and Agriculture (Continued)				
% of Disabled Persons Achieving Suitable Employment Outcomes ^{5 7}	N/A	59%	62%	61%
# of Business Expansions Assisted in Urban Areas ^{5 6}	42	34	35	34
# of Rural Jobs Created ^{5 6}	1,698	2,043	2,192	1,451
# of Media Industry Worker Days ^{5 6}	40,087	99,695	161,137	168,046
Economic Impact of Media Industry Productions (\$ millions) ^{5 6}	N/A	271.7	350.0	473.7
New Mexico Exports to Mexico (\$ millions) ^{5 7}	350	253	166	333
Highways and Transportation				
# of System wide Miles in Deficient Condition ^{5 6}	5,768	5,567	3,905	3,468
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{5 7}	2.10	1.99	2.13	1.73
# of Statewide Improved Pavement Surface Miles ^{5 6}	5,337	3,700	4,144	2,424

Sources: Various departments of the State of New Mexico

- ¹ National Center for Education Statistics
- ² 2004-2005 and 2005-2006 New Mexico Dropout Report published by New Mexico Public Education Department
- ³ Report of the Legislative Finance Committee to the 47th Legislature First Session, January 2006, Vol. I, Pg. 105
- ⁴ New Mexico Public Schools Finance Authority
- ⁵ Report of the Legislative Finance Committee to the 47th Legislature Second Session, January 2006, Vol. II, Pgs. 57, 63-65, 93, 105, 113, 117, 127, 130, 132, 137, 139, 161, 164, 166, 181, 192-193, 198-199, 201, 227, 242, 244, 249, 255, 258, 268, 274-276, 288, 295, 300-301, 306, 310, 315, 318, 325, 331, 345
- ⁶ Report of the Legislative Finance Committee to the 48th Legislature First Session, January 2007, Vol. I, Pgs. 123, 128, 130-131, 133-134, 137-139, 142, 144-146
- ⁷ Report of the Legislative Finance Committee to the 48th Legislature Second Session, January 2007, Vol. II, Pg. 35, 55, 110, 114, 126, 129, 131, 136, 153, 157, 161, 163, 171, 181, 191-92, 200, 226, 250, 259, 269, 297, 302-3, 307, 316-17, 321, 328, 335

Note: The State of New Mexico passed the Accountability in Government Act, NMSA 6-3A, in 1999. Efforts have been made in identifying and determining performance measurements since that time. Agencies began tracking and calculating these performance measurements beginning in fiscal year 2004, therefore, we are only able to provide four fiscal years of operating indicators at this time. These operating indicators will continue to be tracked in the future in order to reach a ten year historical comparison.

STATE OF NEW MEXICO
 CAPITAL ASSETS STATISTICS BY FUNCTION
 LAST SIX FISCAL YEARS

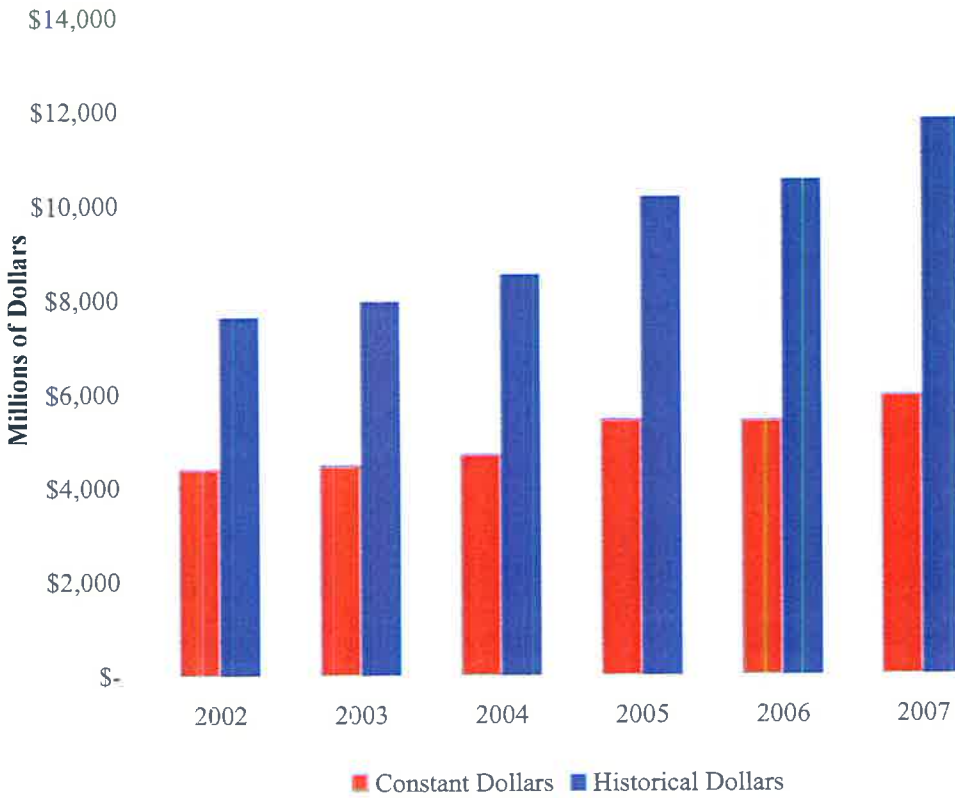
SCHEDULE E-3

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Government						
Buildings	99	99	99	99	99	104
Public Safety						
Buildings	7	7	7	7	7	7
Vehicles	1,004	995	1,012	1,056	990	989
Ports of Entry	13	13	13	13	13	14
Health and Human Services						
Buildings - General Administrative	33	33	33	33	33	32
Buildings - Program -						
Juvenile Reintegration Center	3	3	3	3	3	3
Medical Center/Hospital	255	255	255	255	255	248
Rehabilitation Facility	7	7	7	7	7	7
Veterans' Center	11	11	11	11	11	11
Vehicles	347	338	339	343	385	382
Corrections						
Buildings	321	321	321	321	321	322
Vehicles	415	388	358	370	353	300
Culture and Recreation						
Vehicles	N/A	74	74	77	69	61
Museums	8	8	8	8	8	8
Monuments	5	5	5	5	6	7
Natural Resources, Environment						
Vehicles	312	305	325	323	336	340
State Parks	31	31	31	32	33	34
Wildlife Management Areas (acres)	166,000	166,000	166,000	166,000	166,000	166,000
Fish Hatcheries	6	6	6	6	6	6
Highways and Transportation						
Highway Lane Miles	27,939	27,988	29,273	29,456	29,952	30,417
Vehicles/Heavy Equipment	6,421	6,421	6,421	6,421	6,421	6,421

Source: New Mexico General Services Department, Property Control Division and Public Information Office ; New Mexico Game and Fish Department, Administrative Services Division; New Mexico Energy and Minerals Department, Administrative Services Division; New Mexico Department of Transportation, Office of Employee Support and Development; New Mexico Health and Human Services Department, Administrative Services Division; New Mexico Corrections Department, Administrative Services Division; New Mexico Children, Youth and Families Department, Administrative Services Division; New Mexico Department of Cultural Affairs, Administrative Services Division; State of New Mexico Report of the Legislative Finance Committee to the 47th Legislature Second Session, Vol. III, January 2006, pg. 23

**STATE OF NEW MEXICO
EXPENDITURES - HISTORICAL AND
CONSTANT DOLLARS
ALL GOVERNMENT FUND TYPES
LAST FIVE FISCAL YEARS**

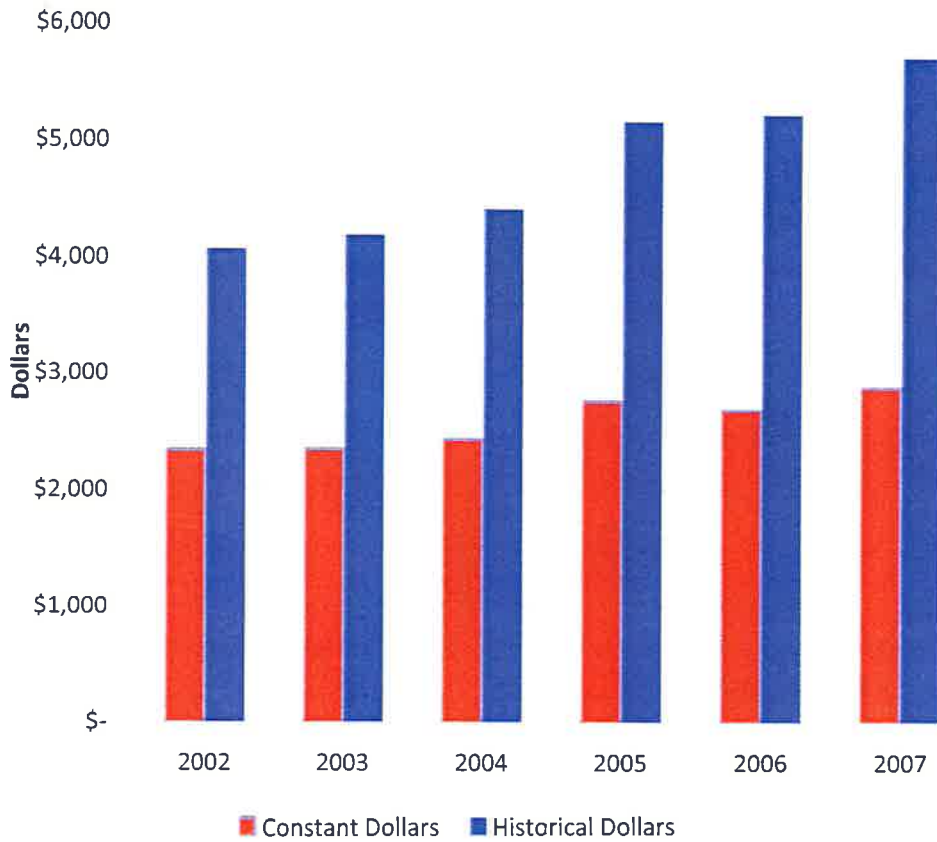
SCHEDULE F-1



Fiscal Year	Historical Dcllars		Constant Dollars	
	(in millions)	change	(in millions)	change
2002	\$ 7,626	1.4%	\$ 4,388	0.2%
2003	\$ 7,953	4.1%	\$ 4,460	1.6%
2004	\$ 8,520	6.7%	\$ 4,688	4.9%
2005	\$ 10,160	16.1%	\$ 5,429	13.7%
2006	\$ 10,504	3.3%	\$ 5,398	(0.6)%
2007	\$ 11,764	10.7%	\$ 5,922	8.9%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982-84 = 100.

STATE OF NEW MEXICO
 PER CAPITA EXPENDITURES - HISTORICAL
 AND CONSTANT DOLLARS
 ALL GOVERNMENT FUND TYPES
 LAST FIVE FISCAL YEARS



Per Capita Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in millions)	change	(in millions)	change
2002	\$ 4,064	0.1%	\$ 2,339	(1.0)%
2003	\$ 4,186	2.9%	\$ 2,348	0.4%
2004	\$ 4,415	5.2%	\$ 2,429	3.4%
2005	\$ 5,161	14.5%	\$ 2,758	11.9%
2006	\$ 5,225	1.2%	\$ 2,685	(2.7)%
2007	\$ 5,713	8.6%	\$ 2,876	6.7%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982-84 = 100.