

STATE OF NEW MEXICO

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

FOR FISCAL YEAR ENDED
JUNE 30, 2008



BILL RICHARDSON, GOVERNOR

PREPARED BY DEPARTMENT OF FINANCE AND ADMINISTRATION

*KATHERINE B. MILLER
CABINET SECRETARY*

*ANTHONY I. ARMIJO, CPA, CGFM
STATE CONTROLLER*

STATE OF NEW MEXICO

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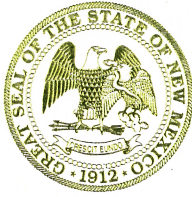
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For the Year Ended June 30, 2008



INTRODUCTORY SECTION



Bill Richardson
Governor

STATE OF NEW MEXICO
DEPARTMENT OF FINANCE AND ADMINISTRATION
FINANCIAL CONTROL DIVISION
407 GALISTEO STREET
BATAAN MEMORIAL BUILDING, ROOM 166
SANTA FE, NM 87501
(505) 827-3681

Katherine B. Miller
Secretary

Anthony I. Armijo, CPA
Director/State Controller

January 31, 2009

To the Honorable Governor Bill Richardson, the New Mexico State Legislature,
and the Citizens 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, 2008. 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 Department of Finance and Administration 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's 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.A. 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 four 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 xi, state government 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. The United States economy grew during fiscal year 2008 by a modest 2.1 percent (real) with a high 4.3 percent consumer price index (CPI) inflation. The real gross domestic product (GDP) grew 4.7, (0.2), 0.9, and 2.8 percent respectively over the four quarters of fiscal year 2008. The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 4.2 percent in the second quarter, the same as in the preliminary estimate; this index increased 3.5 percent in the first quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 2.2 percent in the second quarter, the same increase as in the first quarter. The State of New Mexico's growth rate was in a state of restraint for fiscal year 2008.

The population for the State of New Mexico decreased by approximately 75 thousand through natural decrease of greater deaths than births. New Mexico's job growth ranking has rebounded in the last year, while the total personal

To the Honorable Governor Bill Richardson, the New Mexico State Legislature,
and the Citizens of the State of New Mexico
January 31, 2009

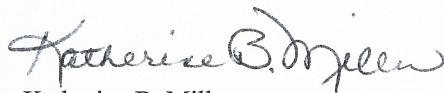
income growth rate continues to lag. Non-farm employment grew 1.0 percent in fiscal year 2008, with quarterly job growth of 1.2, 1.0, 0.6, and 1.1 percent. Non-farm employment is expected to grow in the third quarter of 2008 at 0.7 percent and was at 0.6 percent in August 2008 with 1.0 percent growth expected in the fourth quarter of 2008. New Mexico's seasonally adjusted unemployment rate increased to 4.6 percent in August 2008 from 3.4 percent a year ago, below the national rate of 6.1 percent.

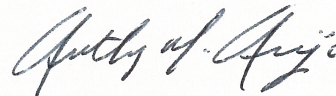
Outlook. The overall picture of the New Mexico economy remains satisfactory. Overall, after three years of double-digit recurring revenue, the recurring revenue estimate for fiscal year 2008 shows growth slowing to a more traditional and accustomed growth level of 3.8 percent, with the forecast growth of fiscal year 2009 of (1.7) percent and fiscal year 2010 of 3.2 percent showing the state economy working through a national recession and global crisis to return to more traditional growth. The State of 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


Anthony I. Armijo

STATE OF NEW MEXICO

SELECTED STATE OFFICIALS

June 30, 2008

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 Regulation Commission • **David W. King**, Public Regulation Commission • **Ben R. Lujan**, Public Regulation Commission • **Carol K. Sloan**, Public Regulation Commission • **Sandy R. Jones**, Public Regulation Commission

Judicial

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

Legislative

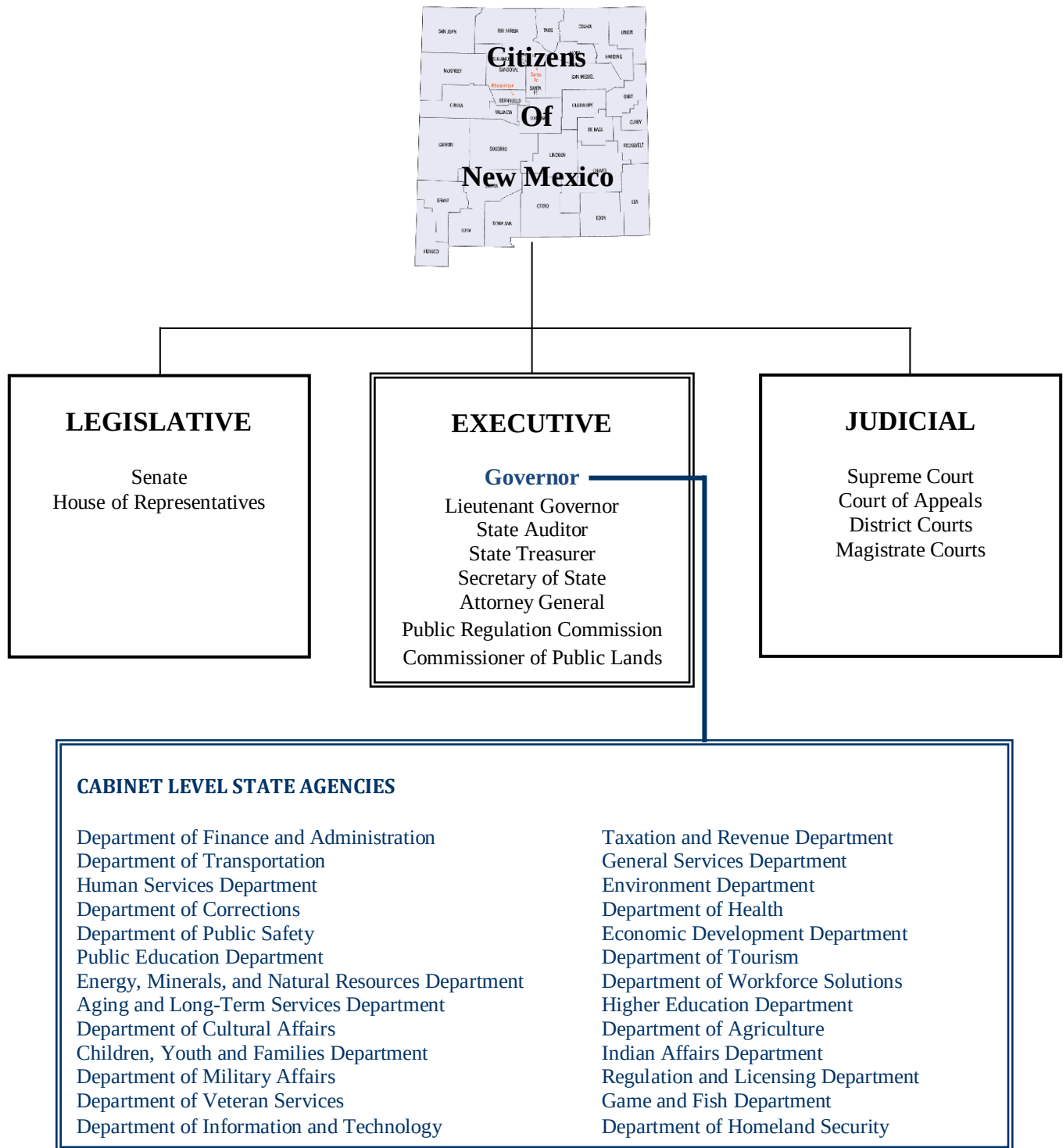
Senate: **Timothy Jennings**, President Pro-Tempore • **Michael S. Sanchez**, Majority Floor Leader • **Stuart Ingle**, Minority Floor Leader • **Mary Jane M. Garcia**, Majority Whip • **Leonard Lee Rawson**, Minority Whip • **Lidio G. Rainaldi**, Majority Caucus Chair • **Dianna J. Duran**, Minority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

STATE OF NEW MEXICO

ORGANIZATIONAL CHART

June 30, 2008



STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008



FINANCIAL SECTION

Independent Accountants' Report

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, 2008, 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 Departments of Transportation and Workforce Solutions had not reconciled their accounting records, including Transportation's capital assets, to the Statewide Human Resources Accounting and Reporting (SHARE) accounting system as of the date of our review. Consequently, the balances related to these agencies 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 in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2.H, the State has restated certain July 1, 2007 net asset and fund balances. Governmental activities net assets and special revenue fund balances were increased by \$599 million due to errors made in certain expenditure accruals and decreased by \$117 to remove duplicate activity. Governmental activities net assets and special revenue fund balances were increased by \$714 million due to the transfer

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

of bond proceeds from an agency fund to a new special revenue fund. Finally, trust fund net assets were increased by \$246 million due to the addition of two funds previously excluded.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying combining financial statements is presented only for supplementary analysis. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Management's Discussion and Analysis beginning on page 4, Schedule of Funding Progress for Employee Retirement Systems and Plans on pages 136-147, and Budgetary Comparison Schedules on pages 128-133 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 introductory section and 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
January 29, 2009

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

❖ INTRODUCTION

The following is a discussion and analysis of the State of New Mexico's financial performance and position, providing an overview of the State's activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

❖ HIGHLIGHTS

Government-wide

Net Assets

- ✚ The net assets of the State of New Mexico exceeded its liabilities by \$18 billion as of June 30, 2008, a decrease of \$488 million or (2.6) percent from fiscal year 2007. Net assets of the governmental activities decreased \$190 million or (1.3) percent partially due to the initial decline of the stock market and lack of investor confidence. Net assets of business-type activities decreased by \$298 million or (7.4) percent due to increased instructional expenses and having to liquidate investments for cash flow..

Capital Assets

- ✚ Capital assets continued to increase 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 2008, but will be depreciated using the same life as the phase one portion beginning in 2009.

Long-term Debt

- ✚ The State's long-term bonded debt increased a net of \$181 million or 5.1 percent through the issuance of new bonds that exceeded the payment of principal balances on outstanding debt. During the year, the State issued bonds totaling \$875 million. More detailed information regarding the government-wide, fund level and long-term debt activities can be found in the capital asset and debt administration section of this management's discussion and analysis (MD&A).

Fund Level

Governmental Funds

- ✚ As of June 30, 2008, the State's governmental funds reported a combined ending fund balance of \$9,909 million, a increase of \$272 million or 2.8 percent from fiscal year 2007. The State reported a positive unreserved fund balance of \$2,214 million in fiscal year 2008.
- ✚ Total net tax collections for fiscal year 2008 were \$7.96 billion. Combined reporting system taxes (gross receipts, withholding, and compensating taxes) were the single largest category of collections at \$4.4 billion, or 55.0 percent of total collections. Mineral extraction taxes were next at \$1.4 billion or 18.0 percent. Income taxes were \$1.1 billion or 15.0 percent. Motor vehicle taxes and fees were \$367 million

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

or five percent. Of the total tax collections, the Taxation and Revenue Department distributed a total of \$6.87 billion to the State General Fund to finance the State's appropriations.

- ✦ The State issued \$750 million in tax and revenue anticipation notes that matured on June 30, 2008.

Proprietary Funds

- ✦ The proprietary funds reported net assets of \$3,705 million as of June 30, 2008, a decrease of \$294 million or (7.3) percent from fiscal year 2007.
- ✦ The universities have shifted from long-term investments to cash equivalents due to market volatility and interest rates. Through bond funding and capital appropriations, the universities continue with new construction projects to student services, such as the Magdalena Ridge Observatory for \$50 million, and complete existing projects that were not completed due to lack of available funding in previous years.

❖ OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this Comprehensive Annual Financial Report (CAFR) presents the State's financial activities and position in four-parts:

- ◆ Management's Discussion and Analysis (MD&A)
- ◆ Basic Financial Statements
 - Government-wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
- ◆ Required Supplementary Information
- ◆ Other Supplementary Information

Government-wide Statements – Reporting the State as a Whole

The Statement of Net Assets and the Statement of Activities beginning on page 22 together comprise the *government-wide financial statements*. These statements provide a broad overview of the State's finances as a whole with a long-term focus and are prepared using the *full-accrual* basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the State's *net assets* - the difference between total assets and total liabilities and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the State's overall financial condition is getting better or worse. In evaluating the State's overall condition, however, additional non-financial factors should be considered such as the State's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure. The government-wide statements report three activities:

Governmental Activities

Most of the State's basic services fall under this activity including education, transportation, public safety, judicial, health and human services, general control, culture, recreation and natural resources, legislative, and regulation and licensing. Taxes and federal grants are the major funding sources for these programs.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Business-type Activities

The State operates certain activities much like private-sector companies by charging fees to customers to cover all or most of the costs of providing the goods and services. Educational institutions, unemployment and public schools insurance, medical center, magazine publication, lottery authority, state fair, state infrastructure bank, environment department, corrections industries, and industries for the blind are examples of business-type activities.

Component Units

Two entities are legally separate from the State, yet the State remains financially accountable for them. The New Mexico Finance Authority and the New Mexico Mortgage Finance Authority are the component units.

Fund Financial Statements - Reporting the State's Most Significant Funds

The fund financial statements beginning on page 28 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that the State uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity.

All of the State's funds are divided into three types, each of which uses a different accounting approach.

Governmental Funds

Most of the State's basic services are accounted for in governmental funds and are essentially the same functions reported as *governmental activities* in the government-wide statements. Governmental funds use the *modified accrual* basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This *short-term* view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds

Proprietary funds include enterprise funds and internal service funds and account for state activities that are operated much like private-sector companies. Like the government-wide statements, proprietary fund statements are presented using the *full-accrual basis* of accounting. Activities whose customers are mostly outside of state government (e.g., water project loans to local governments) are accounted for in *enterprise funds* and are the same functions reported as *business-type activities*. Thus, the *enterprise fund* financial statements reinforce the information reported for *business-type* activities in the government-wide statements, but provide more detail and additional information, such as cash flows. Activities whose customers are mostly other state agencies (e.g., motor pool) are accounted for in *internal service funds*. The internal service fund activities are consolidated with the governmental activities in the government-wide statements because those services predominantly benefit governmental rather than business-type activities.

Fiduciary Funds

Fiduciary funds account for assets that, because of trust relationships, can be used only for trust beneficiaries. The State is responsible for ensuring these assets are used for their intended purposes. Fiduciary funds use *full-accrual* accounting, but are *not* included in the government-wide statements because their assets are not available to finance the State's own programs.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages 30 and 34 that reconcile and explain the differences between the amounts reported for *governmental activities* on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual accounting, short-term focus).

The following are some of the major differences between the two statements:

- ◆ Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- ◆ Capital outlay spending results in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.
- ◆ Bond proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.
- ◆ Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements, but are deferred revenue on the governmental fund statements.

Notes to the Financial Statements

The notes beginning on page 47 provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information (RSI)

Following the Basic Financial Statements are budgetary comparison schedules for major funds with legally adopted budgets and condition assessment data related to infrastructure. In addition, the RSI includes schedules on the funded status and employer contributions for the State's Defined Benefit Pension Plans and Other Postemployment Benefits Plan. RSI further supports the information in the basic financial statements.

Other Supplementary Information

Supplementary Information includes combining statements for the State's nonmajor governmental, nonmajor proprietary and fiduciary funds and for nonmajor discretely presented component units. This section also includes schedules, which compare budgeted expenditures to actual results at the legal level of control, which is generally the line item level of the *General Appropriation Acts*.

❖ ADJUSTMENTS TO BEGINNING NET ASSETS AND FUND BALANCES

As discussed in Note 2.H, the State has restated certain July 1, 2007 net asset and fund balances. Governmental activities net assets and special revenue fund balances were increased by \$599 million due to errors made in certain revenue and expenditure accruals and decreased by \$117 to remove duplicate activity. Governmental activities net assets and special revenue fund balances were increased by \$714 million due to the transfer of bond proceeds from an agency fund to a new special revenue fund. Finally, trust fund net assets were increased by \$246 million due to the addition of two funds previously excluded.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

❖ FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's total net assets decreased \$488 million or (2.6) percent in fiscal year 2008. In comparison, net assets in the prior year increased \$1,961 million or 11.8 percent, as restated. Net assets invested in capital assets increased approximately \$1,250 million as the State's investment in highways and buildings exceeded depreciation and no additional debt was used to finance current projects. In addition, previous year's analysis of unspent bond proceeds applicable to the State's capital assets was re-evaluated and adjusted to correctly include only the debt attributable to the State's investment in capital assets. Total restricted net assets decreased \$1,610 million or (14.3) percent less than prior year. The \$1,376 million decrease in restricted net assets of governmental activities was primarily due to the decrease in market value of investments held by the State and that approximately \$1,306 of unspent bond proceeds was determined to be applicable to the State's investment in capital assets and is presented as part of the State's net asset invested in capital assets net of related debt. Restricted net assets in business-type activities decreased \$234 million primarily due to the decrease in market value of the Universities' investment in Land Grant Permanent Fund. The increase of \$85 million in unrestricted net assets of governmental activities was primarily due to the decrease of \$46 million of long-term liabilities not due and payable in the current period and an increase of \$21 million in unearned revenues recognized in the Statement of Net Assets. The decrease of \$213 million in unrestricted net assets of business-type activities was the result of normal operations. Net assets of business-type activities generally can be used only to finance the on-going operations of business-type activities.

State of New Mexico
Net Assets as of June 30,
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007, as Restated	2008	2007	2008	2007, as Restated
Current and Other Assets	\$ 12,883,814	\$ 13,902,134	\$ 3,136,208	\$ 3,461,871	\$ 16,020,022	\$ 17,364,005
Capital Assets	7,520,836	7,997,321	1,928,444	1,776,524	9,449,280	9,773,845
Total Assets	20,404,650	21,899,455	5,064,652	5,238,395	25,469,302	27,137,850
Current Liabilities	3,273,269	4,578,097	424,936	442,856	3,698,205	5,020,953
Long-term Liabilities	2,761,735	2,761,344	916,866	774,967	3,678,601	3,536,311
Total Liabilities	6,035,004	7,339,441	1,341,802	1,217,823	7,376,806	8,557,264
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	6,617,012	5,516,914	1,090,692	940,608	7,707,704	6,457,522
Restricted	7,453,117	8,828,955	2,187,872	2,422,434	9,640,989	11,251,389
Unrestricted	299,517	214,145	444,286	657,530	743,803	871,675
Total Net Assets	<u>\$ 14,369,646</u>	<u>\$ 14,560,014</u>	<u>\$ 3,722,850</u>	<u>\$ 4,020,572</u>	<u>\$ 18,092,496</u>	<u>\$ 18,580,586</u>
Percentage change in total net assets from prior year	(1.3) %		(7.4) %		(2.6) %	

The largest component of the State's net assets is its restricted net assets at 53.3 percent. 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 at 42.6 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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

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 4.1 percent of net assets is unrestricted, which may be used to meet the State's ongoing obligations, though certain laws and internally imposed designations of resources further limit the purpose for which many of those net assets may be used.

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 was true for the prior fiscal year.

The following schedule and charts summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2008:

State of New Mexico Changes in Net Assets for the Fiscal Year Ended June 30, (Expressed in Thousands)

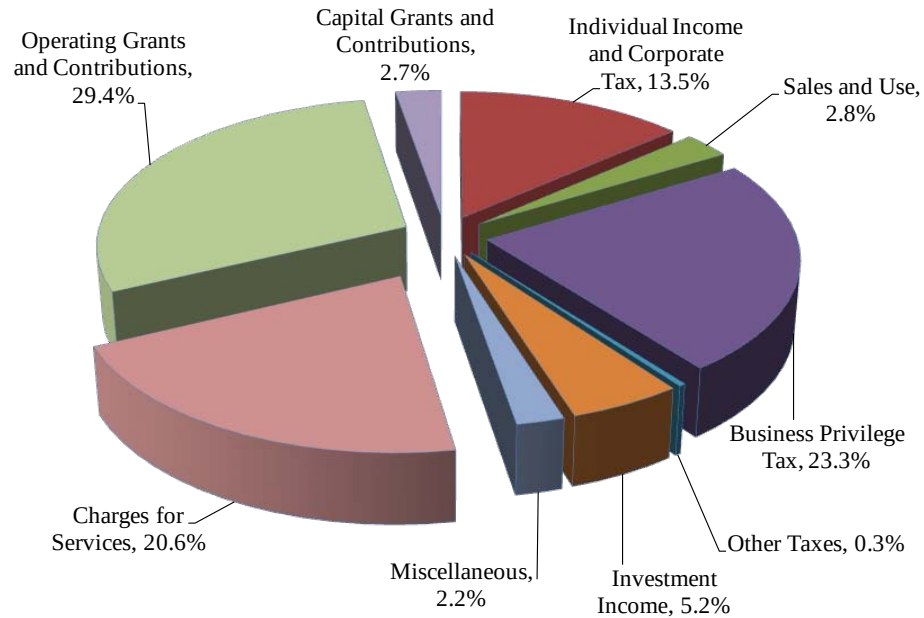
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2008	2007, as Restated	2008	2007	2008	2007, as Restated	2007 to 2008
Revenues							
General Revenues:							
Taxes	\$ 5,682,964	\$ 5,371,213	\$ -	\$ -	\$ 5,682,964	\$ 5,371,213	5.8 %
Other General Revenues	462,349	1,898,425	593,248	618,905	1,055,597	2,517,330	(58.1) %
Program Revenues:							
Charges for Services	1,459,908	1,205,421	1,475,500	1,349,518	2,935,408	2,554,939	14.9 %
Operating Grants and Contributions	3,741,964	3,416,802	454,058	650,982	4,196,022	4,067,784	3.2 %
Capital Grants and Contributions	315,407	290,317	73,918	99,347	389,325	389,664	(0.1) %
Total Revenues	11,662,592	12,182,178	2,596,724	2,718,752	14,259,316	14,900,930	
Expenses							
General Control	1,015,361	862,552	-	-	1,015,361	862,552	17.7 %
Culture, Recreation, and Natural Resources	215,416	263,457	-	-	215,416	263,457	(18.2) %
Highway and Transportation	999,418	1,126,085	-	-	999,418	1,126,085	(11.2) %
Judicial	231,577	215,954	-	-	231,577	215,954	7.2 %
Legislative	22,237	22,079	-	-	22,237	22,079	0.7 %
Public Safety	453,309	451,320	-	-	453,309	451,320	0.4 %
Regulation and Licensing	119,868	115,717	-	-	119,868	115,717	3.6 %
Health and Human Services	4,746,873	4,512,737	-	-	4,746,873	4,512,737	5.2 %
Education	3,181,047	3,033,192	-	-	3,181,047	3,033,192	4.9 %
Indirect Interest on Long-term Debt	175,364	547,366	-	-	175,364	547,366	(68.0) %
Educational Institutions	-	-	2,921,387	2,273,301	2,921,387	2,273,301	28.5 %
Other Business-type Activities	-	-	665,549	566,064	665,549	566,064	17.6 %
Total Expenses	11,160,470	11,150,459	3,586,936	2,839,365	14,747,406	13,989,824	
Excess Before Transfers	502,122	1,031,719	(990,212)	(120,613)	(488,090)	911,106	
Transfers	(692,490)	(560,187)	692,490	560,187	-	-	
Change in Net Assets	(190,368)	471,532	(297,722)	439,574	(488,090)	911,106	
Net Assets - Beginning, as Restated	14,560,014	14,088,482	4,020,572	3,580,998	18,580,586	17,669,480	
Net Assets - Ending	\$ 14,369,646	\$ 14,560,014	\$ 3,722,850	\$ 4,020,572	\$ 18,092,496	\$ 18,580,586	(2.6) %

STATE OF NEW MEXICO

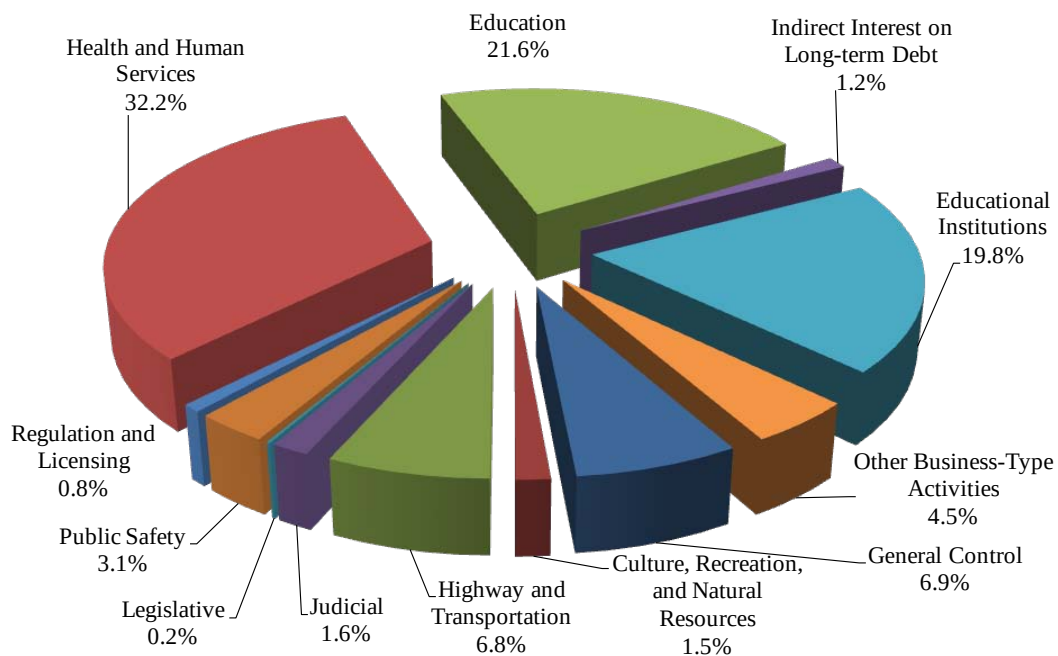
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

STATE OF NEW MEXICO TOTAL REVENUES - FY 2008



STATE OF NEW MEXICO TOTAL EXPENSES - FY 2008



STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Changes in Net Assets

This year the entire State received 39.9 percent of its revenues from State taxes and 32.2 percent of its revenues from grants and contributions mostly from federal sources. In the prior year, state taxes accounted for 36.0 percent, and grants and contributions were 21.5 percent of total revenues. Charges for services such as licenses, permits, state parks, and court fees, combined with other miscellaneous collections, comprised 20.6 percent and 17.1 percent of total revenues for fiscal year 2008 and 2007, respectively.

Governmental Activities

The State's total governmental revenues from all sources decreased \$520 million or (4.3) percent. The collection of taxes increased by approximately \$312 million or 5.8 percent, which is a result of the Taxation and Revenue continuing their efforts in the collection of current and past due taxes. However, due to the differences in measurement focus and timing of collections, the increase at the government-wide level should not be used to predict future increases at the fund statement or budget level. The State's investment income decreased by approximately \$1,436 million or (75.6) percent due to decrease in market valuation at June 30, 2008. The operating grants and contributions increased by approximately \$325 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 decreased approximately \$127 million due to the timing of projects start date and when actual expenditures were paid. The health and human services expense increased by approximately \$275 million. This was the result of increased costs of services provided for social care to the citizens of the State. The federal grant spending is a result of the education expense increasing by approximately \$194 million.

The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2008, state taxes and other general revenues covered 50.6 percent of expenses. The remaining \$5 million or 49.4 percent of the total expenses were covered by charges for services and grants and contributions.

State of New Mexico
Net Assets as of June 30,
(Expressed in Thousands)

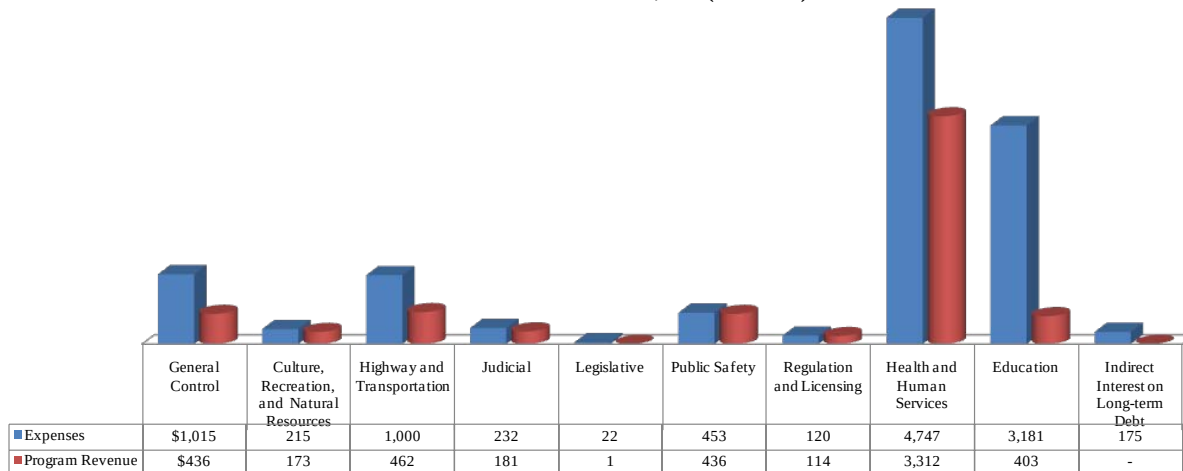
	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenue as a Percentage of Program Expenses	
			2008	2007, as Restated	2008	2007, as Restated
General Control	1,015,361	(435,930)	579,431	57,806	42.9 %	93.7 %
Culture, Recreation, and Natural Resources	215,416	(172,670)	42,746	145,750	80.2 %	44.7 %
Highway and Transportation	999,418	(461,572)	537,846	810,780	46.2 %	28.0 %
Judicial	231,577	(181,154)	50,423	196,919	78.2 %	8.8 %
Legislative	22,237	(1,247)	20,990	20,701	5.6 %	6.2 %
Public Safety	453,309	(435,909)	17,400	372,621	96.2 %	17.4 %
Regulation and Licensing	119,868	(114,229)	5,639	45,511	95.3 %	60.7 %
Health and Human Services	4,746,873	(3,311,508)	1,435,365	1,490,856	69.8 %	66.7 %
Education	3,181,047	(403,060)	2,777,987	2,520,951	12.7 %	15.6 %
Indirect Interest on Long-term Debt	175,364	-	175,364	547,366		
	<u>\$ 11,160,470</u>	<u>\$ (5,517,279)</u>	<u>\$ 5,643,191</u>	<u>\$ 6,209,261</u>	<u>49.4 %</u>	<u>43.4 %</u>

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

STATE OF NEW MEXICO EXPENSES AND PROGRAM REVENUES: GOVERNMENTAL ACTIVITIES For the Fiscal Year Ended June 30, 2008 (In Millions)



Business-type Activities

Revenues from the State's business-type activities decreased by \$122 million or (4.5) percent from the prior year. Charges for services for business-type activities increased \$126 million or 9.3 percent. The modest increase is due to the stable enrollment the universities are experiencing. The expenses for the educational institutions increased by \$648 million or 28.5 percent. The increase is a result of an increase in instructional expenses for the universities and an increase in unemployment benefit payments, which was directly related to the declining economy and reductions in workforce.

❖ FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2008, the State's governmental funds reported combined ending fund balances of \$9,909 million. Of this amount, \$2,308 million or 23.3 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 \$5,387 million or 54.4 percent of total fund balance has been segregated through internally imposed limitations on uses of certain funds. Note 1. contains more details about reserved and segregated fund balances at June 30, 2008. The remaining \$2,214 million or 22.3 percent of fund balance is available for appropriation for the general purpose of the funds.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

State of New Mexico Net Assets as of June 30, 2008 (Expressed in Thousands)

	General Fund	Education	Health and Human Services	Highway and Transportation	Appropriated Bonds Proceeds Capital Outlay	Severance Tax Permanent	Nonmajor Governmental Funds	Totals Governmental Funds
Reserved	\$ 33,455	\$ 59,192	\$ 400,280	\$ 81,364	\$ 1,044,964	\$ -	\$ 688,631	\$ 2,307,886
Unreserved:								
Designated	-	-	-	-	-	4,314,949	1,072,036	5,386,985
Undesignated	854,104	281,138	45,718	708,572	-	-	324,849	2,214,381
Total	\$ 887,559	\$ 340,330	\$ 445,998	\$ 789,936	\$ 1,044,964	\$ 4,314,949	\$ 2,085,516	\$ 9,909,252
Percent Change from Prior Year	13.3 %	14.0 %	(4.0) %	0.4 %	46.4 %	(8.4) %	10.9 %	2.8 %

Governmental Funds

General Fund

Fund balance at June 30, 2008 totaled \$887 million, an increase of \$104 million during the fiscal year. This increase was due to revenues exceeding expenditures. See additional analysis below. The General Fund ended the fiscal year 2008 with a "surplus" from unreserved and undesignated sources of \$854 million. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance.

Total General Fund revenues increased \$476 million or 8.1 percent. The change was due to the increase in tax collection, and royalties on natural resources in the State. All other revenue remained fairly stable from the prior year.

The General Fund expenditures increased \$75 million or 6.4 percent of which is due to the significant increase in capital outlay, with the remainder attributable to the general control expenditures.

Budgetary Highlights – General Fund

The Legislature adopted the initial fiscal year 2008 budget during the 2007 General Session. The original General Fund budgeted revenues at the start of fiscal year 2008 was 7.0 percent lower than the final fiscal year 2007 budget basis revenues. During the year, the actual revenue was \$113 million higher than the final approved budget, with the most significant change coming from other revenues. The original budgeted expenditures for fiscal year 2008 were \$103 million higher than the final fiscal year 2007 budget basis expenditures. After budget amendments, the actual charges (expenditures) in the General Fund were \$112 million below the final budgeted amounts. This is mainly the result of lower than expected operating expenditures. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

Education

Fund balance at June 30, 2008 totaled \$340 million, an increase of \$42 million or 14.0 percent. The increase is partially due to the restatement of prior year fund balance for the proper accounting of appropriated bond proceeds. Total revenues increased by \$23 million or 5.8 percent. This was a result of an increase in federal revenue expended for fiscal year 2008. Total expenditures increased by \$91 million or 3.0 percent, which corresponds with the increase in federal revenues.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Health & Human Services

Fund balance at June 30, 2008 totaled \$446 million, a decrease of \$19 million or (4.0) percent during the fiscal year. Total revenues increased by \$342 million or 11.1 percent with total expenditures increasing by 4.7 percent or \$211 million.

Highway & Transportation

Fund balance at June 30, 2008 totaled \$790 million due to an increase of \$3 million or 0.4 percent. Total expenditures increased by \$192 million or 15.9 percent. Highway and Transportation fund issued \$470 million in bonds to refund other debt resulting in both transactions negating themselves; therefore, causing the fund to be stagnant in comparison to prior year.

Appropriated Bond Proceeds Capital Outlay Fund

The Appropriated Bond Proceeds Capital Outlay Fund is a new governmental fund in fiscal year 2008. In previous years the fund was classified as a fiduciary fund and presented as the Allotment Related Funds agency fund; however, during fiscal year 2008, the State re-evaluated how it accounted for the general obligation and severance tax bond proceeds that are appropriated to state agencies and local governments. The restatement increased fund balance as of June 30, 2007 by \$714 million. The fund balance at June 30, 2008 totaled \$1,045 million an increase of \$331 million or 46.4 percent. The increase in the fund is a result of more funds being transferred in from general obligation and severance tax bond proceeds than the actual disbursed for capital outlay expenditures to state agencies or local governments.

Severance Tax Permanent Fund

Fund balance at June 30, 2008 totaled \$4,315 million due to a decrease of \$395 million or (8.4) percent. The decrease relates to unrealized losses on investments, which is consistent with the downturn of the economy. During fiscal year 2008, the fund did not experience any other significant fluctuation from the prior fiscal year.

❖ FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

The State's proprietary funds reported net assets of \$3,705 million; this includes a decrease of \$294 million or (7.3) percent. The above net assets include \$3,723 million for enterprise funds.

Educational Institutions

Net assets at June 30, 2008 totaled \$2,816 million. Current period activity decreased the net assets of the State's educational institutions by \$239 million or (7.8) percent. For the fiscal year 2008, the State transferred \$731 million to the State's educational institutions from the State General Fund, an increase of \$67 million or 10.1 percent from fiscal year 2007.

❖ DISCRETE 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.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

The State's discretely presented major component units are:

-  New Mexico Finance Authority
-  New Mexico Mortgage Finance Authority

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

❖ CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Asset Activity

At June 30, 2008, the State reported \$7,521 million in capital assets net of accumulated depreciation for governmental activities and \$1,928 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 (5.9) percent for governmental activities and an increase of 9.1 percent for business-type activities.

At June 30, 2008, the State had \$312 million in commitments for building projects in the state universities. Funding for these commitments will come from existing resources or from bond proceeds.

As provided by GASB standards, the State elected to use the depreciation method to account for infrastructure assets (roads and bridges). 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.

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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

The State had the following bond ratings at June 30, 2008:

State of New Mexico Bond Ratings at June 30, 2008

Bonds	Moody's	Standard & Poor's
General Obligation Bonds	Aa1	AA+
Severance Tax Bonds	Aa2	AA+
Supplemental Severance Tax Bonds	Aa3	AA-
Enhanced 9-11 Revenue Bonds	Aa3	AA

The governmental activities issued General Obligation Bonds Series 2008 A Refunding for \$71 million. The governmental activities issued the Severance Tax Bonds Series 2008 A for \$149 million and Severance Tax Supplemental Bonds Series 2008 A-2 for \$20 million.

State of New Mexico Net Outstanding Bonded Debt as of June 30, (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2007 to 2008
	2008	2007	2008	2007	2008	2007	
General Obligation Bonds, Net	388,318	371,874	-	-	388,318	371,874	4.4 %
Severance Tax Bonds, Net	738,687	669,686	-	-	738,687	669,686	10.3 %
Revenue Bonds, Net	1,790,900	1,829,528	833,836	699,453	2,624,736	2,528,981	3.8 %
Total Bonds Payable	\$ 2,917,905	\$ 2,871,088	\$ 833,836	\$ 699,453	\$ 3,751,741	\$ 3,570,541	5.1 %

Refer to Notes 1.M., 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

The United States economy grew during fiscal year 2008 by a modest 2.1 percent (real) with a high 4.3 percent consumer price index (CPI) inflation. The real gross domestic product (GDP) grew 4.7, (0.2), 0.9, and 2.8 percent respectively over the four quarters of fiscal year 2008.

The 2.8 percent increase in real GDP in the final quarter of the fiscal year primarily reflected positive contributions from exports, personal consumption expenditures (PCE), nonresidential structures, federal government spending, and state and local government spending that were partly offset by negative contributions from private inventory investment, residential fixed investment, and equipment and software. Imports, which are a subtraction in the calculation of GDP, decreased. The acceleration in real GDP growth in the second quarter primarily reflected a larger decrease in imports than in the first quarter, an acceleration in exports, a smaller decrease in residential fixed investment, an acceleration in nonresidential structures, an upturn in state and local government spending, and an acceleration in PCE that were partly offset by larger decreases in inventory investment and in equipment and software. The federal fiscal stimulus payments to individuals began in May and may have contributed, through personal consumption expenditures, to the increase in 2008:Q2 results over 2007:Q4 and 2008:Q1 growth.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 4.2 percent in the second quarter, the same as in the preliminary estimate; this index increased 3.5 percent in the first quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 2.2 percent in the second quarter, the same increase as in the first quarter.

Despite the positive second quarter of 2008, the third-longest economic expansion since WWII – more than 72 months - has ended. Global Insight (GI), the state's national macroeconomic forecasting service, recently increased the likelihood of a long, deep recession in 2009 to 25 percent. In support of this view, a majority of business economists expect the housing slump, especially in California, Florida, Nevada, and Michigan, and the global financial crisis to continue and to carry the national economy down into recession. Energy prices cause problems for consumers as well, such as over \$140 per barrel for crude oil which contribute to \$4 a gallon gasoline and higher home heating oil costs. Since then, energy prices and stock markets have plunged.

The period of greatest risk lies in the 2008:Q3 and the following two quarters. Over that period, Global Insight expects negative growth up to 1.5 percent. In its effort to forestall recession, the Federal Reserve Board tolerated a substantial increase in inflation, up to 14.4 percent monthly annualized, with CPI inflation spiking above 4 percent year-on-year early in 2008 as higher energy prices fed through the economy. Global Insight now expects consumer price index (CPI) inflation to average 1.4 percent in fiscal year 2009.

Consumer confidence measures reflect, among other concerns, energy price volatility in fiscal year 2008. Crude oil set an all-time high within the fiscal year on June 27, 2008 at \$140.21 per barrel while gasoline prices in excess of \$4 per gallon were commonplace. Crude oil (New Mexico prices) averaged \$92.44 per barrel for the fiscal year compared to \$60.23 per barrel a year earlier, while natural gas (New Mexico prices) averaged \$8.30 per thousand cubic feet (mcf) – significantly more than the \$6.54 per mcf recorded during fiscal year 2007. High energy prices contain good and bad news. The General Fund, however, gains about \$11 million for each 10¢ per mcf increase in gas prices and about \$4.5 million for each \$1 per barrel increase in crude oil prices. The largest uncertainty in the General Fund revenue estimate continues to be oil and gas revenues, although corporate income taxes, particularly amounts paid by mineral extraction companies, also track with energy prices. In addition, historically high corporate income tax collections have moderated.

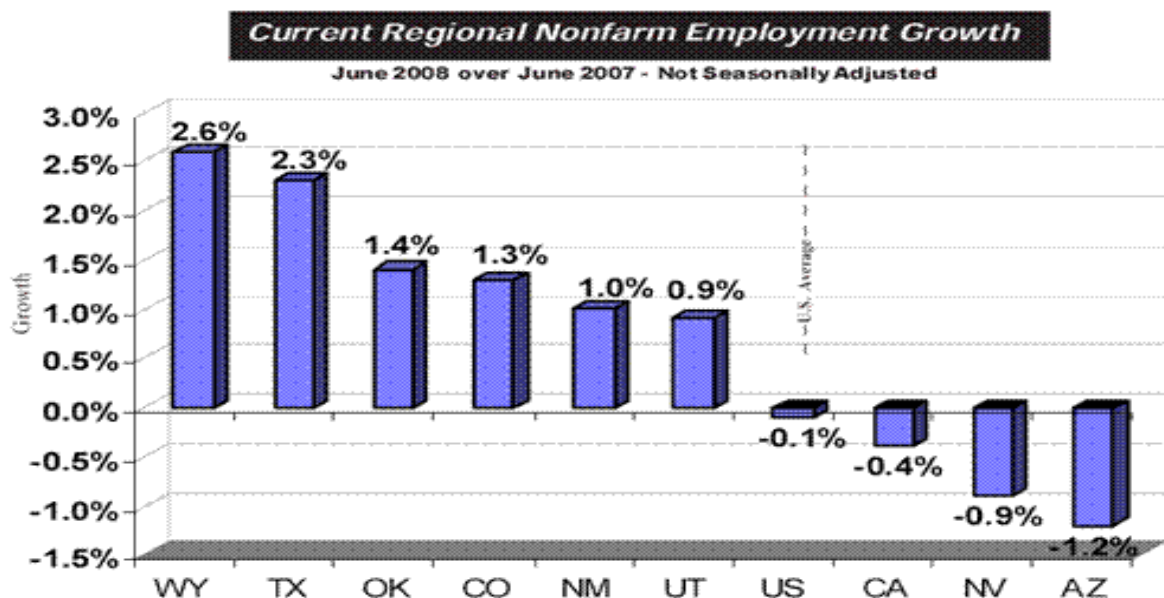
New Mexico's job growth ranking has rebounded in the last year, while the total personal income growth rate continues to lag. June 2008 job growth was at 0.8 percent year-over-year and ranked New Mexico 15th among the states, up from 31st the prior year.

How are we doing?					
Recent Rankings of the States					
Job Growth (Percent) (Y/Y, June 2008)			Unemployment Rate (Percent) (June 2008)		
1	Wyoming	2.7	1	South Dakota	2.8
15	New Mexico	0.8	9	New Mexico	3.9
51	Rhode Island	(2.4)	51	Michigan	8.5
Total Personal Income Growth (Percent) (Y/Y, 2008:Q2)			Per-Capita Income (2007 Dollars) (March 2008)		
1	North Dakota	13.6	1	District of Columbia	61,092
5	New Mexico	7.5	43	Alabama	32,404
51	Michigan	3.5	44	New Mexico	31,474
			51	Mississippi	28,845

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008



NM DWS LMR, 07/31/08

Non-farm employment grew 1.0 percent in fiscal year 2008, with quarterly job growth of 1.2, 1.0, 0.6, and 1.1 percent. Non-farm employment is expected to grow in 2008:Q3 at 0.7 percent and was at 0.6 percent in August 2008 with 1.0 percent growth expected in 2008:Q4. New Mexico's seasonally adjusted unemployment rate increased to 4.6 percent in August 2008 from 3.4 percent a year ago, below the national rate of 6.1%.

Amid the gloomy news about the housing slump, the well-publicized sub-prime mortgage foreclosures, and the global financial crisis, New Mexico turned in a relatively good performance. The well-publicized crash of the "housing bubble", the collapse of the sub-prime lending market and the global financial crisis will hold down state and national economic growth. Some housing markets were apparently overvalued and experienced significant declines in new home construction, sales of pre-owned homes and median prices of new and pre-owned homes. Other markets, including Albuquerque and the rest of New Mexico, have experienced a more modest slowing of shorter duration in new home construction. It is expected that there will be only a modest decline or even a modest increase in median prices and relatively quick recovery to pre-2004 trend growth. The housing crisis has been largely restricted to California, Florida, Nevada and Michigan, as New Mexico's median home prices increased by 1.7 percent in 2008:Q2, down 7.4 percent from the prior year but still positive, compared to down 1.7 percent nationally. Similarly, improved data from RealtyTrac through October 2008 show that New Mexico experienced another substantial year-on-year decline in housing foreclosure action, following a decline the prior year.

Fiscal year 2008 total General Fund revenues are expected to grow a modest 4.6 percent (3.8 percent for recurring) from fiscal year 2007 levels. Recurring revenues grew 10.1 percent in fiscal year 2004, 14.6 percent in fiscal year 2005, 13.7 percent in fiscal year 2006, and 4.3 percent in fiscal year 2007. Higher energy prices contributed to higher General Fund revenues from oil and gas production. Over all, mineral production revenues are expected to be up 28.8 percent from fiscal year 2007, while rents and royalties (primarily federal mineral leasing royalty payments) are expected up 10.6 percent. Gross receipts tax collections; however, are expected to be virtually flat at 0.3 percent, as high energy prices dragged on the economy. Corporate income tax collections are expected to be down by 12.3 percent, partly due to new tax credits. Compensating tax collections increased by only 4.0 percent on flattening energy extraction activity, despite the high energy prices. Personal income tax is expected up 1.5 percent,

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

investment income is expected up 3.6 percent, selective sales taxes are expected down 4.1 percent, while reversions are expected up 59.5 percent.

General Fund revenue growth was balanced in fiscal year 2008 by increased oil and natural gas prices increasing energy extraction revenue but dampening the economy with lower gross receipts and income tax revenues.

Total fiscal year 2009 and fiscal year 2010 General Fund revenues are currently forecasted to grow at (3.4) and 3.2 percent respectively. Three principal reasons cause the year-over-year negative and slow growth. 1) Oil and gas taxes and federal mineral leasing payments are directly responsive to the forecast in energy prices. We expect oil prices to fall from their fiscal year 2008 peak over \$120 per barrel to \$94.00 per barrel in fiscal year 2009 and natural gas prices were revised downward in the October 2008 forecast. Overall, both fiscal year 2009 and fiscal year 2010 revenues from oil and gas will not contribute to growth during the forecast period. 2) Secondly, for the period June 2007 through June 2008, approximately two-thirds of almost record-high corporate income tax collections came from mineral extraction firms. As energy prices moderate, profits for these mineral extraction firms will also moderate. In addition, there are elevated levels of claims against the corporate income tax from the higher levels of film production credit enacted in 2004. 3) The third reason for the decline is that the final step of 2003's phased personal income tax rate reduction law became effective January 1, 2008 and will affect fiscal year 09 personal income tax (PIT) growth. Gross receipts tax and personal income tax collections are not as sensitive to oil and gas drilling or production activity as the corporate income and the mineral extraction taxes. Nonetheless, the continuing national downturn in housing markets and the global financial crisis will continue to spread their effects through the economy and be a drag on income and general sales revenues.

General sales tax collections, which include the gross receipts tax and the compensating tax, is expected to total \$1,909 million dollars for fiscal year 2008 and are expected to reach \$2,040 million in fiscal year 2009 per the October 2008 revenue revision, or a 3.1 percent increase from fiscal year 2008.

Income taxes, both personal and corporate, are expected to decline by 3.3 percent from \$1,602 million in fiscal year 2008 to \$1,548 million in fiscal year 2009. This comes from a combination of 1) higher film production credits than previously experienced; 2) the implementation of income tax credits and rebates enacted in 2007 and 2008; 3) the national downturn in housing markets and the global financial crisis, combining with an economic recession to reduce employment and income growth. Personal income is forecast to be flat in fiscal year 2009.

Overall, after three years of double-digit recurring revenue, the recurring revenue estimate for fiscal year 2008 shows growth slowing to a more traditional and accustomed growth level of 3.8 percent, with the forecast growth of fiscal year 2009 of (1.7) percent and fiscal year 2010 of 3.2 percent showing the state economy working through a national recession and global crisis to return to more traditional growth.

Downside risks to the fiscal year 2009 and fiscal year 2010 revenue forecasts include: 1) the significant possibility of a national recession in 2009 becoming deeper and longer than currently expected. This would have an impact on New Mexico broad-based tax revenues. New Mexico is not expected to have a net job loss or other evidence of a regional recession; 2) if the national recession deepens, federal spending, which New Mexico relies on heavily; may be somewhat curtailed 3) potential for reduced oil and natural gas production levels if natural declines are replaced slower due to exploration and extraction disincentives of lower energy prices; 4) decreased investment returns from increased financial market volatility and credit market dysfunctions; and 5) stock market reductions affecting Tobacco Settlement Permanent Fund General Fund Reserves.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

Upside risks include a possible second federal economic stimulus package, with possible enhancement of Medicaid matching revenues and road and bridge infrastructure spending.

❖ 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

407 Galisteo

Bataan Memorial Building Room 166

Santa Fe, New Mexico 87501

STATE OF NEW MEXICO

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS

June 30, 2008

(In Thousands)

	Primary Government			Component Units		
	Governmental	Business-type	Total	New Mexico	New Mexico	Total
	Activities	Activities		Finance Authority	Mortgage Finance Authority	
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 918,947	\$ 1,085,348	\$ 2,004,295	\$ 96,190	\$ 170,986	\$ 267,176
Deferred Charges and Other Assets	141,840	44,208	186,048	12,642	1,374	14,016
Internal Balances	(1,340)	1,340	-	-	-	-
Due From External Parties	1,902,578	-	1,902,578	251	-	251
Receivables, Net	1,973,103	296,180	2,269,283	24,676	6,818	31,494
Loans Receivable, Current	3,000	35,970	38,970	65,316	-	65,316
Investments	187,409	329,100	516,509	-	-	-
Inventories	43,976	24,090	68,066	-	-	-
Total Current Assets	5,169,513	1,816,236	6,985,749	199,075	179,178	378,253
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	2,693,639	73,992	2,767,631	403,757	103,967	507,724
Restricted Investments	5,009,675	-	5,009,675	-	11,804	11,804
Loans Receivable, Net	-	163,894	163,894	977,422	213,464	1,190,886
Investments	-	1,068,377	1,068,377	-	24,677	24,677
Other Noncurrent Assets	10,987	13,709	24,696	80,877	1,079,837	1,160,714
Nondepreciable Capital Assets	913,615	247,940	1,161,555	-	512	512
Capital Assets, Net	6,607,221	1,680,504	8,287,725	378	1,305	1,683
Total Noncurrent Assets	15,235,137	3,248,416	18,483,553	1,462,434	1,435,566	2,898,000
Total Assets	20,404,650	5,064,652	25,469,302	1,661,509	1,614,744	3,276,253

The Notes to the Financial Statements are an integral part of this statement

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2008

(In Thousands)

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	Total
LIABILITIES						
Current Liabilities:						
Cash Overdraft	\$ 212,924	\$ 220	\$ 213,144	\$ -	\$ -	\$ -
Accounts Payable	392,863	113,272	506,135	1,585	5,927	7,512
Accrued Liabilities	683,502	114,105	797,607	3,997	14,519	18,516
Claims Payable	197,236	24,001	221,237	-	-	-
Unearned Revenue	176,079	95,434	271,513	-	-	-
Due to External Parties	214,589	-	214,589	2,186	-	2,186
Securities Lending	449,587	-	449,587	-	-	-
Intergovernmental Payables	418,283	-	418,283	-	-	-
Other Obligations	219,744	14,565	234,309	-	-	-
Funds Held for Others	1,862	8,498	10,360	197,722	-	197,722
Bonds Payable	248,189	23,219	271,408	63,794	142,383	206,177
Other Liabilities	58,411	31,622	90,033	63,001	743	63,744
Total Current Liabilities	3,273,269	424,936	3,698,205	332,285	163,572	495,857
Noncurrent Liabilities:						
Bonds Payable	2,669,716	810,617	3,480,333	1,103,068	1,299,569	2,402,637
Other Liabilities	92,019	106,249	198,268	-	4,153	4,153
Total Noncurrent Liabilities	2,761,735	916,866	3,678,601	1,103,068	1,303,722	2,406,790
Total Liabilities	6,035,004	1,341,802	7,376,806	1,435,353	1,467,294	2,902,647
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	6,617,012	1,090,692	7,707,704	378	(586)	(208)
Restricted for:						
Highway Construction and Maintenance	447,580	-	447,580	-	-	-
Education	281,138	-	281,138	-	-	-
Capital Projects	1,154,908	-	1,154,908	-	-	-
Debt Service	470,055	42,527	512,582	(105,894)	23,627	(82,267)
Other Purposes	90,652	866,519	957,171	341,919	17,250	359,169
Funds Held in Permanent Investments:						
Nonexpendable	5,008,784	1,278,826	6,287,610	-	-	-
Unrestricted Net Assets	299,517	444,286	743,803	(10,247)	107,159	96,912
Total Net Assets	\$ 14,369,646	\$ 3,722,850	\$ 18,092,496	\$ 226,156	\$ 147,450	\$ 373,606

The Notes to the Financial Statements are an integral part of this statement

STATE OF NEW MEXICO

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

(In Thousands)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Control	\$ 1,015,361	\$ 379,000	\$ 56,930	\$ -
Culture, Recreation, and Natural Resources	215,416	160,592	12,078	-
Highway and Transportation	999,418	146,165	-	315,407
Judicial	231,577	168,170	12,984	-
Legislative	22,237	-	1,247	-
Public Safety	453,309	410,493	25,416	-
Regulation and Licensing	119,868	107,508	6,721	-
Health and Human Services	4,746,873	86,810	3,224,698	-
Education	3,181,047	1,170	401,890	-
Interest on Long-term Debt	175,364	-	-	-
Total Governmental Activities	11,160,470	1,459,908	3,741,964	315,407
Business-type Activities:				
Educational Institutions	2,921,387	997,629	453,566	73,918
Other Business-type Activities	665,549	477,871	492	-
Total Business-type Activities	3,586,936	1,475,500	454,058	73,918
Total Primary Government	\$ 14,747,406	\$ 2,935,408	\$ 4,196,022	\$ 389,325
Discretely Presented Component Units				
New Mexico Finance Authority	\$ 122,841	\$ 38,327	\$ 150,869	\$ -
New Mexico Mortgage Finance Authority	115,531	67,931	40,102	-
Total Component Unit Activities	\$ 238,372	\$ 106,258	\$ 190,971	\$ -
General Revenues:				
Taxes:				
Individual Income				
Corporate Income				
Sales and Use				
Business Privilege				
Other				
Investment Income (Loss)				
Miscellaneous				
Transfers, Net				
Total Net General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning, as Restated -				
See Note 2.H.				
Net Assets - Ending				

The Notes to the Financial Statements are an integral part of this statement

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
			New Mexico Finance Authority	New Mexico Mortgage Finance Authority
Governmental Activities	Business-type Activities	Total		
\$ (579,431)	\$ -	\$ (579,431)	\$ -	\$ -
(42,746)	-	(42,746)	-	-
(537,846)	-	(537,846)	-	-
(50,423)	-	(50,423)	-	-
(20,990)	-	(20,990)	-	-
(17,400)	-	(17,400)	-	-
(5,639)	-	(5,639)	-	-
(1,435,365)	-	(1,435,365)	-	-
(2,777,987)	-	(2,777,987)	-	-
(175,364)	-	(175,364)	-	-
(5,643,191)	-	(5,643,191)	-	-
-	(1,396,274)	(1,396,274)	-	-
-	(187,186)	(187,186)	-	-
-	(1,583,460)	(1,583,460)	-	-
(5,643,191)	(1,583,460)	(7,226,651)	-	-
-	-	-	66,355	-
-	-	-	-	(7,498)
-	-	-	66,355	(7,498)
1,523,079	-	1,523,079	-	-
403,525	-	403,525	-	-
397,894	-	397,894	27,199	-
3,319,760	-	3,319,760	-	-
38,706	-	38,706	-	-
576,904	169,230	746,134	14,526	25,302
(114,555)	424,018	309,463	-	-
(692,490)	692,490	-	-	-
5,452,823	1,285,738	6,738,561	41,725	25,302
(190,368)	(297,722)	(488,090)	108,080	17,804
14,560,014	4,020,572	18,580,586	118,076	129,646
\$ 14,369,646	\$ 3,722,850	\$ 18,092,496	\$ 226,156	\$ 147,450

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STATE OF NEW MEXICO

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

This fund is the principal operating fund of the State. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Education Fund

This fund accounts for all resources used to operate K-12 public education programs and some adult basic education programs in the State.

Health and Human Services Fund

This fund accounts for resources used to operate the various health programs and the family service and assistance programs throughout the State.

Highway and Transportation Fund

This fund accounts for the resources used to develop, operate, and maintain the State road and highway system as well as assist with other transportation programs.

Appropriated Bond Proceeds Capital Outlay Fund

This fund accounts for the severance tax and general obligation bond proceeds appropriated by the Legislature for various capital projects by state agencies and local governments.

Severance Tax Permanent Fund

This fund receives an annual portion of severance taxes (from the production of minerals and other natural resources) and distributes monies to the State General Fund.

Nonmajor Funds

Nonmajor governmental funds are presented by fund type beginning on page 150.

STATE OF NEW MEXICO

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2008

(In Thousands)

		Special Revenue		
	General Fund	Education	Health and Human Services	Highway and Transportation
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 83,761	\$ 25,468	\$ 781,325
Deferred Charges and Other Assets	566	88	343	42,449
Due From Other Funds	1,326,400	249,347	234,098	336,081
Receivables, Net	23,749	744,466	694,098	134,429
Investments	136,884	-	2,083	-
Inventories	7,064	-	8,618	27,728
Total Assets	\$ 1,494,663	\$ 1,077,662	\$ 964,708	\$ 1,322,012
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash Overdraft	\$ 212,924	\$ -	\$ -	\$ -
Accounts Payable	49,739	117,353	135,171	27,990
Accrued Liabilities	37,429	233,624	185,479	215,389
Due To Other Funds	164,562	4,120	44,524	227,103
Due to Beneficiaries	-	-	-	-
Due to Brokers	-	-	-	-
Intergovernmental Payables	88,319	328,866	-	-
Funds Held For Others	164	-	1,456	-
Other Obligations	46,879	4,694	142,133	6,848
Deferred Revenue	7,088	48,675	9,947	54,746
Total Liabilities	607,104	737,332	518,710	532,076
Fund balances:				
Reserved for:				
Capital Projects	-	-	-	-
Inventories	7,064	-	8,618	27,728
Multiple Year Appropriations and Encumbrances	26,297	59,192	389,840	-
Other	94	-	1,822	53,636
Unreserved Designated, reported in nonmajor:				
Debt Service Funds	-	-	-	-
Pool Participants	-	-	-	-
Unreserved Undesignated	854,104	281,138	45,718	708,572
Unreserved Undesignated, reported in nonmajor:				
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total Fund Balances	887,559	340,330	445,998	789,936
Total Liabilities and Fund Balances	\$ 1,494,663	\$ 1,077,662	\$ 964,708	\$ 1,322,012

The Notes to the Financial Statements are an integral part of this statement

<u>Special Revenue</u>			
<u>Appropriated</u>		<u>Nonmajor</u>	<u>Total</u>
<u>Bonds Proceeds</u>	<u>Severance</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Capital Outlay</u>	<u>Tax Permanent</u>	<u>Funds</u>	<u>Funds</u>
\$ 1,343,647	\$ 287,259	\$ 953,974	\$ 3,475,434
-	-	98,370	141,816
4,451	48,857	303,011	2,502,245
-	63,451	298,235	1,958,428
-	4,285,220	772,897	5,197,084
-	-	31	43,441
<u>\$ 1,348,098</u>	<u>\$ 4,684,787</u>	<u>\$ 2,426,518</u>	<u>\$ 13,318,448</u>
\$ -	\$ -	\$ -	\$ 212,924
-	-	40,494	370,747
-	-	2,487	674,408
303,134	-	87,906	831,349
-	14,764	2,679	17,443
-	355,074	94,513	449,587
-	-	1,098	418,283
-	-	242	1,862
-	-	407	200,961
-	-	111,176	231,632
<u>303,134</u>	<u>369,838</u>	<u>341,002</u>	<u>3,409,196</u>
1,044,964	-	199,970	1,244,934
-	-	31	43,441
-	-	453,530	928,859
-	-	35,100	90,652
-	-	378,201	378,201
-	4,314,949	693,835	5,008,784
-	-	-	1,889,532
-	-	203,225	203,225
-	-	95,545	95,545
-	-	26,079	26,079
<u>1,044,964</u>	<u>4,314,949</u>	<u>2,085,516</u>	<u>9,909,252</u>
<u>\$ 1,348,098</u>	<u>\$ 4,684,787</u>	<u>\$ 2,426,518</u>	<u>\$ 13,318,448</u>

STATE OF NEW MEXICO

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2008

(In Thousands)

Total Fund Balances - Governmental Funds \$ 9,909,252

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: (See Note 2.D.)

Land and Related Nondepreciable Assets	\$ 150,834	
Infrastructure, Nondepreciable	375,231	
Construction-In-Progress	332,571	
Other, Nondepreciable Assets	54,907	
Buildings, Equipment, Infrastructure and Other Depreciable Assets	16,542,205	
Accumulated Depreciation	<u>(9,976,441)</u>	7,479,307

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.

60,259

Internal service funds are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, telecommunications, building maintenance and management of capitol complex, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (Includes \$41,529 in capital assets)

(18,133)

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred in the Statement of Net Assets.

10,987

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds: (See Note 2. E.)

General Obligation, Severance Tax and Revenues Bonds Payable	(2,917,905)	
Accrued Interest Payable	(3,691)	
Claims and Judgments	(42,478)	
Compensated Absences	(46,265)	
Other	<u>(61,687)</u>	<u>(3,072,026)</u>

Total Net Assets - Governmental Activities

\$ 14,369,646

The Notes to the Financial Statements are an integral part of this statement

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STATE OF NEW MEXICO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

(In Thousands)

		Special Revenue		
	General Fund	Education	Health and Human Services	Highway and Transportation
REVENUES				
Taxes:				
General and Selective Taxes	\$ 3,020,832	\$ -	\$ 27,884	\$ -
Income Taxes	1,601,955	-	-	324,649
Total Taxes	4,622,787	-	27,884	324,649
Other Revenues:				
Federal	82,504	401,890	3,224,698	315,407
Investment Income (Loss)	734,884	5,198	2,938	28,545
Rentals and Royalties	721,480	-	2,362	849
Charges for Services	26,900	-	33,098	350
Licenses, Fees, and Permits	75,973	812	24,859	94,282
Assessments	20,350	-	3,496	1,499
Miscellaneous and Other	54,126	4,791	112,163	5,780
Total Revenues	6,339,004	412,691	3,431,498	771,361
EXPENDITURES				
Current:				
General Control	377,649	-	-	-
Culture, Recreation, and Natural Resources	149,867	-	-	-
Highways and Transportation	-	-	-	409,321
Judicial	170,601	-	-	-
Legislative	20,876	-	-	-
Public Safety	424,597	-	-	-
Regualtion and Licensing	86,902	-	-	-
Health and Human Services	-	-	4,734,454	-
Education	-	3,174,688	-	-
Capital Outlay	10,128	346	8,212	393,194
Debt Service:				
Interest and Other Charges	-	-	-	88,134
Principal	-	-	-	36,967
Bond Costs	-	-	-	-
Total Expenditures	1,240,620	3,175,034	4,742,666	927,616
Excess Revenues Over (Under)				
Expenditures	5,098,384	(2,762,343)	(1,311,168)	(156,255)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Bond Premium	-	-	-	-
Refunding Bond Issue	-	-	-	470,400
Payment to Refunded Bond Escrow Agent	-	-	-	(470,400)
Transfers In	963,712	3,082,966	1,502,326	165,408
Transfers Out	(5,957,979)	(278,909)	(209,965)	(6,350)
Total Other Financing Sources (Uses)	(4,994,267)	2,804,057	1,292,361	159,058
Net Change in Fund Balances	104,117	41,714	(18,807)	2,803
Fund Balances - Beginning, as Restated -				
See Note 2.H.	783,442	298,616	464,805	787,133
Fund Balances - Ending	\$ 887,559	\$ 340,330	\$ 445,998	\$ 789,936

The Notes to the Financial Statements are an integral part of this statement

<u>Special Revenue</u>			
<u>Appropriated</u>			
<u>Bonds Proceeds</u>	<u>Severance</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Capital Outlay</u>	<u>Tax Permanent</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
\$ -	\$ -	\$ 707,644	\$ 3,756,360
-	-	-	1,926,604
-	-	707,644	5,682,964
-	-	32,872	4,057,371
516	(252,036)	33,411	553,456
-	-	5,484	730,175
-	-	5,811	66,159
-	-	22,140	218,066
-	-	11,965	37,310
-	1,398	9,037	187,295
516	(250,638)	828,364	11,532,796
-	-	210,887	588,536
-	-	51,142	201,009
-	-	-	409,321
-	-	55,864	226,465
-	-	-	20,876
-	-	14,147	438,744
-	-	31,709	118,611
-	-	-	4,734,454
-	-	-	3,174,688
-	-	95,248	507,128
-	-	83,539	171,673
-	-	138,076	175,043
-	-	932	932
-	-	681,544	10,767,480
516	(250,638)	146,820	765,316
-	-	220,270	220,270
-	-	9,120	9,120
-	-	20,550	490,950
-	-	(28,080)	(498,480)
526,310	41,414	742,807	7,024,943
(195,607)	(185,332)	(906,147)	(7,740,289)
330,703	(143,918)	58,520	(493,486)
331,219	(394,556)	205,340	271,830
713,745	4,709,505	1,880,176	9,637,422
\$ 1,044,964	\$ 4,314,949	\$ 2,085,516	\$ 9,909,252

STATE OF NEW MEXICO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

(In Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 271,830

The change in net assets reported for governmental activities in the Statement of Net Assets is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 507,128	
Depreciation expense	(685,475)	
Deletions	(300,076)	
Excess of capital outlay over depreciation expense		(478,423)

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.

18,520

Internal service funds are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, telecommunications, building maintenance, and management of capitol complex, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

4,076

Bond proceeds and capital leases provide current financial resources to governmental activities by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of the bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets: (See Note 2.E.)

Payment of Bond Principal	673,523	
Bond Proceeds, Net	(720,340)	(46,817)

Expenditures are recognized in the governmental funds when paid or due for items not normally paid with available financial resources; interest on long-term debt unless certain conditions are met; and bond issue costs. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net change of the following balances:

Compensated Absences Expense	16,394	
Accrued Interest on Bonds Payable	(3,691)	
Change in Bond Issuance Costs	(1,615)	
Claims, Judgments, and Other	29,358	40,446

Change in Net Assets of Governmental Activities \$ (190,368)

The Notes to the Financial Statements are an integral part of this statement

STATE OF NEW MEXICO

PROPRIETARY FUND FINANCIAL STATEMENTS

Educational Institutions Fund

This fund accounts for the resources used to operate the seven institutions of higher education and three other schools, which were created by the Constitution of the State of New Mexico. These institutions are University of New Mexico, New Mexico State University, New Mexico Highlands University, New Mexico Institute of Mining and Technology, Western New Mexico University, Eastern New Mexico University, Northern New Mexico College, New Mexico Military Institute, New Mexico School for the Visually Handicapped, and New Mexico School for the Deaf.

Nonmajor Enterprise Funds

Nonmajor enterprise funds are presented beginning on page 170.

Internal Service Fund

This fund accounts for the operation of services provided by state agencies to other state agencies on a cost-reimbursement basis.

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2008

(In Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 342,674	\$ 742,674	\$ 1,085,348	\$ 137,152
Deferred Charges and Other Assets	41,301	2,907	44,208	24
Due From Other Funds	78	5,027	5,105	20,311
Receivables, Net	285,131	11,049	296,180	14,675
Loans Receivable, Current	8,820	27,150	35,970	3,000
Investments	329,100	-	329,100	-
Inventories	21,100	2,990	24,090	535
Total Current Assets	1,028,204	791,797	1,820,001	175,697
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	73,366	626	73,992	-
Loans Receivable	33,286	130,608	163,894	-
Investments	1,032,974	35,403	1,068,377	-
Other Noncurrent Assets	13,709	-	13,709	-
Nondepreciable Capital Assets	226,426	21,514	247,940	72
Capital Assets, Net	1,620,731	59,773	1,680,504	41,457
Total Noncurrent Assets	3,000,492	247,924	3,248,416	41,529
Total Assets	4,028,696	1,039,721	5,068,417	217,226

The Notes to the Financial Statements are an integral part of this statement

STATE OF NEW MEXICO

STATEMENT OF NET ASSETS (CONTINUED)

PROPRIETARY FUNDS

June 30, 2008

(In Thousands)

	Business-Type Activities - Enterprise Funds			Governmental
	Educational	Nonmajor		Activities -
	Institutions	Enterprise	Total	Internal
		Funds		Service Funds
LIABILITIES				
Current Liabilities:				
Cash Overdraft	\$ -	\$ 220	\$ 220	\$ -
Accounts Payable	101,622	11,650	113,272	22,116
Accrued Liabilities	105,377	8,728	114,105	5,403
Claims Payable	24,001	-	24,001	197,236
Deferred Revenue	89,506	5,928	95,434	4,706
Due to Other Funds	-	3,765	3,765	4,558
Other Obligations	-	14,565	14,565	-
Funds Held for Others	8,347	151	8,498	-
Bonds Payable	22,049	1,170	23,219	-
Other Liabilities	10,236	21,386	31,622	1,340
Total Current Liabilities	<u>361,138</u>	<u>67,563</u>	<u>428,701</u>	<u>235,359</u>
Noncurrent Liabilities:				
Bonds Payable	792,121	18,496	810,617	-
Other Liabilities	59,528	46,721	106,249	-
Total Noncurrent Liabilities	<u>851,649</u>	<u>65,217</u>	<u>916,866</u>	<u>-</u>
Total Liabilities	<u>1,212,787</u>	<u>132,780</u>	<u>1,345,567</u>	<u>235,359</u>
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	1,029,146	61,546	1,090,692	41,529
Restricted for:				
Nonexpendable, Scholarships and Student Loans	117,199	-	117,199	-
Nonexpendable, Endowment	93,122		93,122	-
Nonexpendable, Land Grant				
Permanent Fund	1,068,505	-	1,068,505	-
Debt Service	41,334	1,193	42,527	-
Other Purposes	37,283	829,236	866,519	197,236
Unrestricted (Deficit)	429,320	14,966	444,286	(256,898)
Total Net Assets	<u>\$ 2,815,909</u>	<u>\$ 906,941</u>	<u>\$ 3,722,850</u>	<u>\$ (18,133)</u>

STATE OF NEW MEXICO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Charges for services	\$ 160,373	\$ 475,043	\$ 635,416	\$ 445,467
Federal	447,932	492	448,424	-
Loan and Other Income	3,830	43,395	47,225	4,928
Licenses, Fees, and Permits	-	2,828	2,828	41
Net Student Tuition and Fees	176,532	-	176,532	-
Patient Services/Clinical Operations	548,374	-	548,374	-
Other Operating Revenues	261,085	101,509	362,594	504
Total Operating Revenues	1,598,126	623,267	2,221,393	450,940
OPERATING EXPENSES				
Benefits, Claims, and Premiums	-	217,795	217,795	-
Depreciation Expense	101,228	4,365	105,593	15
Game Expense	-	101,725	101,725	-
General and Administrative Expenses	1,878,491	50,229	1,928,720	81,584
Insurance Losses	-	243,000	243,000	-
Other Operating Expenses	905,201	48,294	953,495	388,123
Total Operating Expenses	2,884,920	665,408	3,550,328	469,722
Operating Income (Loss)	(1,286,794)	(42,141)	(1,328,935)	(18,782)
NONOPERATING REVENUES (EXPENSES)				
Clinical Operations	112,350	-	112,350	-
Private Grants and Gifts	45,354	-	45,354	-
Government Grants and Contracts	5,634	-	5,634	-
Interest and Other Expenses on Capital				
Asset-related Debt	(36,467)	(141)	(36,608)	-
Gain (Loss) on Disposal of Capital Assets	(2,265)	-	(2,265)	-
Other Revenue (Expenses)	41,217	22,472	63,689	-
Total Nonoperating Revenues (Expenses)	165,823	22,331	188,154	-
Income (Loss) Before Transfers and Other Revenues (Expenses)	(1,120,971)	(19,810)	(1,140,781)	(18,782)
CAPITAL CONTRIBUTIONS AND ENDOWMENTS				
Capital Grants and Gifts	28,564	-	28,564	2
Permanent Fund Revenue	122,005	-	122,005	-
Total Capital Contributions and Endowments	150,569	-	150,569	2
TRANSFERS				
Transfers In	731,321	10,986	742,307	31,102
Transfers Out	-	(49,817)	(49,817)	(8,246)
Total Transfers	731,321	(38,831)	692,490	22,856
Change in Net Assets	(239,081)	(58,641)	(297,722)	4,076
Net Assets - Beginning	3,054,990	965,582	4,020,572	(22,209)
Net Assets - Ending	\$ 2,815,909	\$ 906,941	\$ 3,722,850	\$ (18,133)

The Notes to the Financial Statements are an integral part of this statement

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STATE OF NEW MEXICO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from:				
Fees for Service	\$ 624,500	\$ 341,568	\$ 966,068	\$ 430,824
Sale of Products	166,720	137,505	304,225	-
Gifts, Grants, and Contracts	631,483	-	631,483	-
Loan and Note Repayments	74,103	8,817	82,920	-
Unemployment Insurance Taxes	-	121,858	121,858	-
Other Sources	50,441	4,118	54,559	504
Cash Payments to or for:				
Suppliers	(544,076)	(92,352)	(636,428)	(428,488)
Employees	(1,419,789)	(27,661)	(1,447,450)	(23,498)
Unemployment Benefits	(154,571)	(180,561)	(335,132)	-
Scholarships	(103,763)	-	(103,763)	-
Student Loans and Loan Losses	(5,794)	(288,310)	(294,104)	-
Lottery Prizes	-	(83,900)	(83,900)	-
Net Cash Provided (Used) by Operating Activities	(680,746)	(58,918)	(739,664)	(20,658)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	562,291	2,188	564,479	31,102
Transfers Out	(2,149)	(42,002)	(44,151)	(8,246)
Gifts for Other Than Capital Purposes	47,294	28,132	75,426	-
Intergovernmental Receipts	89,369	7,536	96,905	-
Private Gifts for Endowment	-	-	-	-
Noncapital Nonoperating Income (Expenses)	6,196	(220)	5,976	-
Net Cash Provided (Used) by Noncapital Financing Activities	703,001	(4,366)	698,635	22,856
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(306,736)	(12,819)	(319,555)	-
Capital Gifts, Grants, and Contracts	134,029	8,575	142,604	2
Capital Debt Service Payments	(64,482)	(1,334)	(65,816)	-
Capital Contributions and Debt Proceeds	184,250	4,296	188,546	-
Proceeds from Sale of Capital Assets	2,466	2	2,468	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(50,473)	(1,280)	(51,753)	2

The Notes to the Financial Statements are an integral part of this statement

STATE OF NEW MEXICO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2008

(In Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest, Dividends, Investment Gains and Losses (Net)	\$ 281,997	\$ 7,929	\$ 289,926	\$ 4,928
Purchase of Investments	(176,447)	-	(176,447)	-
Realized Gain (Loss) on Investments	(1,280)	-	(1,280)	-
Receipts of Rent	-	131	131	-
Proceeds from Sale and Maturity of Investments	62,301	3,526	65,827	-
Net Cash Provided (Used) by Investing Activities	<u>166,571</u>	<u>11,586</u>	<u>178,157</u>	<u>4,928</u>
Net Increase (Decrease) in Cash	138,353	(52,978)	85,375	7,128
Cash and Cash Equivalents at Beginning of Year	277,687	796,058	1,073,745	130,024
Cash and Cash Equivalents at End of Year	<u>\$ 416,040</u>	<u>\$ 743,080</u>	<u>\$ 1,159,120</u>	<u>\$ 137,152</u>
Cash and Cash Equivalents				
Unrestricted	\$ 342,674	\$ 742,674	\$ 1,085,348	\$ 137,152
Restricted	73,366	626	73,992	-
Cash Overdraft	-	(220)	(220)	-
	<u>\$ 416,040</u>	<u>\$ 743,080</u>	<u>\$ 1,159,120</u>	<u>\$ 137,152</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (1,286,794)	\$ (42,141)	\$ (1,328,935)	\$ (18,782)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	101,228	4,365	105,593	15
Bad debt expense	94,742	1,783	96,525	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
Increase (Decrease) in Operating Receivables	(63,828)	27,508	(36,320)	(16,181)
Increase (Decrease) in Notes/Loans	(189)	(20,622)	(20,811)	(3,000)
Increase (Decrease) in Inventories	(182)	(110)	(292)	(110)
Increase (Decrease) in Operating Assets	(3,070)	(47)	(3,117)	-
Increase (Decrease) in Accrued Liabilities	489,963	(14,996)	474,967	17,400
Increase (Decrease) in Unearned Revenue	(12,616)	(14,658)	(27,274)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (680,746)</u>	<u>\$ (58,918)</u>	<u>\$ (739,664)</u>	<u>\$ (20,658)</u>

The Notes to the Financial Statements are an integral part of this statement

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STATE OF NEW MEXICO

FIDUCIARY FUNDS FINANCIAL STATEMENTS

Pension Trust Fund

This fund accounts for the resources accumulated and held for the payment of retirement and other benefits under plans operated by the Public Employees Retirement Association, the Educational Retirement Board, and the Retiree Health Care Authority. Pension trust funds are presented beginning on page 180.

External Investment Trust Fund

This fund accounts for assets held by the State in a trustee capacity. The funds are held in custody for participants in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds. External trust funds are presented beginning on page 186.

Private Purpose Trust Funds

These funds account for resources held under trust arrangements and which benefit individuals, organizations, the State of New Mexico, and other governmental units. These funds include the Scholarship Fund, the Land Grant Permanent Fund, the Education Trust Fund, and Water Trust Fund. Private purpose trust funds are presented beginning on page 190.

Agency Funds

These funds are used to report resources held by various State agencies in a purely custodial capacity for distribution to other parties. Agency funds are presented beginning on page 194.

STATE OF NEW MEXICO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

June 30, 2008

(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds	Total
ASSETS					
Cash and Cash Equivalents	\$ 605,300	\$ 35,290	\$ 681,034	\$ 1,122,709	\$ 2,444,333
Investments, at Fair Value	23,963,697	6,114,169	10,895,576	12,667	40,986,109
Due From Other Funds	3,493	56,205	2,311	152,580	214,589
Due From Brokers	2,725,300	5,640	632	-	2,731,572
Other Assets	24,694	-	-	-	24,694
Receivables, Net of Allowance	183,452	2,999	155,955	1,389,860	1,732,266
Total Assets	<u>27,505,936</u>	<u>6,214,303</u>	<u>11,735,508</u>	<u>2,677,816</u>	<u>48,133,563</u>
LIABILITIES					
Accounts Payable	8,720	-	1,756	33,689	44,165
Security Lending Liability	2,850,565	-	-	-	2,850,565
Accrued Liabilities	417,144	-	5,337	-	422,481
Due to Other Funds	3,472	149	39	1,898,918	1,902,578
Due to Beneficiaries	-	-	32,537	-	32,537
Due to Brokers	2,802,969	134,831	1,157,049	-	4,094,849
Intergovernmental Payables	-	-	-	270,144	270,144
Deposits Held in Trust	152	-	-	469,241	469,393
Other Liabilities	29,116	-	-	5,824	34,940
Total Liabilities	<u>6,112,138</u>	<u>134,980</u>	<u>1,196,718</u>	<u>2,677,816</u>	<u>10,121,652</u>
NET ASSETS					
Held in Trust for:					
Pension Benefits	20,907,726	-	-	-	20,907,726
Other Postemployment Benefits	324,092	-	-	-	324,092
Defined Contribution	161,980	-	-	-	161,980
External Investment Pool Participants	-	6,079,323	-	-	6,079,323
Other Purposes	-	-	10,538,790	-	10,538,790
Net Assets	<u>\$ 21,393,798</u>	<u>\$ 6,079,323</u>	<u>\$ 10,538,790</u>	<u>\$ -</u>	<u>\$ 38,011,911</u>

The Notes to the Financial Statements are an integral part of this statement

STATE OF NEW MEXICO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Total
ADDITIONS				
Contributions:				
Employee Contributions	\$ 493,190	\$ -	\$ -	\$ 493,190
Employer Contributions	667,068	-	-	667,068
Member Contributions	-	-	2,079,284	2,079,284
Total Contributions	<u>1,160,258</u>	<u>-</u>	<u>2,079,284</u>	<u>3,239,542</u>
Pool Participant Deposits	-	563,956	-	563,956
Investment Income:				
Net Increase in Fair Value of Investments	(2,191,065)	(95,589)	(850,494)	(3,137,148)
Interest and Dividends	683,817	233,289	293,096	1,210,202
	<u>(1,507,248)</u>	<u>137,700</u>	<u>(557,398)</u>	<u>(1,926,946)</u>
Less Investment Expense	(118,397)	(38)	(6,923)	(125,358)
Net Investment Income (Loss)	<u>(1,625,645)</u>	<u>137,662</u>	<u>(564,321)</u>	<u>(2,052,304)</u>
Other Additions				
Other Operating Revenues	50,050	-	1,657	51,707
Total Other Additions	<u>50,050</u>	<u>-</u>	<u>1,657</u>	<u>51,707</u>
Total Additions	<u>(415,337)</u>	<u>701,618</u>	<u>1,516,620</u>	<u>1,802,901</u>
DEDUCTIONS				
Benefits and Claims	1,165,785	-	-	1,165,785
Retiree Healthcare Payments	193,947	-	-	193,947
Distributions	-	-	1,080,855	1,080,855
Pool Participant Withdrawals	-	107,568	-	107,568
Refunds	61,650	-	-	61,650
General and Administrative	16,923	926	-	17,849
Other Operating Expenses	170	-	81	251
Total Deductions	<u>1,438,475</u>	<u>108,494</u>	<u>1,080,936</u>	<u>2,627,905</u>
Change in Net Assets	<u>(1,853,812)</u>	<u>593,124</u>	<u>435,684</u>	<u>(825,004)</u>
Net Assets - Beginning, as Restated - See Note 2.H.	<u>23,247,610</u>	<u>5,486,199</u>	<u>10,103,106</u>	<u>38,836,915</u>
Net Assets - Ending	<u>\$ 21,393,798</u>	<u>\$ 6,079,323</u>	<u>\$ 10,538,790</u>	<u>\$ 38,011,911</u>

The Notes to the Financial Statements are an integral part of this statement

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of New Mexico have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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, Article XII, Section 11), and its component units. The annual financial report does not include the financial statements of the community colleges or public schools.

The GASB has set forth criteria to be considered in determining financial accountability as defined in GASB Statement No. 14, *The Financial Reporting Entity*. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the State to impose its will on that organization or 2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. Where a State does not appoint a voting majority of an organization's governing body, GASB standards require inclusion in the reporting entity if an organization is fiscally dependent on the State, its resources are held for the direct benefit of the State or can be accessed by the State, or the relationship is such that it would be misleading to exclude it.

Blended Component Units

Blended component units provide services entirely or almost entirely to the primary government. GASB standards require this type of component unit to be reported as part of the primary government and blended into the appropriate funds. These component

units are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State.

▪ New Mexico Lottery Authority

The enactment of the New Mexico Lottery Act (Lottery Act) on July 1, 1995, the New Mexico Lottery Authority (Lottery Authority) was created as a public body, politic and corporate, separate from the State. The Lottery Authority was created and organized for the purpose of establishing and conducting the Lottery to provide revenues for the public purposes designated in the Lottery Act, which the educational institutions created by the State Constitution are beneficiaries.

Discrete Component Units

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. These component units are entities that are legally separate from the State, but are financially accountable to the State.

▪ New Mexico Finance Authority

The Laws of 1992, Chapter 61, as amended, created the New Mexico Finance Authority (NMFA). 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 fiscal year-end, which differs from all other state entities, which have a fiscal June 30 year-end.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

New Mexico Finance Authority

207 Shelby Street

Santa Fe, New Mexico 87505

New Mexico Mortgage Finance Authority

344 4th Street, SW

Albuquerque, New Mexico 87102

B. Government-wide and Fund Financial Statements

Government-wide 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. Primary government activities are distinguished between *governmental* and *business-type activities*. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Net assets restricted by enabling legislation are subject to change by a majority vote of the Legislative Assembly.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements

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. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The internal service fund is reported in a separate column on the proprietary funds 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

Government-wide Financial Statements

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.

Governmental Fund Financial Statements

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 reversion revenues to be available 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 December 15 following the end of the fiscal year. 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.

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.

The accounts of the State are organized based on 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.

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.
- **Appropriated Bond Proceeds Capital Outlay Fund** – The Appropriated Bond Proceeds Capital Outlay Fund accounts for severance tax and general obligations bond proceeds that are appropriated by the Legislature on each bond issue.
- **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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

Nonmajor Governmental Funds – The State's nonmajor governmental funds include other special revenue funds, debt service funds and capital projects funds. The nonmajor 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. Examples include bond proceeds, land grant permanent monies and other activities combined into specific functional areas. The debt service funds are used to account for the accumulation of resources for 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. The 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.

Proprietary Fund Financial Statements

The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described previously. Proprietary funds include both enterprise and internal service fund types. Enterprise funds report the activities for which fees are charged to external users for goods and services. Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public.

Proprietary funds distinguish operating revenue 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.

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.

Major Enterprise 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 Article XII, Section 11: University of New Mexico, New Mexico State University, Eastern New Mexico University, New Mexico Institute of Mining and Technology, Western New Mexico University, New Mexico Highlands University, Northern New Mexico College, New Mexico Military Institute, New Mexico School for the Visually Handicapped, and New Mexico School for the Deaf.

Nonmajor Enterprise Funds – The State's nonmajor enterprise funds include unemployment and public schools insurance, medical center, magazine publication, lottery authority, state fair, state infrastructure bank, environment department, corrections industries, and industries for the blind.

Internal Service Funds – The State also reports the internal service fund type in the proprietary funds statements. The activities accounted for in the internal service funds include technology services,

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

telephone services, fleet operations, risk management, printing, and property management.

Fiduciary Fund Financial Statements

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. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

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.

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, the Water Trust Fund, and the Education Trust Fund.

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.

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

Component Unit Financial Statements

The component units' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The information is presented in order to be consistent with the government-wide statements, and is less detailed than the presentation in each component

unit's separately issued financial statements. The component units follow all current GASB pronouncements, and all FASB pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

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 with the Office of the State Treasurer (State Treasurer). Balances maintained at the end of the day are pooled and invested by the State Treasurer in overnight repurchase agreements. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure the deposits, the 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.

All interest revenue is allocated to the General Fund unless state statute or trust agreements require allocations of interest to other funds. Interest is allocated based on the average monthly balance and average monthly interest rates.

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

The Educational Trust Board (Board) invests in the overnight repurchase agreements at the State Treasurer, as well as 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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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 reported as cash equivalents and are reported as part of the cash balance in the Statement of Plan Net Assets.

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 the fund financial statements.

G. Investments

Investments are under the control of the State Treasurer and other administrative bodies as determined by law. In certain instances, investments are restricted by law or other legal instruments. Investments are valued at fair value. The fair value of investments is based on published prices and quotations from major investment brokers at current exchange rates as available. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors have determined the fair values for the individual investments.

The Education Trust Board calculates the net asset value of its units of its investment portfolios (Portfolios) as of the close of The New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The Portfolios will, under normal circumstances, invest in the Class A shares of Baron Growth Fund, Fidelity Advisor Diversified International Fund, Mainstay High Yield Corporate Bond Fund, as well as the institutional Class Y shares of Oppenheimer Capital Appreciation Fund, Oppenheimer Main Street Fund, Oppenheimer Main Street Small Cap Fund, Oppenheimer Value Fund, Oppenheimer Global Fund, Oppenheimer Strategic

Income Fund, Oppenheimer Core Bond Fund, Oppenheimer Limited-Term Government Fund, Oppenheimer International Bond Fund, Oppenheimer Money Market Fund, and in Class L shares of Oppenheimer Institutional Money Market Fund (these funds are collectively referred to as the Underlying Funds). The net asset values of the Underlying Funds are determined as of the close of the Exchange on each day the Exchange is open for trading. Short-term "money market type" debt securities with remaining maturities of sixty days or less are valued at amortized cost (which approximates market value).

Investment Pools

The State Treasurer maintains the **Local Government Investment Pool** (LGIP) for cities, counties and other non-state agencies to invest monies with the State Treasurer. The investments are recorded at fair value based on quoted market price; however, individual participant balances remain at their carrying cost. The LGIP is not SEC registered. Participation in the LGIP is voluntary.

The Public Employees Retirement Association created a short-term investment pool (Pool) to maximize the benefits of the investment diversification and investment earnings. The Judicial, Magistrate, Volunteer Firefighters, and Public Employees Retirement Systems (Systems) participate in the Pool. The fair value of the investments in the Pool is the same as the value of the pool shares. All investments in the Pool are either SEC registered or are exempt from SEC registration under exemption 3(a)(3) or 4(2) of SEC regulations. Each Systems equity percentage in the Pool is based on that System's investment in the pool and will only increase or decrease by additional deposits or withdrawals.

The State Investment Council (Council) is responsible for the investment activities of certain state trust funds. 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 pools. Each pool is composed of units of participation of unlimited quantity. Each unit of participation

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represents an equal beneficial interest in the respective pool and no unit has priority over any other. Each purchase or sale of units requires written authorization as defined in the joint powers agreements executed between the Council and each participant. All units are purchased by cash payment. Each unit of participation is recorded in book entry form by the Council.

The Council's pools are as follows:

The **Large Capitalization Active Pool** is managed internally using fundamental research techniques. This pool seeks to exceed the performance of the S&P 500 Index emphasizing stock selection and by overweighting or underweighting 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.

The **High Yield Bonds Pool** was managed by two active external managers and invests in corporate bonds rated single B or better by a national rating service. The pool 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** is managed by external managers during the year. As of June 30, 2008, 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.

The **Non-U.S. Equity Securities Pools** is an international equity fund with three active external managers that have complementary management styles including one manager with a value orientation, one that is a core manager, and one that is 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 Morgan Stanley Capital International Europe Australia and Far East 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, 2008, the fund had one active external manager.

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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

H. Inventories

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 rather than when purchased under the consumption method.

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.

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

I. 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. Accounts receivables in the governmental and business-type activities consist mainly of amounts due from the Federal Government, customers, and others. Receivables from the Federal Government are reasonably assured; accordingly, no allowance for uncollectible accounts has been established.

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. There are no material loans past due for more than 90 days at the end of the fiscal year, which would be placed on nonaccrual status.

Allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, considering various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on

management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and any necessary adjustments are reported in income in the period they become known. As of June 30, 2008, it is management's opinion that all loan receivables were fully collectible and; therefore, no allowance was provided for at June 30, 2008. The State has not experienced any losses on its loan portfolio.

Mortgage loans receivable are carried at the unpaid principal balance outstanding less an allowance for estimated loan losses. Mortgage loans are secured by first liens on the related properties, with the exception of down payment and closing assistance (DPA) loans. Mortgage loans purchased by the State are required to be insured by the Federal Housing Administration (FHA) or private mortgage insurance, or guaranteed by the Veterans' Administration (VA). Conventional loans with a loan-to-value ratio of 80 percent or less do not require insurance. These policies insure, subject to certain conditions, mortgage loans against losses not otherwise insured, generally for specific percentages of the principal balance due plus accrued interest and other expenses sustained in preservation of the property. Interest on mortgage loans is accrued based upon the principal amounts outstanding net of service fee expenses. Mortgage loans continue to accrue interest during foreclosure since loans are insured, and interest is collected through insurance proceeds.

Losses incurred on mortgage loans are charged to the allowance for mortgage loan losses. The provision for loan losses is charged to expense when, in management's opinion, the realization of all or a portion of the loans or properties owned is doubtful.

In evaluating the provision for loan losses, management considered the age of the various loan portfolios, the relationship of the allowances to outstanding mortgage loans, collateral values, insurance claims, and economic conditions.

Management believes that the allowance for mortgage loan losses is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

allowance may be necessary based on changes in economic conditions.

J. 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. The State defines capital assets as costing at least \$5 thousand or more when acquired and having an estimated useful life greater than one year.

Capital assets purchased by governmental funds are recorded as expenditures in the governmental fund financial statements. Interest expense for capital asset construction related to governmental activities is not capitalized. Interest expense incurred during construction of capital facilities related to business-type activities and component units is immaterial and is not capitalized in all cases. 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.

Buildings, equipment, and other depreciable assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Infrastructure	10-40
Land Improvements	15-30
Furniture and Equipment	3-25
Vehicles	3-12
Buildings and Improvements	5-75

As provided by GASB standards, the State elected to use the depreciation method to account for infrastructure assets (roads and bridges). 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.

K. Compensated Absences

Qualified employees are entitled to accumulate sick leave at the rate of 3.7 hours 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 percent of the excess over 600 hours, up to a maximum of 120 hours.

Upon retirement or other termination, employees are paid 50 percent of the excess over 600 hours, up to 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.

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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.

L. Deferred Revenue – Unearned and Unavailable

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, unearned revenue is recorded when cash or other assets are received prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable. The State recognizes funds received in advance from federal agencies as deferred revenue and recognizes revenue when funds have been expended based on individual grant requirements.

M. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, deferred amounts on refunding, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method or straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred

amount on refunding. Bond issuance costs are reported as deferred charges (assets).

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Interfund Transactions

Government-wide Financial Statements

Interfund Activity – In general, eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount.

Interfund Balances – Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

Governmental Fund Financial Statements

Interfund Activity – Interfund transactions for goods sold or services rendered for a price, approximately their external exchange value, and employee benefit contributions are accounted for as revenues and expenditures/expenses in the funds involved.

Transfers are used to report flows of cash (or other assets) between funds without equivalent flows of assets in return or a requirement for repayment. The State's transfers are based on legislative

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

appropriations or other legal authority. Transfers are presented in Note 2.C.

O. 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 Nonexpendable Net Assets. This category consist of endowment and similar funds in which third parties have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income generated from the principal may be expended or added to principal.

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.

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 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 appropriation periods. Funds remaining will be reverted and no

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

differences between measurement focus should remain. Encumbrances will remain for those appropriation periods that span fiscal years.

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.

P. Revenues and Expenditures/Expenses

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function for governmental activities (e.g. general control, education, health and human services, etc.).

Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the government-wide financial statements, revenues are reported by source and are further classified as either “general purpose” or “restricted”. General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g. federal grants), available only for specific purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance.

When both general purpose and restricted funds are available for use, it is the State’s policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: “Current”, “Capital Outlay”, or “Debt Service”. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. depreciation, benefits, claims and premiums, and game expense). Operating revenues consist of sales of goods or services, interfund services provided/used, grant revenues for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions, and other miscellaneous revenue that should be classified as operating. For certain loan and investment programs, revenue that would normally be classified as nonoperating should be classified as operating. Examples of this would include interest and investment income. All other revenues that do not meet the above criteria should be classified as nonoperating.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State’s general policy to use restricted resources first.

Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants are recorded as revenues when the related allowable expenditures are incurred and all applicable eligibility requirements are met.

Investment Income

Investment income includes interest, dividends and other earnings, and the change in fair value of investments. Negative investment income is reported where the decrease in fair value of investments due to market conditions exceeded the other components of investment income.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

Endowments

Net appreciation on Educational Institution's investments of donor-restricted endowments of \$93 million are available for authorization for expenditure by the governing boards of the agencies with endowments, which are reported in net assets as restricted for purposes for which the endowments was established. The governing board, in accordance with Section 46-9-6, New Mexico Statutes Annotated (NMSA) 1978, have generally determined that distributions shall not exceed six percent nor be less than four percent of the average market value of the endowment. The Educational Institutions have general policies for authorizing and spending investment income.

Retirement and Employee Benefit Costs

Most state employees participate in a defined benefit pension plan administered by the New Mexico Public Employees' Retirement Association and the New Mexico Educational Employees' Retirement Board. Contributions collected for the pension plans and the retirement benefits paid are accounted for in the Pension and Other Employees' Benefit Trust Funds. All costs for pension, health, and federal social security contributions are reported as expenditures in the appropriate function in governmental fund types or as expenses in applicable proprietary fund types. Pension and other benefits costs are recognized in the fiscal year in which the underlying payroll costs are incurred.

Q. 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The following schedule reconciles cash and cash equivalents and investments to the financial statements for the primary government including fiduciary funds (in thousands):

	Carrying Amount
Cash and Cash Equivalents	\$ 7,003,115
Footnote Amounts:	
Investments:	
State Treasurer	5,610,868
State Investment Council	15,656,730
PERA and ERB	23,786,868
Higher Education Trust Board	1,955,450
Miscellaneous Agencies	570,754
Total	\$ 54,583,785
Financial Statement Amounts	
Cash and Cash Equivalents	\$ 4,448,628
Investments	41,502,618
Restricted Cash and Cash Equivalents	2,767,631
Restricted Investments	5,009,675
Noncurrent Investments	1,068,377
Cash Overdraft	(213,144)
Total	\$ 54,583,785

Primary Government

State Treasurers' Office

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 on deposit represents the demand deposit account with the fiscal agent bank. Current year transactions reflect all banking activity for the fiscal year as well as the activity of investments purchased

and disposed of during the fiscal year. The State Treasurer invests all public monies, with the exception of the university funds which are entirely under the control of the universities, held in excess of the minimum compensating balance maintained with the fiscal agent bank in accordance with an investment policy approved by that State Board of Finance (BOF). The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the State agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund Appropriations Account.

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$100,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50.0 percent to 102.0 percent of the par value of the investment dependent on the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50.0 percent of the average investment balance.

Cash and cash equivalents balances as of June 30, 2008 were as follows:

Primary Government Cash and Cash Equivalents Collateralized Balances (Expressed in Thousands)	
Cash in Authorized Banks	\$ 1,103,957
Less: FDIC Insurance Coverage	(11,109)
Total Unsecured Public Funds	1,092,848
Collateral Pledged	(1,397,500)
Over Collateralized	\$ (304,652)

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments

The following is a reconciliation of the investments being reported by the State Treasurer in the financial statements:

**Primary Government Investments
Office of the State Treasurer
(Expressed in Thousands)**

Fund	Balance at June 30, 2008
General Fund	\$ 126,836
State Treasurer External Trust Fund	5,484,032
Total Investments	\$ 5,610,868

Cities, counties, and other non-state agencies invest monies in the State Treasurer external Local Government Investment Pool (LGIP). The LGIP 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 LGIP investments are monitored by the same investment committee and adheres to the same policies and procedures that apply to all other state investments. The Pool does not have unit shares. Per Section 6-10-10.1F, 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.

The investment policy is a comprehensive guide governing the investment functions of the New Mexico State Treasurer with respect to all financial assets of the State of New Mexico invested by the State Treasurer in the exercise of his authority and for which the State Treasurer acts as the investing authority. These assets include, as examples only, the State General Fund, the Local Government Investment Pool, bond proceeds, bond debt service

funds, and those pension and permanent funds and other special funds with respect to which the State Treasurer is the investing authority.

The investment policy and the public finance investment decisions of the State Treasurer must serve and satisfy several fiduciary, fiscal, and financial obligations. In making these decisions and in resolving any conflict or competing considerations that may arise from time to time among these obligations, the State Treasurer will observe the following priority:

Preservation of Principal
Maintenance of Liquidity
Maximum Return

The scope of investment authority of the State Treasurer is defined by law. The applicable investment statutes, principally Sections 6-10-10, 6-10-25, 6-10-26, 6-10-37, 6-10-44, and 6-14-10.1, New Mexico Statutes Annotated (NMSA) 1978, as well as Article VIII, Section 4 of the New Mexico Constitution, specify particular types of investments that may be made by the State Treasurer, and they establish certain prerequisites, limitations, and other requirements relating to such investments. The following investment types are statutorily authorized:

- U.S. Government Obligations
- Commercial Paper
- Corporate Bonds
- Asset-Backed Obligations
- Repurchase Agreements
- Bank, Savings and Loan Association, or Credit Union Deposits
- Variable Rate Notes
- Tax Exempt Securities
- Money Market Mutual Funds

Custodial Credit Risk: Custodial credit risk is the risk that the State Treasurer will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the State Treasurer, and are held by either the counterparty or

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

the counterparty's trust department or agent but not in the State Treasurer's name.

The State Treasurer's Investment Policy for safekeeping and custody states that all investment securities purchased by the State, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for the State account will be held free and clear of any lien and all transactions will be conducted in compliance with Section 6-10-10-(O) NMSA 1978, which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports, which list all transactions that occurred during the month, and all securities held for the State at month-end, including the book and market value of holdings. The Fiscal agent and representatives of the custodian responsible for, or in any manner involved

with, the safekeeping, and custody process of the State shall be bonded in such a fashion as to protect from losses from malfeasance and misfeasance.

All investments and collateral securities were held by the State Treasurer or its custodian in the name of the State Treasurer. As of June 30, 2008, the State Treasurer's bank balances were not exposed to custodial credit risk.

Credit Risk: The State Treasurer's fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub-assets and/or as outlined in each portfolio manager contract. The quality rating of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2008, are as follows:

Primary Government Investments
Quality Rating of Investments
(Expressed in Thousands)

Quality Rating	Fair Value	Percentage of Portfolio
AAA:		
U.S. Government Agency Obligations	\$ 2,655,098	47.3%
Institutional Money Market Funds	1,232,593	22.0%
A-1+:		
Commercial Paper	222,084	4.0%
AA:		
Corporate Bonds	236,711	4.2%
Not Rated and Other:		
Overnight Repurchase Pool	1,025,000	18.3%
Short-term Government Notes and CDs	238,800	4.2%
Cash in Bank	582	-
Grand Total	\$ 5,610,868	100.0%

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. It is the policy of the State to diversify its investments portfolios. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The following diversification limitations shall be imposed on the portfolio:

1. Investment maturities will be staggered to avoid undue concentration of assets in a specific maturity sector and to reflect cash flow requirements.
2. Investments in callable instruments are permitted for the State General Fund, but the amount invested in callable instruments should not exceed the range of 20.0 to 25.0 percent of the total amount invested from the State General Fund.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

3. The maximum level of CD deposits for the entire portfolio shall be \$350 million with not more than \$30 million in any single financial institution. The State Board of Finance urges banks to loan this money out to their respective local communities to spur economic development.
 4. Investments in commercial paper, corporate bonds, and asset-backed obligations shall not exceed forty percent of assets of a fund. Commercial paper and corporate bonds shall be limited, per issuer, to five percent of each portfolio.
 5. Investments purchased with Tax Revenue Anticipation Note proceeds will be excluded from State General Fund investments for the purpose of determining investment allocation limits.
 6. Investments in U.S. Agency securities issued by a single agency shall be limited to 35.0 percent of the combined portfolios and investment in repurchase agreements from any single provider shall be limited to 25.0 percent of the combined portfolios.
 7. Investment in rule 2a-7 compliant money market mutual funds shall be limited to five percent of that money market mutual fund.
- Investments greater than five percent with a single issuer include the following:

Primary Government Investments
Single Issuer Investments Greater Than Five Percent
(Expressed in Thousands)

Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Agency Obligations:		
FHLB	\$ 719,337	12.8%
FHLMC	848,872	15.1%
FNMA	732,061	13.1%
FFCB	140,787	2.5%
Tennessee Valley Authority	5,967	0.1%
SLGS	20,687	0.4%
U.S. Treasuries	187,387	3.3%
Overnight Repurchase Pool	1,025,000	18.3%
Corporate Bonds	236,711	4.2%
Commercial Paper	222,084	4.0%
Institutional Money Market	1,232,593	22.0%
Short-term Government Notes and CDs	238,800	4.2%
Cash in Bank	582	-
Grand Total	\$ 5,610,868	100.0%

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The State Treasurer recognizes that any portfolio of marketable investment securities is subject to interest rate risk. The State Treasurer, in an attempt to limit the possibility of loss due to interest rate fluctuations, will attempt to match investments with anticipated cash requirements. The State Treasurer or designee shall give particular emphasis to the following factors

when selecting a specific security for inclusion in the portfolio:

1. Relative Yield to Maturity: Comparison of return available from alternative investment media for comparable maturity dates.
2. Marketability: Analysis of relative marketability of alternative investments in case of forced sale and/or possibility of future trades.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

3. Intermarket Yield Analysis: Analysis of the spread relationship between sectors of the market (e.g. Treasury Bonds or Bills versus Agency Bonds or Discount Notes), to take advantage of aberrations in yield differentials.
4. Yield Curve Analysis: Analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.
5. General Economic and Interest Rate Outlook: Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

Maturities on investment are as follows:

**Primary Government Investments
Maturities on Investments
(Expressed in Thousands)**

Quality Rating	Fair Value	Maturities	
		Less Than 1	1 – 5 Years
AAA:			
U.S. Government Agency Obligations	\$ 2,655,098	\$ 1,331,066	\$ 1,324,032
Institutional Money Market Funds	1,232,593	1,232,593	-
A-1+:			
Commercial Paper	222,084	222,084	-
AAA:			
Corporate Bonds	41,903	31,644	10,259
AA:			
Corporate Bonds	129,504	9,986	119,518
A:			
Corporate Bonds	65,304	-	65,304
Not Rated and Other:			
Overnight Repurchase Pool	1,025,000	1,025,000	-
Short-term Government Notes and CDs	238,800	238,800	-
Cash in Bank	582	582	-
Grand Total	\$ 5,610,868	\$ 4,091,755	\$ 1,519,113

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's investment policy does not have a specific policy on foreign currency risk. However, the listing of permissible investments included descriptions on the limitations related to each investment type.

All holdings at June 30, 2008, were denominated in United States dollars.

Securities Collateral

The State's Investment Policy states that no such contract shall be invested in unless the contract is fully secured by deliverable obligations of the United States or other securities backed by the United States having a market value of at least 102.0 percent of the

amount of the contract. The State's collateral requirements follow:

1. The market value of the 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 securities held as collateral slips below 102.0 percent of the value of the cash transferred, then additional cash and/or acceptable securities must be delivered to the third party custodian sufficient to cure any deficiency; and
2. For repurchase agreements with terms to maturity of greater than one (1) day, the

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

State will value the collateral securities continuously and require that, if additional collateral is required, then that 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

3. 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.

Credit Ratings and concentration of risk on collateral securities are as follows:

Primary Government Investments
Collateral Securities with Single Issuer Greater Than Five Percent
(Expressed in Thousands)

Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Agency Obligations	\$ 1,025,000	100.0%
Grand Total	\$ 1,025,000	100.0%

Maturities on collateral securities are as follows:

Primary Government Investments
Maturities on Collateralized Securities
(Expressed in Thousands)

Quality Rating	Fair Value	Maturities		
		1-5 Years	1-10 Years	11-20 Years
AAA:				
U.S. Government Mortgage Backed Securities	\$ 1,025,000	\$ -	\$ -	\$ 1,025,000
Grand Total	\$ 1,025,000	\$ -	\$ -	\$ 1,025,000

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

State Investment Council (Council)

In accordance with Section 6-8, NMSA 1978, the Council is authorized to invest in domestic and international stocks, debt obligations of the U.S. government, its agencies, or instrumentalities, debt obligations of any U.S. or foreign corporation, partnerships, or trusts with an investment-grade rating from a national rating service, real estate investments, national private equity investments, repurchase agreements secured by U.S. obligations or other securities backed by the U.S., and hedge funds.

The following is a reconciliation of the how the investments are being reported by the Council in the financial statements:

Primary Government Investments State Investment Council (Expressed in Thousands)	
Fund	Balance at June 30, 2008
General Fund	\$ 102,706
Severance Tax Permanent Fund	4,285,220
Land Grant Permanent Fund (Governmental Activities)	724,455
Educational Institutions	1,068,505
State Investment Council External Trust Fund	630,718
Land Grant Permanent Fund Private Purpose Trust Fund	8,799,621
Water Trust Fund	45,505
Total Reported by State Investment Council	\$ 15,656,730

Credit Risk – Debt Investments. Currently, the Council does not have a policy for the Core Bond Pool stating that securities must be rated investment grade by one or more national rating agencies at the time of purchase. The High-Yield Pool 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 staff.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The Council's investments and their exposure to credit risk at June 30, 2008 are as follows:

Primary Government Investments State Investment Council Quality Rating of Investments (Expressed in Thousands)		
Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings:		
Asset Backed Securities	AAA	\$ 16,914
Commercial Mortgage Backed	AAA	44,683
Corporate Bonds	AAA	11,176
Nongovernment Backed C.M.O.s	AAA	117,472
Asset Backed Securities	A	14,689
Investments Subject to Credit Risk - S&P Ratings		<u>204,934</u>
Investments Subject to Credit Risk - Moody Ratings:		
Asset Backed Securities	Aaa	285,005
Commercial Mortgage Backed	Aaa	112,804
Corporate Bonds	Aaa	16,989
Government Agencies	Aaa	113,675
Government Bonds	Aaa	455,850
Nongovernment Backed C.M.O.s	Aaa	128,450
Asset Backed Securities	Aa	190,915
Corporate Bonds	Aa	238,226
Other Fixed Income	Aa	14,949
Asset Backed Securities	A	126,896
Corporate Bonds	A	90,869
Asset Backed Securities	Baa	74,766
Corporate Bonds	Baa	241,510
Asset Backed Securities	Ba	42,346
Nongovernment Backed C.M.O.s	Baa	44,645
Asset Backed Securities	B	1,152
Investments Subject to Credit Risk - Moody Ratings		<u>2,179,047</u>
Investments Subject to Credit Risk - Not Rated:		
Asset Backed Securities	Not rated	81,827
Bank Deposits	Not rated	443,697
Commercial Paper	Not rated	279,903
Corporate Bonds	Not rated	251,853
Government Bonds	Not rated	9,919
Municipal/Provincial Bonds	Not rated	2,750
Nongovernment Backed C.M.O.s	Not rated	2
Short Term Investment Funds	Not rated	238,095
Investments Subject to Credit Risk - Not Rated		<u>1,308,046</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

**Primary Government Investments
State Investment Council
Quality Rating of Investments (Continued)
(Expressed in Thousands)**

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Not Subject to Credit Risk:		
Private Equity, Equity Securities, and Real Estate	N/A	11,333,067
NM Film Investments	N/A	155,701
Government Agencies	N/A	55,441
Government Mortgage Backed Securities	N/A	420,454
Mortgage Loans	N/A	40
Investments Not Subject to Credit Risk		<u>11,964,703</u>
Total Investments		<u>\$ 15,656,730</u>

Interest Rate Risk. The Council 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. A summary of the investments at June 30, 2008 and their exposure to interest rate risk are as follows:

**Primary Government Investments
State Investment Council
Maturities on Investments
(Expressed in Thousands)**

<u>Investment</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 Years</u>	<u>Greater than 10 years</u>
Investments Subject to Interest Rate Risk:					
Corporate Bonds	\$ 850,623	\$ 517,964	\$ 212,732	\$ 27,173	\$ 92,754
Asset Backed Securities	834,510	-	230,221	175,262	429,027
Commercial Paper	279,903	279,903	-	-	-
Nongovernment Backed C.M.O.s	290,569	-	-	59,781	230,788
Government Bonds	465,769	35,442	59,418	166,514	204,395
Government Mortgage Backed Securities	420,453	-	7,879	1,403	411,171
Commercial Mortgage Backed	157,487	-	-	-	157,487
Bank Deposits	443,697	443,697	-	-	-
Government Agencies	169,118	95,300	12,927	47,042	13,849
Short Term Bills and Notes	238,094	236,263	1,831	-	-
Other Fixed Income	14,949	-	14,949	-	-
Municipal/Provincial Bonds	2,750	-	-	-	2,750
Investments Subject to Interest Rate Risk	<u>4,167,922</u>	<u>\$ 1,608,569</u>	<u>\$ 539,957</u>	<u>\$ 477,175</u>	<u>\$ 1,542,221</u>
Investments Not Subject to Interest Rate Risk:					
Securities, Equity, Real Estate, and NM Film Investments	<u>11,488,808</u>				
Total Investments	<u>\$ 15,656,730</u>				

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Concentration of Credit Risk. As of June 30, 2008, the Council was not exposed to concentration of credit risk as no single issuer represented five percent of total investments.

Foreign Currency Risk. This risk is eliminated in the Core Bond and High-Yield Bond pools by adhering to the Council's policy that all securities be denominated in U.S. dollars, and is managed in the equity pools by limiting the size of the internationally-invested funds.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

A summary of the investments at June 30, 2008 and their exposure to foreign currency risk are as follows:

Primary Government Investments State Investment Council Foreign Currency Risk International Investment Securities at Fair Value (Expressed in Thousands)			
Investment	Foreign Currency	Amounts	% of Total Investments
Common Stock	Australian Dollar	\$ 54,454	0.3%
Common Stock	Brazilian Real	29,148	0.2%
Common Stock	British Pound Sterling	179,305	1.0%
Common Stock	Danish Krone	8,230	0.0%
Common Stock	Euro	275,477	1.8%
Common Stock	Hong Kong Dollar	56,192	0.4%
Common Stock	Indian Rupee	22,398	0.1%
Common Stock	Indonesian Rupiah	20,483	0.1%
Common Stock	Japanese Yen	170,373	1.1%
Common Stock	Mexican Peso	24,443	0.2%
Common Stock	New Israeli Shekel	32,937	0.2%
Common Stock	New Taiwan Dollar	91,766	0.6%
Common Stock	New Zealand Dollar	756	0.0%
Common Stock	Norwegian Krone	8,997	0.0%
Common Stock	Philippine Peso	3,794	0.0%
Common Stock	Polish Zloty	7,264	0.0%
Common Stock	Singapore Dollar	9,622	0.1%
Common Stock	South African Rand	62,059	0.4%
Common Stock	South Korean Won	159,349	1.0%
Common Stock	Swedish Krona	17,458	0.1%
Common Stock	Swiss Franc	57,451	0.3%
Common Stock	Thai Baht	52,109	0.3%
Common Stock	Turkish Lira	13,472	0.1%
Cash and Cash Equivalents	Argentine Peso	77	0.0%
Cash and Cash Equivalents	British Pound Sterling	619	0.0%
Cash and Cash Equivalents	Czech Koruna	99	0.0%
Cash and Cash Equivalents	Euro	1,704	0.0%
Cash and Cash Equivalents	Hong Kong Dollar	400	0.0%
Cash and Cash Equivalents	Hungarian Forint	118	0.0%
Cash and Cash Equivalents	Indian Rupee	49	0.0%
Cash and Cash Equivalents	Japanese Yen	1,234	0.0%
Cash and Cash Equivalents	Nakatsub Rubggut	2,723	0.0%
Cash and Cash Equivalents	Mexican Peso	184	0.0%
Cash and Cash Equivalents	New Israeli Shekel	214	0.0%

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

**Primary Government Investments
State Investment Council
Foreign Currency Risk (Continued)
International Investment Securities at Fair Value
(Expressed in Thousands)**

Investment	Foreign Currency	Amounts	% of Total Investments
Cash and Cash Equivalents	New Taiwan Dollar	\$ 932	0.0%
Cash and Cash Equivalents	New Zealand Dollar	8	0.0%
Cash and Cash Equivalents	Norwegian Krone	21	0.0%
Cash and Cash Equivalents	Polish Zloty	254	0.0%
Cash and Cash Equivalents	Singapore Dollar	31	0.0%
Cash and Cash Equivalents	South African Rand	283	0.0%
Cash and Cash Equivalents	South Korean Won	854	0.0%
Cash and Cash Equivalents	Swedish Krona	51	0.0%
Cash and Cash Equivalents	Turkish Lira	83	0.0%
Partnerships	Euro	197,071	1.2%
Preferred Stock	Brazilian Real	73,229	0.4%
Preferred Stock	South Korean Won	18,277	0.1%
Preferred Stock	Euro	3,398	0.0%
Rights/Warrants	Euro	26	0.0%
Rights/Warrants	British Pound Sterling	24	0.0%
Foreign Currency Investments and Cash and Cash Equivalents		1,659,500	10.0%
Nonforeign Currency Investments and Cash and Cash Equivalents		13,997,230	90.0%
Total Investments and Cash and Cash Equivalents		\$ 15,656,730	100.0%

Pension Benefits Fiduciary Funds

The following is a reconciliation of the investments being reported by the pension plans in the financial statements:

**Primary Government Investments
Public Employees Retirement Association and Educational Retirement
(Expressed in Thousands)**

Fund	Balance at June 30, 2008
Magistrate Retirement Fund	\$ 41,515
Public Employees Retirement Fund	13,708,414
Judicial Retirement Fund	93,139
Volunteer Firefighters Retirement Fund	51,883
Deferred Comp	316,155
Educational Employees' Retirement System	9,575,762
Total Investments	\$ 23,786,868

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Custodial Credit Risk. All of the Public Employees Retirement Association's (PERA) and Educational Retirement Board's (ERB) securities are held by the third party custodian, independent of any Counterparty; therefore, there is no risk that PERA and ERB will not be able to recover the value of its investments or collateral securities held by a Counterparty.

PERA's investment policy specifically defines the custodian's duties as it pertains to holding of the assets, collection of income generated from the assets, and providing assistance to PERA for the accounting of said assets.

ERB's investment policy limits holding of securities by counterparties to those involved with securities lending. In the event of the failure of the counterparty to deliver back the borrowed securities, ERB will sell the collateral securities and offset any gains or losses with the counterparty.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments exposed to custodial credit risk are as follows:

Primary Government Investments
Public Employees Retirement Association and Educational Retirement Board
Custodial Credit Risk
(Expressed in Thousands)

Asset Type	Held in the Name of the Fund by the Fund's Custodian Bank	Custody Arrangements Contracted by Fund Manager	Total
Fixed Income Investments:			
U.S. Government Bonds and Agency Securities	\$ 258,768	\$ -	\$ 258,768
International Government Bonds and Agency Securities	118,150	-	118,150
U.S. Municipal Bonds	13,391	-	13,391
International Municipal Bonds	4,298	-	4,298
Corporate Bonds	865,038	-	865,038
International Corporate Bonds	21,252	-	21,252
U.S. Government Mortgage Backed Securities	1,337,758	-	1,337,758
Commercial Mortgage Backed Securities	310,736	-	310,736
Asset Backed Securities	240,315	-	240,315
Nongovernment C. M. O. s	195,165	-	195,165
Domestic Corporate Conv. Bonds	3,925	-	3,925
Index Linked Government Bonds	19,175	-	19,175
Total Fixed Income Investments	<u>3,387,971</u>	<u>-</u>	<u>3,387,971</u>
Equities:			
International Common Stock	3,034,098	-	3,034,098
Domestic Common Stock	4,426,239	-	4,426,239
U.S. Venture Capital & Partnerships	991,843	-	991,843
Other Alternative Investments	287,160	-	287,160
Other Equity Assets	2,002	-	2,002
International Preferred Stock	59,765	-	59,765
Domestic Preferred Stock	42,887	-	42,887
Domestic Convertible Equity	159	-	159
Domestic Unit Trust	1,214	-	1,214
International Unit Trust	9,793	-	9,793
Domestic Rights/Warrants	14,862	-	14,862
International Rights/Warrants	378	-	378
Total Equities	<u>8,870,400</u>	<u>-</u>	<u>8,870,400</u>
Securities Lending	-	1,629,994	1,629,994
Total Investments	<u>\$ 12,258,371</u>	<u>\$ 1,629,994</u>	<u>\$ 13,888,365</u>

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Credit Risk: PERA's investment policy restricts investments to specific investment ratings issued by nationally recognized statistical rating organizations. ERB requires that noncash, interest-paying securities in the high-yield bond portfolios may not exceed five percent of the market value of the portfolio and that

investments in cash may represent no more than five percent of each individual fund. Credit risk is managed through diversification and by operating within defined parameters versus a benchmark index.

Investments exposed to credit risk are as follows:

Primary Government Investments
Public Employees Retirement Association and Educational Retirement Board
Quality Ratings of Investments
(Expressed in Thousands)

Investment	S&P Rating	Market Value
Government Bonds	AAA	\$ 399,155
	A	7,100
	BAA	3,710
	BBB	17,835
	BBB	3,423
	Not Rated	22,829
	U.S.Gov. Guaranteed	14,831
Total Government Bonds		<u>468,883</u>
Government Agencies	AAA	112,585
	AA	10,332
	A	2,882
	BBB	1,431
	Not Rated	9,303
	U.S.Gov. Guaranteed	7,427
Total Government Agencies		<u>143,960</u>
Municipal Agencies	AAA	5,738
	AA	640
	BBB	13,140
Total Municipal Agencies		<u>19,518</u>
Corporate Bonds	AAA	326,485
	AA	219,724
	A	372,719
	BAA	216,474
	BA	89,724
	BBB	275,183
	BB	116,881
	B	364,565
	CAA	59,110
	CA	4,501
	CCC	27,308
	CC	2,533
	C	714
	Not Rated	67,956
Total Corporate Bonds		<u>2,143,877</u>

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Primary Government Investments
Public Employees Retirement Association and Educational Retirement Board
Quality Ratings of Investments (Continued)
(Expressed in Thousands)

Investment	S&P Rating	Market Value
Government Mortgage Backed Securities	AAA	\$ 623,439
	Not Rated	13,750
	U.S.Gov. Guaranteed	1,318,796
Total Government Mortgage Backed Securities		<u>1,955,985</u>
Commercial Mortgage Backed Securities	AAA	394,169
	AA	21,093
	A	3,656
	BAA	544
	BBB	1,511
	Not Rated	43,837
Total Commercial Mortgage Backed Securities		<u>464,810</u>
Asset Backed Securities	AAA	245,989
	AA	26,053
	A	9,307
	BAA	1,446
	BA	1,563
	BBB	3,844
	BB	1,495
	B	2,155
	CAA	156
	Not Rated	7,919
Total Asset Backed Securities		<u>299,927</u>
Index Linked Government Bonds	AAA	87,292
	U.S.Gov. Guaranteed	1,941
Total Index Linked Government Bonds		<u>89,233</u>
Corporate Convertible Bonds	BBB	98
	BB	894
	B	2,933
	CAA	86
Total Corporate Convertible Bonds		<u>4,011</u>
Nongovernment Backed C.M.O.s	AAA	221,756
	AA	14,164
	A	2,007
	BAA	3,952
	Not Rated	20,139
Total Nongovernment Backed C.M.O.s		<u>262,018</u>

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Primary Government Investments
Public Employees Retirement Association and Educational Retirement Board
Quality Ratings of Investments (Continued)
(Expressed in Thousands)

<u>Investment</u>	<u>S&P Rating</u>	<u>Market Value</u>
Fixed Income Derivatives - Options	Not Rated	<u>\$ (224)</u>
Total Fixed Income Derivatives - Options		<u>(224)</u>
Total investments Subject to Credit Risk		<u>5,851,998</u>
Other Investments not Subject to Credit Risk		<u>17,934,870</u>
Total Investments		<u>\$ 23,786,868</u>

Interest Rate Risk: PERA's interest rate risk is controlled by the duration guidelines provided in the Investment Guidelines for each fixed income manager. The Investment Guidelines are attached to each investment manager's contract, or Professional Services Agreement (PSA), with PERA. Duration is loosely defined as the dollar weighted average time to recover all of principal and fixed-income investment. PERA's fixed-income managers are typically limited to duration of plus or minus one year or 20.0 percent of the duration of the applicable portfolio benchmark. Such limitations are contained in the Investment Guidelines of all fixed income managers.

ERB does not have a policy for interest rate risk management. However, interest rate risk is managed through duration by operating within defined risk parameters versus a benchmark index.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments and their maturities at June 30, 2008 and their exposure to interest rate risk are as follows:

Primary Government Investments
Public Employees Retirement Association and Educational Retirement Board
Maturities on Investments
(Expressed in Thousands)

<u>Investment</u>	<u>WAM in Years *</u>	<u>Market Value</u>
Corporate Bonds	12.075	\$ 886,289
Government Mortgage Backed Securities	25.321	1,055,279
Asset Backed Securities	15.538	240,315
Government Bonds	8.762	302,232
Commercial Mortgage Backed Securities	32.032	310,736
Nongovernment Backed C.M.O.s	29.035	195,165
Government Agencies	9.824	74,685
Index Linked Government Bonds	15.804	19,175
Short Term Bills and Notes	0.266	4,220
Commercial Paper	0.041	5,195
Corporate Convertible Bonds	10.146	3,925
Municipal Bonds	12.158	17,689
U.S. Treasury Securities	6.740	166,651
U.S. Government and Agency Obligations	4.000	764,777
Corporate Obligations	5.920	1,257,450
Asset and Mortgage Backed Securities	3.450	280,539
Short Term Investments	0.450	346,042
Total Investments Subject to Interest Rate Risk		<u>\$ 5,930,364</u>

* Weighted Average Maturity

Concentration of Credit Risk: PERA's policy over concentration of credit risk is contained in each investment managers' Investment Guidelines.

At June 30, 2008, PERA did have the following investments greater than five percent:

Macquaire Group LTD	6.9%
Federal National Mortgage Association	5.6%

ERB's investment policies stipulate that investments in the securities of any one corporation may not exceed two percent of the market value of the total fund. As of June 30, 2008, ERB was not exposed to any concentration risk greater than two percent.

Foreign Currency Risk: PERA's investment managers responsible for investing in non-U.S. equities are benchmarked to an index that is half-hedged. The benchmark is contained in each

investment manager's Investment Guidelines, which are attached to each investment manager's contract or Professional Services Agreement (PSA).

Foreign currency risk is present in ERB's investment in foreign equity securities. Managers of these assets are given discretion to hedge this risk. The maximum exposure to foreign currency risk as of June 30, 2008 was approximately \$1,984,666.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Investments exposed to foreign currency risk by
currency and their respective values at June 30, 2008:

Public Employees Retirement Association and Educational Retirement Board
Foreign Currency Risk
International Investment Securities at Fair Value
(Expressed in Thousands)

Foreign Currency	Market Value of Investments - By Type			Cash and Cash Equivalents
	Equity	Fixed Income	Total	
Argentine Peso	\$ 3,598	\$ -	\$ 3,598	\$ 1
Australian Dollar	231,224	4,298	235,522	1,424
Austrian Schilling	1,800	-	1,800	-
Bahrain Dinar	548	-	548	-
Belgian Franc	16,360	-	16,360	-
Botswana Pula	362	-	362	-
Brazilian Real	119,508	6,127	125,635	151
British Pound Sterling	761,361	365	761,726	1,629
Canadian Dollar	67,246	1,091	68,337	1,211
Chilean Peso	7,228	-	7,228	386
Chinese Yuan Renminbi	34,147	-	34,147	162,404
Colombian Peso	811	-	811	-
Croatian Kuna	1,505	-	1,505	-
Czech Koruna	8,453	-	8,453	7
Danish Krone	47,495	-	47,495	244
Egyptian Pound	724	-	724	25
Euro	1,011,713	46,572	1,058,285	16,460
Finnish Markkaa	6,228	-	6,228	-
French Franc	124,766	-	124,766	-
German Deutsche Mark	119,783	-	119,783	-
Ghanian	728	-	728	-
Greek Drachma	8,993	-	8,993	1,257
Hong Kong Dollar	113,953	-	113,953	1,581
Hungarian Forint	5,721	-	5,721	57
Iceland Krona	-	290	290	-
Indian Rupee	12,855	-	12,855	571
Indonesian Rupiah	19,728	3,670	23,398	10
Irish Pound	1,800	-	1,800	-
Italian Lira	34,905	-	34,905	-
Japanese Yen	769,666	-	769,666	8,450
Kenyan Shilling	1,789	-	1,789	5
Latvian Lat	691	-	691	-
Lithuanian Lita	1,380	-	1,380	1
Luxembourg Franc	20,908	-	20,908	-
Malaysian Ringgit	6,477	17,064	23,541	2,043

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Primary Government Investments
Public Employees Retirement Association and Educational Retirement Board
Foreign Currency Risk (Continued)
International Investment Securities at Fair Value
(Expressed in Thousands)

Foreign Currency	Market Value of Investments - By Type			Cash and Cash Equivalents
	Equity	Fixed Income	Total	
Mauritanian Rupee	\$ 1,979	\$ -	\$ 1,979	\$ -
Mexican Peso	35,930	7,408	43,338	399
Moroccan Dirham	2,857	-	2,857	-
Netherlands Guilder	52,846	-	52,846	-
New Israeli Shekel	33,684	-	33,684	239
New Taiwan Dollar	83,380	-	83,380	495
New Zealand Dollar	1,613	2,335	3,948	189
Norwegian Krone	66,515	17,225	83,740	3,389
Pakistan Rupee	1,023	-	1,023	-
Peruvian Nuevo Sol	4,161	-	4,161	-
Philippine Peso	6,922	-	6,922	28
Polish Zloty	13,707	-	13,707	88
Portuguese Escudo	4,800	-	4,800	-
Russian Ruble	34,279	-	34,279	-
Singapore Dollar	49,909	4,438	54,347	693
South African Rand	65,853	2,139	67,992	364
South Korean Won	141,036	11,615	152,651	554
Spanish Peseta	37,606	-	37,606	-
Swedish Krona	69,918	19,063	88,981	1,959
Swiss Franc	246,933	-	246,933	1,075
Thai Baht	36,092	-	36,092	-
Turkish Lira	13,393	-	13,393	147
United Arab Emirates Dirham	940	-	940	-
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk	\$ 4,569,830	\$ 143,700	\$ 4,713,530	\$ 207,536

Securities Lending

The State Investment Council, as well as the State Public Employee Retirement Association and the State Educational Retirement Board, participate in securities lending programs as authorized by State statute and their respective Board policies. The types of securities lent are U.S. Treasury Notes and Bonds, U.S. and international equity securities, and corporate bonds and notes. Under these programs, securities are transferred to an independent broker-dealer or other lending agent in exchange for collateral in the form of cash, government securities, and/or

irrevocable bank letters of credit, with a simultaneous agreement to return the collateral for the same securities in the future. The collateral must equal at least 102.0 percent of the market value of the securities. Each entity's Board has developed a policy regarding the restrictions on amounts, which may be loaned.

At June 30, 2008, none of the State entities had credit risk exposure because the amounts the entities owed the borrowers exceeded the amounts the borrowers owed the entities. Each of the entities may invest the cash collateral in eligible securities or other

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

investments as defined in the governing securities lending agreement. The duration of investments so made does not generally match the maturities of securities loaned. Securities received as collateral may not be pledged or sold without borrower default.

Total securities on loan at June 30, 2008 had a carrying amount and fair value of \$4.367 billion. Under the agreements, the lending agents are required to indemnify the entity if the borrower fails to return the securities, if collateral is inadequate to replace the securities lent, or if the counterparty fails to pay the entity for income distributions by the securities' issuers while the securities are on loan. There were no such losses during the year ended June 30, 2008 due to borrower default.

Derivatives

Derivatives are generally defined as contracts whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. The following provides information about derivatives held in the investment portfolio:

Government Agency Mortgage-backed Securities – As of June 30, 2008, the investment portfolios, excluding securities lending collateral investments, included mortgage-backed securities issued by agencies of the United States government of \$1,338 million at fair value. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the State will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to the change in interest rates, mortgage loan

prepayments depend on other factors such as loan types and geographic location of the related properties.

Corporate Asset-backed Securities – As of June 30, 2008, the investment portfolio, excluding securities lending collateral investment, included corporate asset-backed securities with a fair value of \$240 million. These securities represent interests in various trusts consisting of pooled financial assets conveyed by the issuing parties. The ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Forward Currency Contracts – The State may enter into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. At June 30, 2008, the State had outstanding forward exchange currency contracts to purchase foreign currencies of \$1,968 million and to sell foreign currencies of \$1,968 million. The market values of these outstanding contracts at June 30, 2008, were \$1,975 million and \$1,973 million, respectively. These contracts are not reflected in the Statement of Plan Net Assets. Gains and losses on forward currency may occur to the extent that the market value of the contracts varies from the actual contract amount and are recorded as incurred.

Futures Contracts – The State enters into futures contracts in the normal course of its investing activities to manage market risk associated with the equity and fixed income investments and to achieve overall investment portfolio objectives. These contracts involve elements of market risk in excess of amounts recognized in the statements of net assets

STATE OF NEW MEXICO

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

available for benefits. The credit risk associated with these contracts is minimal as they are traded on organized exchanges and settled daily.

During 2008, the State was a party to futures contracts held for trading purposes for U.S. Treasury bonds and 90-day Euro dollar fixed income futures. Upon entering into a futures contract, the State is required to deposit, either in cash or securities an amount ("initial margin") equal to a certain percentage of the nominal value of the contract. Subsequent payments are then made or received by the State, depending on the daily fluctuation in the value of the underlying contracts. FNMA Discount Notes owned and included in the investments of the State, with a value of approximately \$1.9 million at June 30, 2008, were held by the State's brokers as performance security on futures contracts.

Summary of Outstanding Futures Contracts

	No. of Contracts	Notional Amount (In Thousands)	Fair Value (In Thousands)
Futures Contracts - Long	944	\$ 123,257	
Futures Contracts - Short	885	885,000	
Margin Deposit		\$ 1,941	

Options – An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from ("call option"), or sell to ("put option"), the writer a designated instrument at a specified price within a specified period of time. Both written and purchased options were used by the State during 2008. When the State purchases or writes an option, an amount equal to the premium paid or received by the State is recorded as an asset or liability and is subsequently adjusted to the current market value of the option purchased or written. Gain or loss is recognized when the option contract

expires or is closed. As of June 30, 2008, the value of open written and purchased options was approximately \$452 and \$457, respectively.

Swap Contracts – Swap contracts are executed on a number of different bases. The two types employed by the State on June 30, 2008, were interest rate swap contracts and credit default swap contracts. An interest rate swap contract is an agreement between two parties to exchange periodic interest payments. One party agrees to make payments to the other based on a fixed rate of interest in exchange for payments based on a variable rate. The State employs interest rate swap contracts to adjust fixed income portfolio durations. A credit default swap contract is similar to an insurance policy, with the credit risk of an individual issuer or a basket of issuers (the "reference asset") the insured factor. Under such a contract, two parties enter into an agreement whereby the first party pays the second party a fixed periodic payment for the specified life of the contract (analogous to an insurance premium). The other party makes no payment unless a credit event related to the reference asset occurs. If such an event takes place, the second party is obligated to make a payment to the first party. The size of the payment is linked to the decline in the reference asset's market value following determination of the occurrence of a credit event.

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Education Trust Board (ETB)

Investment Risk: All of the Plan's investments are uninsured and unregistered and are held by a counterparty in the Education Trust Board's (ETB) name. The ETB's plan description and participation agreement provides greater detail about the investment policies and practices of the ETB. The ETB does not have formal policies for limiting its exposure to the risks noted below.

Custodial Credit Risk: The ETB's investments are generally in mutual funds, thus this risk is significantly mitigated.

Credit Risk: The ETB invests directly in pooled vehicles of various investment companies. The respective Underlying Fund's prospectus provides greater detail about the investment strategies and practices of the Underlying Funds, in compliance with federal regulations and specifically, the Form N-IA of the Investment Company Act of 1940, which focuses on disclosure to the investing public of information and policies about the Underlying Funds and its investment objectives, as well as on investment company structure and operations.

Credit ratings for the underlying fixed income funds at June 30, 2008 are as follows:

	<u>Weighted Credit Rating</u>
Oppenheimer Strategic Income	A
Oppenheimer Core Bond Fund	AA
Oppenheimer Limited Term Government Fund	AAA
Oppenheimer International Bond Fund	AA

Interest Rate Risk: The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the ETB's net asset values. As of June 30, 2008, the Portfolios held

investments in bond fixed income mutual funds totaling \$612,340.

Duration of years for the underlying fixed income funds at June 30, 2008 are as follows:

<u>Holding</u>	<u>Duration</u>
Oppenheimer Strategic Income	4.8
Oppenheimer Core Bond Fund	5.1
Oppenheimer Limited Term Government Fund	2.1
Oppenheimer International Bond Fund	5.0

Foreign Currency Risk: The ETB does invest in various foreign currencies in pooled vehicles. However, the respective Underlying Fund's prospectus provides greater detail about the investment policies and practices of the Underlying Fund, in compliance with federal regulations and specifically, the Form N-IA of the Investment Company Act of 1940, which focuses on disclosure to the investing public of information about the Underlying Fund and its investment objectives, as well as on investment company structure and operations.

Discrete 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 NMFA. The repurchase agreements are overnight only. The following is a reconciliation of cash and cash equivalents to the financial statements.

New Mexico Finance Authority Cash and Cash Equivalents (Expressed in Thousands)

	<u>Carrying Balance</u>
Cash with State Treasurer	\$ 169,263
Bank Accounts	330,684
Total	<u>\$ 499,947</u>

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

As of June 30, 2008, the bank balance for the above accounts was \$499,987.

Funds held for others by trustees represent funds held by financial institutions as trustees and paying agents for 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: 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.

Interest Rate Risk: NMFA's investments are not susceptible to interest rate risk as they are all fully collateralized.

New Mexico Mortgage Finance Authority (NMMFA).

Cash and Cash Equivalents

As of September 30, 2008, the carrying value of cash and cash equivalents include the following:

New Mexico Mortgage Finance Authority Cash and Cash Equivalents (Expressed in Thousands)	
	Carrying Balance
Cash	\$ 17,263
Cash Equivalents not Considered Deposits	257,690
Total	\$ 274,953

Custodial Credit Risk: At September 30, 2008, NMMFA's bank balance was \$17,248. Of this amount, \$110 was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts subject to custodial credit risk as of September 30, 2008 are \$17,138, which consists of \$17,063 collateralized by collateral held by the bank but not in NMMFA's name, and \$75 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.

NMMFA administers public funds for the State Homeless, Innovation in Housing Awards and Weatherization Programs. As required by State law, NMMFA obtains from each bank that is a depository for public funds of which are in repurchase agreements, pledged collateral in an aggregate amount at least equal to 102.0 percent 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, 2008, NMMFA had \$2,432 of public funds on deposit, which are fully collateralized by collateral held by the bank in NMMFA's name.

Investments

Interest and Credit Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value on 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.

NMMFA has securitized mortgage loans that are primarily mortgage loans originated under various bond resolutions, which have been pooled and securitized by a servicer under contract to NMMFA. Upon securitization, these primarily Governmental National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) securities are then purchased by the bonds issue trustee utilizing the proceeds of the respective bonds proceeds. The fixed-rate securitized mortgage loans are sensitive to changes in interest rates, which may result in prepayments of the underlying mortgages.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

NMMFA has the following investments subject to interest rate risk at September 30, 2008:

New Mexico Mortgage Finance Authority Investments
Maturities on Investments
(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in Years)					Not Available
		Less than 1	1-5	6-10	More than 10		
Money Market Funds	\$ 18,888	\$ 18,888	\$ -	\$ -	\$ -	\$ -	-
Money Market Accounts	10	10	-	-	-	-	-
Repurchase Agreements	11,330	11,330	-	-	-	-	-
Guaranteed Investment Contracts	227,462	222,782	2,074	-	2,606	-	-
Internal State Investment Pools:							
State Treasurer	17,006	17,006	-	-	-	-	-
State Investment Council	22,370	-	-	-	-	-	22,370
U.S. Agencies	11,098	7,008	4,090	-	-	-	-
Securitized Mortgage Loans	1,059,060	-	-	3,865	1,055,195	-	-
Total	\$ 1,367,224	\$ 277,024	\$ 6,164	\$ 3,865	\$ 1,057,801	\$ 22,370	

The following table provides information on the credit ratings associated with the NMMFA's investments in debt securities, excluding obligations of the United State government or obligations

explicitly guaranteed by the United States government at September 30, 2008.

NMMFA has the following investments and ratings at September 30, 2008:

New Mexico Mortgage Finance Authority Investments
Quality Rating of Investments
(Expressed in Thousands)

Investment Type	Fair Value	AAA	AA	A	U.S. Government Guaranteed	NR	Not Available
Money Market Funds	\$ 18,888	\$ -	\$ -	\$ -	\$ -	\$ 18,888	-
Money Market Accounts	10	-	-	-	-	10	-
Repurchase Agreements	11,330	-	-	-	-	11,330	-
Guaranteed Investment Contracts	227,462	129,058	88,766	7,503	-	2,135	-
Internal State Investment Pools:							
State Treasurer	17,006	17,006	-	-	-	-	-
State Investment Council	22,370	-	-	-	-	-	22,370
U.S. Agencies	11,098	11,098	-	-	-	-	-
Securitized Mortgage Loans	1,059,060	392,124	-	-	666,936	-	-
Total	\$ 1,367,224	\$ 549,286	\$ 88,766	\$ 7,503	\$ 666,936	\$ 32,363	\$ 22,370

Concentration of Credit Risk: The following issuers and their respective percentage of total investments represent greater than five percent of the NMMFA total investments reported on the balance sheet as of September 30, 2008: GNMA 61.0 percent and FNMA 36.0 percent.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

B. Receivables

Receivables at June 30, 2008, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	<u>Federal</u>	<u>Accounts</u>	<u>Interest</u>	<u>Taxes</u>	<u>Loans</u>	<u>Allowance</u>	<u>Total</u>
Governmental Activities:							
General	\$ 4,399	\$ 19,426	\$ 216	\$ -	\$ -	\$ (292)	\$ 23,749
Education	103,684	646,977	-	-	-	(6,195)	744,466
Health and Human Services	621,397	172,931	-	-	-	(100,230)	694,098
Highway and Transportation	40	57,688	12	78,050	-	(1,361)	134,429
Severance Tax Permanent	-	63,451	-	-	-	-	63,451
Nonmajor Governmental	5,149	127,515	63	190,145	-	(24,637)	298,235
Internal Service	64	17,380	347	-	3,000	(3,116)	17,675
Business-type Activities:							
Educational Institutions	21,769	401,843	-	-	46,991	(143,366)	327,237
Nonmajor Enterprise	147	7,980	2,922	-	162,949	(5,191)	168,807
Fiduciary Funds:							
Pension Trust	-	174,321	1,127	2,198	5,806	-	183,452
External Trust	-	2,999	-	-	-	-	2,999
Private Purpose Trust	-	155,955	-	-	-	-	155,955
Agency	-	471,086	-	1,550,648	-	(631,874)	1,389,860

Accounts receivable balances are an aggregation of amounts due from the federal government, customers, and others. Receivables from customers include charges for services to local governments, fees and fines issued by the courts and corrections, employer contributions for unemployment benefits, and receivables as a result of overpayments to individuals receiving state assistance.

Receivables for fiduciary funds listed above represent amounts due from fiduciary funds that were reclassified as external receivables on the government-wide Statements of Net Assets.

Discrete Component Units

Aggregated receivables for component units at June 30, 2008 and September 30, 2008, were \$1,607,414 and \$220,282, net of an allowance for doubtful accounts of \$1,068 and \$918 for NMFA and NMMFA, respectively.

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

C. Interfund and Interagency Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008 is as follows (in thousands):

	<u>Due From</u>	<u>Due To</u>	<u>In</u>	<u>Out</u>
Governmental Activities:				
General	\$ 1,326,400	\$ 164,562	\$ 963,712	\$ 5,957,979
Education	249,347	4,120	3,082,966	278,909
Health and Human Services	234,098	44,524	1,502,326	209,965
Highway and Transportation	336,081	227,103	165,408	6,350
Appropriated Bond Proceeds Capital Outlay	4,451	303,134	526,310	195,607
Severance Tax Permanent	48,857	-	41,414	185,332
Nonmajor Governmental:				
Special Revenue				
Culture, Recreation, and Natural Resources	22,421	3,784	33,827	23,412
General Control	129,828	27,644	157,877	100,068
Judicial	14,147	272	62,744	127
Public Safety	10,854	13,742	19,611	1,588
Regulation and Licensing	3,707	5,946	17,809	11,976
Bond Proceeds	-	-	-	249,008
Debt Service				
Culture, Recreation, and Natural Resources	279	-	2,890	-
General Control	1	85	29,271	-
General Obligation Bonds	605	-	79,253	4,500
Severance Tax Bonds	42,110	32,582	118,386	467,386
Capital Projects				
Culture, Recreation, and Natural Resources	19,968	96	66,203	5,137
General Control	51,122	1,411	87,820	8,196
Judicial	2,000	-	3,250	950
Public Safety	5,534	1,978	4,227	-
Regulation and Licensing	247	366	27,158	352
Permanent Funds				
Land Grant	188	-	32,481	33,447
Internal Service	20,311	4,558	31,102	8,246
Total Governmental Activities	<u>2,522,556</u>	<u>835,907</u>	<u>7,056,045</u>	<u>7,748,535</u>
Business-Type Activities:				
Educational Institutions	78	-	731,321	-
Nonmajor Enterprise				
Industries for the Blind	-	54	149	-
Corrections Industries Revolving Fund	1,605	-	331	-
Environment Department	2,888	19	1,500	-
New Mexico Magazine	-	268	-	-
New Mexico Public Schools Insurance Authority	-	-	1,228	1,228

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Business-Type Activities (Continued):	\$	\$	\$	\$
New Mexico Lottery Authority	-	2,952	-	40,811
State Infrastructure Bank	88	-	-	-
Miners' Colfax Medical Center	197	150	7,778	7,778
Unemployment Insurance Fund	249	322	-	-
New Mexico State Fair	-	-	-	-
Total Business-Type Activities	<u>5,105</u>	<u>3,765</u>	<u>742,307</u>	<u>49,817</u>
Fiduciary Funds:				
Pension Trust				
Magistrate Retirement	-	95	-	-
Public Employees Retirement	393	-	-	-
Educational Employees Retirement System	-	-	-	-
Judicial Retirement	-	202	-	-
Volunteer Firefighters Retirement	-	95	-	-
Deferred Compensation (IRC 457) Plan	-	-	-	-
New Mexico Retiree Health Care Authority	3,100	3,080	-	-
External Trust				
State Investment Council	-	149	-	-
State Treasurer	56,205	-	-	-
Private Purpose Trust				
Scholarship	31	23	-	-
Land Grant	2,280	-	-	-
Higher Education Savings	-	-	-	-
Water Trust	-	16	-	-
Agency				
Culture, Recreation, and Natural Resources	-	-	-	-
Other Agency	11,700	295,990	-	-
Receipts Pending Distribution	635	1,504	-	-
Suspense Related	140,245	1,601,424	-	-
Total Fiduciary Funds	<u>214,589</u>	<u>1,902,578</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,742,250</u>	<u>\$ 2,742,250</u>	<u>\$ 7,798,352</u>	<u>\$ 7,798,352</u>

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.

or unencumbered balance of the authorized appropriations.

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

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

D. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 83,740	\$ 67,098	\$ (4)	\$ 150,834
Construction in Progress	16,075	316,496	-	332,571
Infrastructure	382,321	8,860	(15,878)	375,303
Mineral Rights	48,522	-	-	48,522
Art and Other	6,376	9	-	6,385
Total Capital Assets not being Depreciated	<u>537,034</u>	<u>392,463</u>	<u>(15,882)</u>	<u>913,615</u>
Capital Assets being Depreciated:				
Land Improvements	38,787	2,244	(12,875)	28,156
Equipment and Machinery	193,171	54,223	(48,122)	199,272
Building and Improvements	1,124,702	57,567	(8,031)	1,174,238
Furniture and Fixtures	25,493	739	(9,207)	17,025
Data Processing Equipment and Software	171,179	18,616	(60,642)	129,153
Vehicles	277,623	19,693	(61,844)	235,472
Library Books and Other	14,131	3,112	(12,157)	5,086
Infrastructure	15,223,286	-	(428,026)	14,795,260
Total Capital Assets being Depreciated	<u>17,068,372</u>	<u>156,194</u>	<u>(640,904)</u>	<u>16,583,662</u>
Less Accumulated Depreciation for				
Land Improvements	(23,556)	(961)	8,788	(15,729)
Equipment and Machinery	(121,325)	(11,726)	12,667	(120,384)
Building and Improvements	(623,244)	(28,258)	17	(651,485)
Furniture and Fixtures	(16,749)	(1,399)	6,705	(11,443)
Data Processing Equipment and Software	(89,870)	(12,606)	29,661	(72,815)
Vehicles	(177,190)	(16,814)	25,807	(168,197)
Library Books and Other	(6,311)	(868)	5,448	(1,731)
Infrastructure	(8,549,840)	(612,843)	228,026	(8,934,657)
Total Accumulated Depreciation	<u>(9,608,085)</u>	<u>(685,475)</u>	<u>317,119</u>	<u>(9,976,441)</u>
Total Capital Assets being Depreciated, Net	<u>7,460,287</u>	<u>(529,281)</u>	<u>(323,785)</u>	<u>6,607,221</u>
Capital Assets, Net	<u>\$ 7,997,321</u>	<u>\$ (136,818)</u>	<u>\$ (339,667)</u>	<u>\$ 7,520,836</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Capital asset activity for the year ended June 30, 2008, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 67,927	\$ 3,577	\$ (532)	\$ 70,972
Construction in Progress	164,370	179,380	(169,019)	174,731
Art and Other	2,293	-	(56)	2,237
Total Capital Assets not being Depreciated	<u>234,590</u>	<u>182,957</u>	<u>(169,607)</u>	<u>247,940</u>
Capital Assets being Depreciated:				
Land Improvements	53,702	3,351	(1,397)	55,656
Equipment and Machinery	799,180	42,921	(351,487)	490,614
Building and Improvements	1,743,375	795,718	(882,444)	1,656,649
Furniture and Fixtures	77,592	445,896	(45)	523,443
Data Processing Equipment and Software	39,239	804	(19,386)	20,657
Vehicles	12,354	750	(7,903)	5,201
Library Books and Other	205,400	22,162	(7,976)	219,586
Infrastructure	164,296	41,410	(7,922)	197,784
Total Capital Assets being Depreciated	<u>3,095,138</u>	<u>1,353,012</u>	<u>(1,278,560)</u>	<u>3,169,590</u>
Less Accumulated Depreciation for				
Land Improvements	(35,744)	(1,503)	1,086	(36,161)
Equipment and Machinery	(478,077)	(34,579)	151,242	(361,414)
Building and Improvements	(724,893)	(48,326)	13,795	(759,424)
Furniture and Fixtures	(59,887)	(2,155)	42	(62,000)
Data Processing Equipment and Software	(16,785)	(1,547)	6,408	(11,924)
Vehicles	(9,768)	(538)	6,662	(3,644)
Library Books and Other	(172,968)	(8,774)	476	(181,266)
Infrastructure	(65,082)	(8,171)	-	(73,253)
Total Accumulated Depreciation	<u>(1,563,204)</u>	<u>(105,593)</u>	<u>179,711</u>	<u>(1,489,086)</u>
Total Capital Assets being Depreciated, Net	<u>1,531,934</u>	<u>1,247,419</u>	<u>(1,098,849)</u>	<u>1,680,504</u>
Capital Assets, Net	<u>\$ 1,766,524</u>	<u>\$ 1,430,376</u>	<u>\$ (1,268,456)</u>	<u>\$ 1,928,444</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Depreciation expense charged to functions/programs of governmental activities was as follows (in thousands):

General Control	\$ 18,275
Education	1,109
Health and Human Services	4,589
Highways and Transportation	626,464
Culture, Recreation, and Natural Resources	14,075
Judicial	4,737
Legislative	1,326
Public Safety	13,839
Regulation and Licensing	1,061
Total	\$ 685,475

Discrete Component Units

Activity for the New Mexico Finance Authority was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets being Depreciated:				
Land Improvements	\$ 40	\$ 8	\$ -	\$ 48
Equipment and Machinery	49	-	-	49
Furniture and Fixtures	199	-	-	199
Data Processing Equipment and Software	508	26	-	534
Total Capital Assets being Depreciated	796	34	-	830
Less Accumulated Depreciation for				
Land Improvements	(11)	(5)	-	(16)
Equipment and Machinery	(19)	(5)	-	(24)
Furniture and Fixtures	(203)	(24)	-	(227)
Data Processing Equipment and Software	(125)	(60)	-	(185)
Total Accumulated Depreciation	(358)	(94)	-	(452)
Capital Assets, Net	\$ 438	\$ (60)	\$ -	\$ 378

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Activity for the New Mexico Mortgage Finance

Authority was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 512	\$ -	\$ -	\$ 512
Total Capital Assets not being Depreciated	512	-	-	512
Capital Assets being Depreciated:				
Building and Improvements	3,041	-	-	3,041
Furniture and Fixtures	1,399	45	(54)	1,390
Total Capital Assets being Depreciated	4,440	45	(54)	4,431
Less Accumulated Depreciation for				
Building and Improvements	(1,858)	(123)	-	(1,981)
Furniture and Fixtures	(1,067)	(130)	52	(1,145)
Total Accumulated Depreciation	(2,925)	(253)	52	(3,126)
Total Capital Assets being Deprecation, Net	1,515	(208)	(2)	1,305
Capital Assets, Net	\$ 2,027	\$ (208)	\$ (2)	\$ 1,817

Construction Commitments

The State has active construction projects as of June 30, 2008. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction was \$311,786.

As of June 30, 2008, the Department of Transportation had no other construction commitments.

and contingent rents were considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred.

Operating lease expenditures for fiscal year 2008 were \$58,365.

The future minimum lease payments for the operating leases are as follows (in thousands):

Operating Leases

The State leases building and office facilities and other equipment under operating leases. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered noncancellable for financial reporting purposes.

Operating leases contain various renewal options, as well as some purchase options. However, due to the nature of the lease, they do not qualify as capital leases and the related assets and liabilities are not recorded. Any escalation clauses, sublease rentals,

	Amount
2009	\$ 53,702
2010	45,070
2011	40,257
2012	35,228
2013	30,774
2014 - 2018	84,294
2019 - 2023	25,581
2024 - 2028	6,079
2029 - 2033	3,079
2034 - 2038	2,961
	\$ 327,025

Capital Leases

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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.

Leases, that in substance are purchases, are reported as capital lease obligations. In the government-wide financial statements and proprietary fund financial statements, assets and liabilities resulting from capital leases are recorded at the inception of the lease at either the lower of fair value or the present value of future minimum lease payments. The principal portion of lease payments reduces the liability, and the interest portion is expensed.

On the governmental fund financial statements, both the principal and interest portions of capital lease payments are recorded as expenditures of the applicable governmental function.

The future minimum lease payments for the capital leases are as follows (in thousands):

	Amount
2009	\$ 834
2010	716
2011	569
2012	190
2013	83
2014 - 2018	437
Total Lease Payments	2,829
Less Amounts Representing Interest	303
Present Value of Future Minimum	
Lease Payments	\$ 2,526

As of June 30, 2008, the historical cost of the primary government's assets acquired through capital leases was \$5,808, which was equipment.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

E. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

Long-term Liabilities (Expressed in Thousands)					
	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable					
General Obligation Bonds, Net	\$ 371,874	\$ 75,098	\$ (58,654)	\$ 388,318	\$ 58,144
Severance Tax Bonds, Net	669,686	174,842	(105,841)	738,687	113,637
Revenue Bonds, Net	1,829,528	470,400	(509,028)	1,790,900	76,408
Total Bonds Payable	<u>2,871,088</u>	<u>720,340</u>	<u>(673,523)</u>	<u>2,917,905</u>	<u>248,189</u>
Other Payables					
Claims and Judgments	44,826	4,102	(6,450)	42,478	11,602
Reserve for Losses	13,305	-	(13,305) *	-	-
Compensated Absences	62,658	44,801	(61,194)	46,265	40,104
Other	75,393	-	(13,706)	61,687	6,705
Total Other Payables	<u>196,182</u>	<u>48,903</u>	<u>(94,655)</u>	<u>150,430</u>	<u>58,411</u>
Total Governmental Long-term Liabilities	<u>\$ 3,067,270</u>	<u>\$ 769,243</u>	<u>\$ (768,178)</u>	<u>\$ 3,068,335</u>	<u>\$ 306,600</u>
Business-Type Activities:					
Bonds Payable					
Revenue Bonds, Net	\$ 699,453	\$ 154,390	\$ (20,007)	\$ 833,836	\$ 23,219
Total Bonds Payable	<u>699,453</u>	<u>154,390</u>	<u>(20,007)</u>	<u>833,836</u>	<u>23,219</u>
Other Payables					
Compensated Absences	61,211	60,613	(54,358)	67,466	9,727
Other	99,987	11,063	(40,645)	70,405	21,895
Total Other Payables	<u>161,198</u>	<u>71,676</u>	<u>(95,003)</u>	<u>137,871</u>	<u>31,622</u>
Total Business-Type Long-term Liabilities	<u>\$ 860,651</u>	<u>\$ 226,066</u>	<u>\$ (115,010)</u>	<u>\$ 971,707</u>	<u>\$ 54,841</u>

* In previous years, the Retiree Health Care Authority's reserve for loss was included in this schedule. The Retiree Health Care Authority is a pension trust fund and presented as such in the CAFR. Therefore, the amount was removed in this presentation during the current year ending June 30, 2008.

Compensated absences of governmental activities are liquidated in the General Fund, Education Fund, Health and Human Services Fund and Highway and Transportation Fund according to the applicable employing state agency. Claims liabilities of governmental activities are liquidated in the Internal Service Fund.

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Discrete Component Units

New Mexico Finance Authority and New Mexico Mortgage Finance Authority Long-term Liabilities (Expressed in Thousands)

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
New Mexico Finance Authority					
Bonds Payable, Net	\$ 810,183	\$ 391,245	\$ (34,566)	\$ 1,166,862	\$ 63,794
Total Long-term Liabilities	\$ 810,183	\$ 391,245	\$ (34,566)	\$ 1,166,862	\$ 63,794

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
New Mexico Mortgage Finance Authority					
Bonds Payable, Net	\$ 1,491,035	\$ 439,158	\$ (488,241)	\$ 1,441,952	\$ 142,383
Notes Payable	4,234	13,375	(13,911)	3,698	558
Accrued Arbitrage Rebate	516	1,196	(901)	811	-
Other Noncurrent Liabilities	185	17	-	202	-
Compensated Absences	170	214	(199)	185	185
Total Long-term Liabilities	\$ 1,496,140	\$ 453,960	\$ (503,252)	\$ 1,446,848	\$ 143,126

F. Bonds Payable

Primary Government

General Obligation Bonds

The State issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities and for highway construction. In addition, general obligation bonds have been issued to refund general obligation bonds.

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 2008, the State Board of Finance issued bonds with a principal payment of \$71,270 to finance public capital expenditures. Interest rates are five percent with principal payments due through 2013.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

General obligation bonds currently outstanding are as follows:

General Obligation Bonds Payable (Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2008
Series 2001 Capital Projects	03/01/01	2011	4.0 - 5.0	\$ 62,550	\$ 22,080
Series 2003 Capital Projects	03/01/03	2013	2.0 - 5.0	130,900	72,835
Series B 2003 Refunding	04/01/03	2008	3.0 - 5.0	44,955	10,000
Series 2005	03/01/05	2015	4.0 - 5.0	111,850	84,160
Series 2007	03/01/07	2017	5.0	134,870	124,145
Series A 2008 Refunding	06/25/08	2013	5.0	71,270	71,270
Total General Obligation Bonds Outstanding					384,490
Plus Unamortized Bond Premium					3,828
Total General Obligation Bonds Payable					\$ 388,318

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

General Obligation Bonds Issues Debt Service Requirements to Maturity For Fiscal Years End June 30 (Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2009	\$ 58,144	\$ 10,921	\$ 69,065
2010	67,285	12,638	79,923
2011	67,501	12,679	80,180
2012	54,098	10,161	64,259
2013	54,232	10,187	64,419
2014 - 2019	83,230	15,633	98,863
	384,490	72,219	456,709
Net Unaccrued Premium	3,828	-	3,828
Total	\$ 388,318	\$ 72,219	\$ 460,537

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. This is a permanent commitment of a portion of total severance tax revenues. As authorized by State statute, severance

tax revenues are transferred to the Severance Tax Bonding Fund and first pay the required debt service on severance tax bonds and supplemental severance tax bonds issued by the State, with the remainder being transferred to the Severance Tax Permanent Fund. For the year ended June 30, 2008, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$598.6 million. The total principal and interest requirements were \$96.3 million for all severance tax and supplemental severance tax bonds. 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.

In fiscal year 2008, the State Board of Finance issued bonds with a principal amount of \$169,550 to finance public capital projects. Interest rates range from three percent to five percent, with principal payments due to 2019.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Severance tax bonds currently outstanding are as follows:

Severance Tax Bonds Payable <i>(Expressed in Thousands)</i>					
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2008
Series A 2002 Supplemental	12/01/01	2012	4.0 - 5.0	\$ 65,000	\$ 6,790
Series B 2002 Supplemental	11/01/02	2012	2.0 - 5.0	45,000	20,665
Series A 2003	06/01/03	2013	2.5 - 5.0	89,660	48,580
Series B 2003 Supplemental	11/01/03	2013	2.0 - 3.7	10,000	6,620
Series A 2004	06/15/04	2014	5.0	76,430	52,050
Series B 2004 Supplemental	11/17/04	2014	2.0 - 5.0	10,000	7,310
Series A 2005	06/15/05	2015	4.0 - 5.5	97,000	71,955
Series B-1 2005 Refunding	06/28/05	2012	3.0 - 5.0	37,040	37,040
Series B-2 2005 Supplemental	06/28/05	2011	3.2 - 5.0	21,095	21,095
Series A 2006	06/20/06	2016	4.0 - 5.0	135,000	124,335
Series A 2007	06/20/07	2018	4.0 - 5.0	162,840	162,840
Series A 2008	06/25/08	2019	4.0 - 5.0	149,000	149,000
Series A-2 2008 Supplemental	06/25/08	2013	3.0	20,550	25,115
Total Severance Tax Bonds Outstanding					733,395
Plus Unamortized Bond Premium					5,292
Total Severance Tax Bonds Payable					\$ 738,687

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

Severance Tax Bonds Issues Debt Service Requirements to Maturity For Fiscal Years End June 30 <i>(Expressed in Thousands)</i>			
Fiscal Year	Principal	Interest	Total
2009	\$ 113,637	\$ 20,555	\$ 134,192
2010	92,257	16,688	108,945
2011	87,094	15,754	102,848
2012	87,214	15,776	102,990
2013	81,207	14,689	95,896
2014 - 2018	271,986	49,198	321,184
	733,395	132,660	866,055
Net Unaccrued Premium	5,292	-	5,292
Total	\$ 738,687	\$ 132,660	\$ 871,347

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (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:

Revenue Bonds Payable - Primary Government
(Expressed in Thousands)

Governmental Activities

Bond Issue	Maturity Date	Interest Rate	Balance June 30, 2008
Series 1995 A and B Energy and Minerals	2015	3.0 - 6.0	\$ 139
Series 1996 A and B Energy and Minerals	2016	3.0 - 6.0	184
Series 1997 A and B Energy and Minerals	2017	3.0 - 6.0	2,681
Series 1998 A and B Energy and Minerals	2018	6.0 - 8.0	3,064
Series 2001 Energy and Minerals	2020	4.7	3,348
Series 1995 A and 1996 B Energy and Minerals	2016	4.5	3,404
Series 2003 Energy and Minerals	2023	3.8	6,005
Series 1998 Senior Subordinate Lien Tax Highway	2010	4.5 - 5.1	17,760
Series 1998 B Subordinate Lien Tax Highway	2011	3.7 - 5.1	34,435
Series 1999 Senior Subordinate Lien Tax Highway	2011	4.7 - 6.0	10,410
Series 2000 Senior Subordinate Lien Tax Highway	2015	5.0 - 6.0	28,415
Series 2001 Senior Subordinate Lien Tax Highway	2013	4.0 - 5.2	89,400
Series 2002 Senior Subordinate Lien Tax Highway	2014	4.5 - 5.5	29,225
Series 2000 Subordinate Lien Tax Highway	2011	3.2 - 5.0	9,445
Series 2002 C Highway Infrastructure Highway	2017	3.2 - 5.3	32,945
Series 2002 Senior Subordinate Lien Tax Highway	2014	2.2 - 5.0	4,570
Series 2004 A Senior Lien Transportation	2024	3.8 - 5.2	700,000
Series 2004 B Subordinate Lien Transportation Refunding	2014	2.0 - 5.0	149,160
Series 2006 A Highway	2026	4.0	150,000
Series 2006 B Highway	2026	4.0	35,510
Series 2008 A Adjustable Rate State Transportation Refunding	2024	Variable	115,200
Series 2008 B Adjustable Rate State Transportation Refunding	2026	Variable	220,000
Series 2008 C Adjustable Rate State Transportation Refunding	2024	Variable	84,800
Series 2008 D Adjustable Rate State Transportation Refunding	2026	Variable	50,400
State Museum Tax	2023	0.6 - 4.1	5,108
Total Revenue Bonds Outstanding			1,785,608
Plus Unamortized Bond Discount			5,292
Total Revenue Bonds Payable			\$ 1,790,900

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Revenue Bonds Payable - Primary Government (Expressed in Thousands)

Business-Type Activities

Bond Issue	Maturity Date	Interest Rate	Balance June 30, 2008
Series 2004 Miners Colfax Hospital	2024	1.5 - 4.8	\$ 9,323
Series 2006 Miners Colfax Hospital	2026	1.1 - 4.8	6,067
Series 2004 Capital Improvement (EXPO)	2014	1.3 - 3.7	4,274
Series 1992 A System Revenue Refunding (UNM)	2021	5.6 - 6.2	25,175
Series 2000 System Revenue (UNM)	2029	4.6 - 6.3	7,136
Series 2001 Subordinate Lien System Improvement (UNM)	2026	Variable	44,470
Series 2002 A Subordinate Lien System Refunding (UNM)	2032	2.5 - 5.2	51,200
Series 2002 B Subordinate Lien System Refunding (UNM)	2026	3.8	25,375
Series 2002 C Subordinate Lien System Refunding (UNM)	2030	3.9	36,840
Series 2003 A Subordinate Lien System Refunding (UNM)	2018	2.0 - 5.2	16,555
Series 2003 B Subordinate Lien System Taxable (UNM)	2024	1.3 - 5.6	5,585
Series 2003 C Subordinate Lien System Taxable (UNM)	2033	4.5 - 4.6	5,170
Series 2004 FHA Insured Hospital Mortgage (UNM)	2031	2.0 - 5.0	190,210
Series 2005 Subordinate Lien System Improvement (UNM)	2035	3.0 - 4.5	124,490
Series 2007 and B Subordinated Lien System Improvement (UNM)	2036	4.1 - 5.3	136,710
Series 1998 Revenue and Improvement (NMSU)	2020	3.9 - 5.0	7,915
Series 2001 Revenue and Improvement (NMSU)	2021	3.9 - 5.0	6,550
Series 2002 Revenue and Improvement (NMSU)	2022	2.0 - 5.0	9,965
Series 2003 Refunding and Improvement (NMSU)	2023	2.0 - 5.0	22,775
Series 2004 B Improvement (NMSU)	2025	2.0 - 5.0	37,935
Series 2006 Improvement (NMSU)	2026	4.0 - 5.0	9,500
Series 1998 System (ENMU)	2013	3.5 - 4.4	2,240
Series 2005 A General Obligation Building (ENMU)	2010	2.3 - 3.5	775
Series 2005 B General Obligation Building (ENMU)	2015	3.1 - 4.2	4,500
Series 2005 System (ENMU)	2026	3.2 - 4.2	8,685
Series 2005 System Refunding and Improvement (WNMU)	2019	3.2 - 5.0	4,720
Series 2001 System (NM Military)	2013	3.2 - 5.0	5,685
Series 1998 System Refunding (NMHU)	2011	4.2 - 4.7	1,810
Series 2008 System Refunding (NMHU)	2034	3.1 - 4.8	19,741
Total Revenue Bonds Outstanding			831,376
Plus Unamortized Bond Discount/Premiums, Net			2,460
Total Revenue Bonds Payable			\$ 833,836

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

Revenue Bonds Issues - Primary Government
Debt Service Requirements to Maturity
For Fiscal Years End June 30
(Expressed in Thousands)

Governmental Activities

Fiscal Year	Principal	Interest	Total
2009	\$ 76,408	86,398	\$ 162,806
2010	80,262	82,544	162,806
2011	73,467	79,012	152,479
2012	64,032	74,782	138,814
2013	86,597	71,531	158,128
2014 - 2018	370,324	266,193	636,517
2019 - 2023	424,118	155,130	579,248
2024 - 2028	610,400	26,890	637,290
	1,785,608	842,480	2,628,088
Net Unaccrued Premium	5,292	-	5,292
Total	\$ 1,790,900	\$ 842,480	\$ 2,633,380

Revenue Bonds Issues - Primary Government
Debt Service Requirements to Maturity
For Fiscal Years End June 30
(Expressed in Thousands)

Business-Type Activities

Fiscal Year	Principal	Interest	Total
2009	\$ 23,219	\$ 38,821	\$ 62,040
2010	26,390	37,757	64,147
2011	28,160	36,738	64,898
2012	29,096	35,565	64,661
2013	29,895	34,380	64,275
2014 - 2018	147,376	152,365	299,741
2019 - 2024	175,006	113,104	288,110
2025 - 2029	169,951	69,851	239,802
2030 - 2034	158,792	32,785	191,577
2035 - 2039	43,491	3,793	47,284
Total	831,376	555,159	1,386,535
Net Unaccrued Premium	2,460	-	2,460
Total	\$ 833,836	\$ 555,159	\$ 1,388,995

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The following listing provides more details on the types of revenue pledged for the various revenue bonds outstanding:

Governmental Activities

Agency:

Purpose of Bonds:

Type of Revenues Pledged:

Term of Commitment:

Total Revenue Stream for Year:

Total Debt Service for Year:

Energy, Minerals, and Natural Resources Department

Acquisition and development of state parks and recreation areas

Department's share of governmental gross receipts tax revenue

Until maturity dates of bonds listed

\$6.9 million

\$2.3 million

Agency:

Purpose of Bonds:

Type of Revenues Pledged:

Term of Commitment:

Total Revenue Stream for Year:

Total Debt Service for Year:

Department of Transportation

Construct and improve State highway and transportation system

Gasoline excise taxes, motor vehicle registration and other fees deposited into State Road Fund, plus Federal Highway Fund revenues

Until maturity dates of bonds listed

\$651 million

\$159.9 million

Agency:

Purpose of Bonds:

Type of Revenues Pledged:

Term of Commitment:

Total Revenue Stream for Year:

Total Debt Service for Year:

Department of Cultural Affairs

Renovate existing museum structures, develop permanent exhibits

Department's share of governmental gross receipts tax revenue

Until maturity dates of bonds listed

Approximately \$2.0 million

\$468 thousand

Business-type Activities

Agency:

Purpose of Bonds:

Type of Revenues Pledged:

Term of Commitment:

Total Revenue Stream for Year:

Total Debt Service for Year:

Miners' Colfax Medical Center

Improvement and expansion of medical facilities

Center's share of distributions from the State Land Grant and the Charitable, Penal and Reform Permanent Funds

Until maturity dates of bonds listed

\$5.5 million

\$799 thousand

Agency:

Purpose of Bonds:

Type of Revenues Pledged:

Term of Commitment:

Total Revenue Stream for Year:

Total Debt Service for Year:

State Fair Commission

Improvement of capital facilities

State Fair Commission's share of parimutuel tax collected

Until maturity dates of bonds listed

Approximately \$800 thousand

\$683 thousand

Agency:

Purpose of Bonds:

Type of Revenues Pledged:

Term of Commitment:

Total Revenue Stream for Year:

Total Debt Service for Year:

Educational Institutions (UNM, NMSU, EMNU, WNMU, NMMI, NMHU)

Construction and improvement of various capital facilities

Substantially all unrestricted revenues, including Permanent Fund distributions, student fees, and income from revenue-producing facilities, but excluding state appropriations and income from clinical operations.

Until maturity dates of bonds listed

\$889 million

\$51.6 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Governmental Activities' Bonds Issued by New Mexico Finance Authority

▪ Bonds Issues

In 2003, the State Legislature authorized the issuance of \$1.6 billion in bonds to fund statewide transportation expansion and improvement projects known as Governor Richardson's Investment Partnership (GRIP). NMFA was authorized to issue \$1.6 billion in bonds (the Bonds) in several

installments on behalf of the New Mexico Department of Transportation (NMDOT). The Bonds were issued by NMFA as agency for NMDOT. The Bonds are liabilities of NMDOT, not NMFA, and are not included in NMFA's financial statements.

In May 2004, NMFA issued the following bonds pursuant to the GRIP legislation:

Revenue Bonds Issues for Primary Government by New Mexico Finance Authority (Expressed in Thousands)

	<u>Par Value</u>	<u>Gross Proceeds</u>	<u>Premium Included in Proceeds</u>	<u>Cost of Issuance</u>
Series 2004 A State Transportation Revenue Bonds (Senior Lien)	\$ 700,000	\$ 743,557	\$ 43,557	\$ 7,987
State Transportation Refunding:				
Series 2004 B State Transportation Revenue (Subordinate Lien)	237,950	254,297	16,347	2,981
Series 2004 C (Adjustable Rate)	200,000	200,000	-	2,505
Total	\$ 1,137,950	\$ 1,197,854	\$ 59,904	\$ 13,473

The proceeds of the Series 2004 A issuance were used to fund the construction of GRIP transportation projects. The proceeds of the 2004 B and 2004 C issuances were used to advance refund certain older debt issues of the NMDOT. The proceeds were used to purchase U.S. government securities which were deposited in an irrevocable trust to provide for all future debt service payments on the refunded issues. The bonds issued in 2004, the 2006 bonds discussed below, and any subsequent bonds that may be issued

in the future are special, limited obligations of the NMDOT, payable solely from certain federal funds that are paid into the State Road Fund, certain taxes and fees that are required to be paid into the State Road Fund, and certain taxes and fees required by law to be paid into the Highway Infrastructure Fund.

In December, 2006, NMFA issued the following additional bonds pursuant to the GRIP legislation:

Revenue Bonds Issues for Primary Government by New Mexico Finance Authority (Expressed in Thousands)

	<u>Par Value</u>	<u>Gross Proceeds</u>	<u>Premium Included in Proceeds</u>	<u>Cost of Issuance</u>
Series 2006 A State Transportation Revenue Bonds (Senior Lien)	\$ 150,000	\$ 160,886	\$ 10,886	\$ 1,193
Series 2006 B State Transportation Revenue Bonds (Subordinate Lien)	40,085	41,798	1,713	353
Series 2006 C Subseries C-1 through C-3 Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien)	220,000	200,000	-	1,698
Series 2006 D (Taxable) Subseries D-1 through D-2 Adjustable Rate State Transportation Revenue Bonds (Subordinate Lien)	50,400	50,400	-	400
Total	\$ 460,485	\$ 453,084	\$ 12,599	\$ 3,644

With the exception of \$10,071 deposited to an escrow account for refunded bonds, all of the net proceeds of

the 2006 bonds were used to fund GRIP transportation projects.

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

▪ GRIP Administrative Fee

For services provided by NMFA in the issuance and administration of the Bonds, NMDOT pays an annual fee to NMFA of 25 basis points of the outstanding principal balance of the Bonds. One-half of the fee is set aside by NMFA in the Local Transportation Infrastructure Fund (LTIF) to fund local highway and transportation projects.

For the year ended June 30, 2008, NMDOT paid \$2,883 in administrative fees related to the Bonds. One-half of this amount was deposited in the LTIF, the remaining one-half was recorded as revenue to NMFA.

At June 30, 2008, the Trustee for the Bonds held \$380,173 in various program and debt service revenue to NMFA.

▪ Refunding of Variable Rate Bonds

The Series 2004 C and Series 2006 C and D bonds were issued as Auction Rate Securities (ARS). ARS are one of the two principal types of securities for which interest rates are reset in a periodic auction process. For each of these Series, the rates were reset in weekly auctions. All of the bonds were insured by certain municipal bond insurance companies. In late

2007 and early 2008, the market for ARS was negatively impacted by a number of factors, the principal event being downgrades of the ratings of certain insurers of ARS. These downgrades and other events caused the weekly auctions to the bonds to “fail”, meaning that insufficient bids were received to permit resale of all of the bonds. In the event of a failed auction, no bonds are resold, even though some bids were received. In a failed ARS auction, the existing holders of the bonds must continue to hold their bonds until the next successful auction. The procedures applicable to a failed auction included a provision that the interest rate on the bonds resets to a default rate. In the case of the Series 2004 C, the default rate was one-month LIBOR plus 175 basis points. The default rate for the Series 2006 C and D bonds was 12 percent.

In April and May 2008, the Authority refunded all of the ARS Series 2004 C, 2006 C, and 2006 D, reissuing the bonds as Variable Rate Demand Notes (VRDN). The interest rates for these bonds reset in weekly auctions, as was the case for the ARS the principal difference between the ARS and the VRDN is that the ARS were credit-enhanced with insurance, while the VRDN are supported by bank letters of credit. The following bonds were issued:

	<u>Par Value</u>
Series 2008 A Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien)	\$ 115,200
Series 2008 B Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien)	220,000
Series 2008 C Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien)	84,800
Series 2008 D Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien)	50,400
Total	<u>\$ 470,400</u>

All of the refunding bonds were issued at par. The NMDOT provided additional funds totaling \$2,642 to pay for the cost of issuance of the bonds.

▪ Derivative Instruments

At the time of the 2004 GRIP bond issuance, the NMFA entered into interest rate exchange agreements ("swaps") with respect both to the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of

the 2004 adjustable rate bonds were hedged at issuance with immediately-starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

In all of the swaps, the NMFA receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

the effect of converting the variable rate bonds to “synthetic fixed-rate issues”.

As in the case of the GRIP bonds, the NMFA has entered into the swaps as an agent for the NMDOT, and no amounts with respect to the swap transactions

appear in the NMFA's financial statements. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the Series 2008 A through D).

▪ Objectives of the Swaps

2004 Swaps:

Counterparty	Royal Bank of Canada	Goldman Sachs	Lehman Brothers*
Notional Amount	\$ 100,000	\$ 50,000	\$ 50,000
Receipt Rate	68.0 % of 1 month LIBOR**	68.0 % of 1 month LIBOR**	68.0 % of 1 month
Payment Rate (Synthetic Fixed Rate)	3.9%	3.9%	3.9%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date	June 15, 2024	June 15, 2024	June 15, 2024

2006 Forward Starting Swaps:

Counterparty	JPMorgan Chase Bank	UBS AG
Notional Amount	\$ 110,000	\$ 110,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.1%	5.1%
Embedded Option(s)	"Knockout" option - Counterparty may cancel if the index remains above 7% for more than 180 days	"Knockout" option - Counterparty may cancel if the index remains above 7% for more than 180 days
Option Premium to NMFA	0.3%	0.3%
Net Payment Rate ("Synthetic Fixed Rate"), Equals the Payment Rate Less Option Premium	4.7%	4.7%
Effective Date	December 15, 2006	December 15, 2006
Termination Date	December 15, 2026	December 15, 2026

*On October 6, 2008, as discussed below, Lehman Brothers was replaced as the counterparty by Deutsche Bank. The significant terms of the Deutsche Bank swap are the same as the Leman Brothers swap.

**For the period May 20, 2004 to June 15, 2006, the rate was the GMA Municipal Swap Index.

No cash was paid or received at the initiation of any of the above swaps.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

▪ Fair Value

The estimated fair value of the swaps at June 30, 2008 was as follows (in thousands):

	Notional Value	Fair Value*
Goldman Sachs	\$ 50,000	\$ (3,618)
Lehman Brothers	50,000	(3,593)
Royal Bank of Canada	100,000	(7,235)
JPMorgan Chase Bank	110,000	(16,442)
UBS AG	110,000	(16,442)
	<u>\$ 420,000</u>	<u>\$ (47,330)</u>

*The Fair Value is the estimated amount that would have been received by or paid to the NMFA if the agreements had been terminated at June 30, 2008 under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2008. Negative amounts indicate payments that would have been made by the Authority to the counterparties.

▪ Associated Debt

Variable Rate Debt*		2008 Debt Service		Net Swap Payments Made	Total	Actual Synthetic Fixed Rate
		Principal	Interest			
Series 2008 A and C	\$ 200,000	\$ -	\$ 7,521	\$ 1,864	\$ 9,385	4.7%
Series 2008 B	220,000	-	8,361	2,891	11,252	5.1%

*The interest and swap payments for these bonds include the payments for the Series 2004 and 2006 bonds that the Series 2008 bonds replaced during the fiscal year.

amount paid was calculated pursuant to the agreement to be \$4,840. This was approximately \$300 greater than the amount due Lehman Brothers, which was calculated, per the agreement, as of September 23, 2008, a termination date triggered by the bankruptcy filing. The excess funds were deposited in a debt service account and will be used to make debt service payments on the bonds.

▪ Replacement of Counterparty

The terms of the NMFA's agreements with the swap counterparties provide that a bankruptcy filing is an event that terminates the agreement. In September 2008, Lehman Brothers, one of the counterparties for the 2004 swaps, filed for bankruptcy. The NMFA evaluated a number of options and replaced Lehman Brothers with Deutsche Bank as the counterparty for this swap. All significant terms of the new agreement with Deutsche Bank remain the same as the original Lehman Brothers agreement. At the closing of the transaction on October 6, 2008, Deutsche Bank paid the then-current termination value as provided by the original agreement. The

▪ Risks

Credit Risk

Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at October 10, 2008, were:

Counterparty	Moody's	Standard & Poors	Fitch
Royal Bank of Canada	Aaa	AA-	AA
Goldman Sachs	Aaa	AAA	NR
Deutsche Bank	Aa1	AA-	AA-
JPMorgan Chase Bank	Aaa	AA	AA-
UBS AG	Aa2	AA-	AA-

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Presently, the NMFA has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the NMFA if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. No termination value currently exceeds these limits, and accordingly, no collateral is posted. The swap agreements permit the netting of amounts owed between the NMFA and the counterparty, mitigating, to some extent, the level of credit risk that would exist if the NMFA were owed a termination value by a counterparty. The NMFA believes it has an adequate degree of diversification with regard to counterparties.

Interest Rate Risk

The knock-out option in the 2006 swaps leaves the NMFA open to interest rate risk. If the SIFMA municipal swap index averages above seven percent for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the Authority would have outstanding unhedged variable rate debt in a seven percent interest rate environment.

Basis Risk

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The NMFA has little or no such risk with respect to the 2004 bonds as the 2004 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, the rates paid on variable rate municipal debt. The NMFA has basis risk, however, with respect to the 2006 swaps. The variable rate the NMFA receives with respect to the 2006 swaps is 68.0 percent of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2006 swap agreements, resulting in a failure to

achieve the synthetic fixed rate expected when the swaps initiated. One event that would cause a divergence between the indices is a significant change in U.S. income tax rates. This might result in 68 percent of LIBOR no longer approximating the tax-exempt rate set by the market for the Authority's variable rate debt.

Termination Risk

The unplanned termination of one or more of the swaps exposes the NMFA to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the NMFA, but not the counterparties, can terminate the swaps at any time with 30-day notice. As discussed above, an unplanned termination occurred due to the bankruptcy filing by Lehman Brothers. In this situation, the NMFA was successful in replacing the counterparty with another on the same terms, resulting in no loss to the NMFA. There can be no assurance that the same result could be obtained if other unplanned terminations occur in the future.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Discrete Component Units

New Mexico Finance Authority bonds payable as of June 30, 2008 consist of:

Bonds Payable - New Mexico Finance Authority
(Expressed in Thousands)

Bond Issue	Maturity Date	Interest Rate	Balance June 30, 2008
Public Project Revolving Fund			
Series 1999 A - D	6/1/2008	3.1 - 6.8	\$ 9,760
Series 2000 A - C	6/1/2009	4.1 - 5.8	9,000
Series 2002 A	6/18/2026	2.0 - 5.0	19,975
Series 2003 A - B	6/1/2025	2.0 - 5.0	41,299
Series 2004 A - C	6/1/2033	1.1 - 5.9	216,310
Series 2005 A - F	6/15/2025	3.0 - 5.0	123,490
Series 2006 A - D	6/1/2036	4.0 - 5.0	174,770
Series 2007 A - E	6/15/2034	4.0 - 5.2	260,105
Series 2008 A	6/1/2038	3.5 - 5.0	157,615
Total Public Project Revolving Fund			1,012,324
Plus Premium/Discount, Net			39,507
Total Public Project Revolving Fund Bonds Payable			1,051,831
Series 2006 CIG Tax Behavioral	5/1/2026	5.5	2,250
Series 2004 A - B Cigarette Tax	4/1/2019	2.0 - 5.0	30,920
Series 1996 Workers' Compensation Administration Building	3/1/2017	5.0 - 5.6	2,540
Series 2001 A and 2002 Court Facilities Fee	6/15/2011	1.6 - 5.5	45,595
Series 1999 State Capitol Improvement	6/1/2021	7.0	5,385
Series 2002 A State Office Building Tax	11/1/2006	4.0 - 5.0	26,030
Series 1995 A - B COP - Equipment Fund	10/1/2016	4.0 - 5.4	191
Series 1996 A - B COP - Equipment Fund	4/1/2016	3.8 - 5.7	220
Total Other Bond Payable			113,131
Plus Premium/Discount, Net			1,900
Total Public Project Revolving Fund Bonds Payable			115,031
Total Bonds Payable			\$ 1,166,862

STATE OF NEW MEXICO

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Annual debt service requirements to maturity are as follows:

New Mexico Finance Authority Bonds Issues
Debt Service Requirements to Maturity
For Fiscal Years End June 30
(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2009	\$ 63,794	\$ 53,784	\$ 117,578
2010	56,818	51,064	107,882
2011	100,504	48,696	149,200
2012	60,777	44,070	104,847
2013	70,940	46,273	117,213
2014 - 2018	297,218	158,097	455,315
2019 - 2023	243,393	92,241	335,634
2024 - 2028	136,066	40,104	176,170
2029 - 2033	62,295	17,668	79,963
2034 - 2038	33,650	3,572	37,222
	<u>1,125,455</u>	<u>555,569</u>	<u>1,681,024</u>
Net Unaccrued Premium	41,407	-	41,407
Total	<u>\$ 1,166,862</u>	<u>\$ 555,569</u>	<u>\$ 1,722,431</u>

Subsequent to June 30, 2008, the NMFA issued \$24,430 of Series 2008 B Senior Lien PPRF Revenue Bonds. The 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, and 2) pay costs incurred with the issuance of the bonds.

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

New Mexico Mortgage Finance Authority bonds
outstanding at September 30, 2008 consist of:

Bonds Payable - New Mexico Mortgage Finance Authority
(Expressed in Thousands)

Bond Issue	Maturity Date	Interest Rate	Balance June 30, 2008
Single Family Mortgage Programs			
Series 1994 A - F	2025	6.5 - 7.0	\$ 4,180
Series 1997 G	2029	4.9 - 5.4	4,605
Series 1998 A - E	2029 - 2030	4.7 - 6.2	28,575
Series 1999 A - F	2029 - 2031	4.6 - 6.8	31,970
Series 2000 A - E	2031 - 2032	5.4 - 8.3	19,260
Series 2000 Second Mortgage	2018	6.5	136
Series 2001 A - D	2032 - 2033	4.6 - 6.2	28,095
Series 2002 A - F	2033 - 2034	3.3 - 6.4	48,550
Series 2003 A - E	2034	2.7 - 6.1	58,795
Series 2004 A - E	2034 - 2035	2.6 - 6.1	82,195
Series 2005 A - D	2036 - 2037	3.0 - 6.1	88,765
Series 2006 A - F	2037 - 2038	3.6 - 6.1	257,635
Series 2007 A - E	2038 - 2039	3.5 - 6.3	324,625
Series 2008 A - D	2039	2.4 - 6.9	139,995
Series 2008 Draw Down Issue	2009	Variable *	126,608
Total Single Family Mortgage Programs			1,243,989
Plus Premium/Discount, Net			27,771
Total Single Family Mortgage Programs Payable			1,271,760
Rental Housing Mortgage Programs			
Series 1987 A - B	2011	7.2	9,900
Series 1997	2018	5.1 - 5.6	3,615
Series 1998	2031	5.2 - 6.0	8,355
Series 2001 A - D Refunding	2031	5.0	19,015
Series 2001 E - F	2034	5.5 - 7.0	9,575
Series 2002 A - B	2038	5.4 - 6.7	9,615
Series 2003 A - B	2038	5.1 - 5.3	9,130
Series 2004 A - G	2039 - 2040	4.6 - 6.5	40,192
Series 2005 A - F	2040	4.2 - 5.7	28,850
Series 2006 A	2045	4.2 - 4.7	9,230
Series 2007 A - D	2042 - 2043	5.0 - 10.0	19,990
Total Rental Housing Mortgage Programs			167,467
Plus Premium/Discount, Net			321
Total Rental Housing Mortgage Programs Payable			167,788
Series 2005 General Revenue Office Building Refunding	2026	3.5 - 4.4	2,545
Total General Obligation Bonds Outstanding			2,545
Less Unamortized Bond Discount			(141)
Total General Revenue Office Building Refunding			2,404
Total Bonds Payable			\$ 1,441,952

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

*Equal to 100.0 percent of the taxable interest rate. The taxable interest rate is the per annum rate for deposits in U.S. 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.

Annual debt service requirements to maturity are as follows:

New Mexico Mortgage Finance Authority Bonds Issues
Debt Service Requirements to Maturity
For Fiscal Years End June 30
(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2009	\$ 142,383	\$ 68,818	\$ 211,201
2010	17,585	67,928	85,513
2011	28,557	67,061	95,618
2012	19,770	65,402	85,172
2013	21,077	64,381	85,458
2014 - 2018	127,905	303,784	431,689
2019 - 2023	170,222	264,466	434,688
2024 - 2028	284,313	209,164	493,477
2029 - 2033	317,620	125,833	443,453
2034 - 2038	254,915	45,144	300,059
2039 - 2043	28,209	2,638	30,847
2044 - 2047	1,445	76	1,521
	<u>1,414,001</u>	<u>1,284,695</u>	<u>2,698,696</u>
Net Unaccreted Premium	27,951	-	27,951
Total	<u>\$ 1,441,952</u>	<u>\$ 1,284,695</u>	<u>\$ 2,726,647</u>

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

Prior to November 2005, 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.

In April 2008, NMMFA authorized \$425,000 Single Family Mortgage Program bonds, Draw Down Issue 2008. 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 supplemental Series Indentures. Cumulative draw downs were \$209,734 through fiscal year ended September 30, 2008.

As of September 30, 2008, \$126,609 of proceeds from the bond issue is outstanding and, accordingly, reflected in restricted cash and cash equivalents on the accompanying balance sheet. The bonds are issued at par bearing variable interest equal to 100.9 percent of the taxable interest rate. The taxable interest rate is the per annum rate for deposits in U.S. 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, provided, however, that such interest rate on the bonds shall not exceed the maximum rate. The maximum rate is the per annum rate of interest borne by the Investment Agreement. The Investment Agreement bears a rate per annum equal to the 1-month LIBOR specified on the BBA Official LIBOR Fixings Page as of 11:00 a.m. London, England time on the applicable day of determination plus 0.05 percent. On September 30, 2008 the interest rate on Draw Down Issue 2008 was 2.5 percent. Due to the short-term of the Draw Down Issue 2008, there is no economic gain or loss from refunding on this issue.

The single-family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2008 and 2007 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

Certain 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 \$38,115 at September 30, 2008. The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investment mortgage loans, MBSs, and other assets in the accounts established by the respective bond resolutions.

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Subsequent to June 30, 2008, NMMFA issued \$64,655 of Single Family Mortgage Program 2008 Series D Bonds. The bonds are to be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program.

Subsequent to June 30, 2008, NMMFA issued a note payable to the Federal Home Loan Bank of Dallas (FHLB) for \$126,609, the proceeds of which were used to fully redeem the 2008 Draw Down Issue Bonds for \$126,609. It is anticipated that NMMFA will repay the FHLB borrowing with proceeds of a new bond issue, which will be refunded by bonds issued under the General Indenture, the proceeds of which will be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. On the same day, NMMFA received \$126,609 from the 2008 Draw Down issue Escrow Fund, which was used to purchase a Certificate of Deposit for \$126,609. It is anticipated the funds will provide the escrows for the newly issued bonds. Both the FHLB and the Certificate of Deposit mature on January 12, 2009.

G. Tax and Revenue Anticipation Notes

The following notes were issued by the State of New Mexico during fiscal year 2008 and matured June 30, 2008:

A. 2007 – 2008 Tax and Revenue Anticipation Notes, Series 2007, \$400,000.

B. 2007 – 2008 Tax and Revenue Anticipation Notes, Series 2007A, \$350,000.

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 2008. 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.

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, 2008 was as follows:

Short-term Debt (Expressed in Thousands)					
	Beginning Balance	Additions	Redeemed	Ending Balance	Amounts Due Within One Year
Short-term Debt					
Taxation and Revenue					
Anticipation Notes 2006 - 2007	\$ (180)	\$ -	\$ 180	\$ -	\$ -
Series 2007 Taxation and Revenue					
Anticipation Notes 2007 - 2008	-	400,000	(400,000)	-	-
Series 2007 A Taxation and Revenue					
Anticipation Notes 2007 - 2008	-	350,000	(350,000)	-	-
Total Short-term Liabilities	\$ (180)	\$ 750,000	\$ (749,820)	\$ -	\$ -

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, \$753,146 to its anticipation notes fund. Total note proceeds were \$750,000,

STATE OF NEW MEXICO

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

with \$4,376 in note premiums less \$230 in issuance costs. The State Treasurer subsequently transferred the entire amount of the proceeds to the appropriation account fund.

To pay the notes, the State's General Fund transferred \$775,187 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.

The State of New Mexico did not issue any tax and revenue anticipation notes subsequent to June 30, 2008.

H. Net Assets/Fund Balance Restatements

To comply with Governmental Accounting Standards Board Statement No. 33 (GASBS 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the State has changed its accounting treatment of capital project appropriations financed with bond proceeds.

Prior to the change, the State recognized—in the year the capital project appropriations were authorized by the Legislature—the entire amount of bond proceeds related to capital project appropriations. It also recognized a corresponding liability, due to project recipients, and the expenditure related to that. It did not take into account the impact of eligibility requirements. Under the modified accrual basis of accounting, GASBS 33 requires that the recognition of revenues and expenditures occur only when all applicable eligibility requirements have been met. Since all of the eligibility requirements established by the State Board of Finance had not been met by the end of last fiscal year, the State's recognition of project expenditures and the related liability to recipients was premature.

As a result of the restatement, the June 30, 2007 fund balance in the General Fund, Education Fund, Health and Human Services Fund, and Special Revenue

General Control Fund was increased by \$29,402, \$96,633, \$63,468, and \$409,991, respectively. As a result the Governmental activities net assets were increased by \$599,494.

The State has corrected its method of accounting for bond proceeds from the sale of general obligation and severance tax bonds which the Legislature appropriates for capital outlay to state agencies and local governments. Previously, these proceeds were held in an agency fund, which was managed by the Board of Finance and presented as the Allotment Related Agency Fund in the CAFR. The proceeds of the sale of these bonds are now recognized in a Special Revenue Fund held by the State Board of Finance. The Allotment Related Agency Fund was removed from the Fiduciary Statement of Net Assets and presented as the Appropriated Bond Proceeds Capital Outlay Fund. Net assets/fund balance was increased by \$713,745 as of June 30, 2007.

The State has reduced net assets and fund balances as of June 30, 2007 for the Tobacco Settlement Permanent Fund (TSPF) in the amount of \$116,719. Previously, the fund was presented as a nonmajor permanent fund, however, the activity in the fund was also presented as part of the General Fund. The Legislature has provided the investments of the TSPF as reserves for the State General Fund; thus resulting in its inclusion in the General Fund column of the CAFR.

Fiscal year 2007 was the first year of the Higher Education Savings Plan (Plan). In 2007 the Plan included three difference investment plans, the College Sense 529 Higher Education Savings Plan, the Scholar's Edge and the Education Plan. The presentation of the Plan in the 2007 CAFR erroneously included only the College Sense 529 Higher Education Savings Plan. The net assets as of June 30, 2007 were increased by \$246,385.

STATE OF NEW MEXICO

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For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

The following schedule reconciles June 30, 2007 net assets/fund balance previously reported to beginning net assets/fund balance, as restated (in thousands):

	Governmental Activities	General Fund	Education	Health and Human Services	Appropriated Bond Proceeds Capital Outlay	Tobacco Settlement Fund	Special Revenue General Control	Higher Education Savings Fund
Net Assets/Fund Balances - Beginning as Previously Reported	\$ 13,363,494	\$ 754,040	\$ 201,983	\$ 401,337	\$ -	\$ 116,719	\$ 112,354	\$ 861,154
Restatements	<u>1,196,520</u>	<u>29,402</u>	<u>96,633</u>	<u>63,468</u>	<u>713,745</u>	<u>(116,719)</u>	<u>409,991</u>	<u>246,385</u>
Net Assets/Fund Balances - Beginning, as Restated	<u>\$ 14,560,014</u>	<u>\$ 783,442</u>	<u>\$ 298,616</u>	<u>\$ 464,805</u>	<u>\$ 713,745</u>	<u>\$ -</u>	<u>\$ 522,345</u>	<u>\$ 1,107,539</u>
Impact on Change in Net Asset/Fund Balance for the Year Ended June 30, 2007	<u>\$ 456,376</u>	<u>\$ (29,385)</u>	<u>\$ 50,653</u>	<u>\$ 22,114</u>	<u>\$ 327,632</u>	<u>\$ (32,038)</u>	<u>\$ 88,015</u>	<u>\$ 269,582</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3

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
Civil rights and Foreign Jurisdiction
Aircraft
Money and Securities
Health/Life
General Liability
Automobile
Property
Employee Fidelity Bond
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.

Total insurance claims payable at June 30, 2008 were \$197,236. Insurance claims payable of \$197,236 represents amounts expected to be paid by the ISF for covered claims incurred but not reported with the General Services Department through June 30, 2008. The amount of the liability was determined by an independent actuarial consultant to the ISF. The total liability is shown in the accompanying financial statements at the present value of the payments, computed at 2.6% annual rate, except for long-term disability liability, which is computed at 4.8% annual rate, between June 30, 2008 and the date the claims are ultimately expected to be paid.

Insurance claims payable presented are actuarial computed estimates of the costs of administering, defending, and selling 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.

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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 (in thousands):

	Balance June 30, 2007, As Restated	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2008
Surety Bond	\$ 143	\$ (112)	\$ -	\$ 31
Public Property Reserve	2,111	2,559	(2,804)	1,866
Workers Compensation	27,269	16,382	(12,956)	30,695
Public Liability	107,861	24,920	(17,935)	114,846
State Unemployment	4,416	4,837	(4,752)	4,501
Local Public Body	950	1,075	(994)	1,031
Group Insurance Premium	37,766	288,830	(282,330)	44,266
Total	\$ 180,516	\$ 338,491	\$ (321,771)	\$ 197,236

	Balance June 30, 2006, As Restated	Incurred (Net of Actuarial Provision), as Restated	Payments	Balance June 30, 2007, As Restated
Surety Bond	\$ 154	\$ 5	\$ (16)	\$ 143
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	22,722	221,257	(206,213)	37,766
Total	\$ 166,521	\$ 261,699	\$ (247,704)	\$ 180,516

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

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 Firefighter

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, 1120 Paseo de Peralta, Santa Fe, New Mexico 87504. 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.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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, and the number of members for each system for the year ended June 30, 2008 were:

	JRS	MRS	VFRS	PERS	EERS
Number of Employers					
State Agencies	-	-	-	126	10
Cities	-	-	-	85	-
Counties	-	-	-	33	-
Public Schools	-	-	-	-	90
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	61
Other	16	9	435	62	-
Totals	16	9	435	306	180
Retirees and Beneficiaries					
Receiving Benefits	105	56	435	24,910	31,192
Terminated Plan Members not yet Receiving Benefits	13	19	N/A	3,162	29,982
Active Plan Members	115	45	4,216	52,507	63,698

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 two 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 16.6 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 \$500 (not in thousands) for each year of credited service; employer contributions for members of the State Legislative Division are determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2008 was determined by the actuary to be \$546.

Judicial Retirement System (JRS) – is a cost-sharing, multiple employer defined benefit pension plan.

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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.

For individuals that became a member prior to July 1, 2005, 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, 2005, is determined as 75.0 percent of the salary received during the last year 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, 2005, 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 15 years, plus five years or one-twelfth of the salary received during the last year in office prior to retirement multiplied by the product of three and seventy-five hundredths percent times the sum of the number of years of service; provided that a pension calculated shall not exceed seventy-five percent of one-twelfth of the salary received during the last year in office. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits.

Members contribute 7.5 percent of their salaries and the members' court contributes 12.0 percent of the member's salary. Additionally, the district court contributes \$38 (not in thousands) for each civil case docket fee paid in the district court, \$25 (not in thousands) from each civil docket fee paid in metropolitan court and \$10 (not in thousands) for each jury fee paid in metropolitan court. 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 five 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 five percent of the number of years of service not exceeding 15 years plus five years.

Members' contributions are based on 7.5 percent of their salaries and the State of New Mexico, through the Administrative Office of the Courts, contributed at a rate of 11.0 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 Fund do not make contributions. State statutes required that the State Treasurer transfer \$750 during the 2008 fiscal year from the Fire Protection fund to the Volunteer Firefighters Retirement Fund.

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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 .02 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 the coverage plan provisions is as follows:

- The member's age and earned service credit add up to the sum of 75 or more; or
- The member is 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

(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 three percent compounded interest from July 1, 1957 to the date of payment.

(2) *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 day to the election of Option C.

(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 four percent, nor be less than two percent

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unless the change in CPI is less than two 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 three 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 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 two percent of FAS times years of service, but not less than the smaller of (a) one-third FAS or (b) two 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.

Alternative Retirement Plan – The New Mexico Legislature established the Alternative Retirement Plan (ARP) through the enactment of Sections 22-11-47 through 52, NMSA 1978. In contrast to the regular defined plan administered by the ERB, the ARP is a defined contribution plan. Beginning on July 1, 1991, at the State's six educational institutions, and July 1, 1999 at the State's eight community colleges (the colleges and universities are referred to as the "qualifying state educational institutions"), certain faculty and professional employees in eligible positions have the option of electing to participate in the ARP in lieu of participating in the regular defined benefit plan. Information about the ARP is provided to eligible employees by their employers. Employees must make the election to participate in the ARP within 90 days of employment, those who do not elect to participate in the ARP become members of the regular defined plan.

Pursuant to statute, ARP retirement benefits may be only in the form of a lifetime annuity, except in the case of death, when single sum cash payments are allowed. Two carriers have been approved to offer annuities to the participants: Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC or AIG VALIC, now known as AIG Retirement). Employees are allowed to transfer between carriers once each year.

For the year ended June 30, 2008, employees under the ARP contribute 7.8 percent of their gross salaries. The colleges and universities are required to contribute 7.9 percent to the carrier on behalf of the participant and three percent to the regular defined benefit plan to help fund the unfunded accrued

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

actuarial liability. The three percent fee remitted to ERB for the year ended June 30, 2008 was \$4,469.

The three percent fee does not provide retirement benefits. The colleges and universities are responsible for submitting the employers' and the employees' contributions directly to the annuity carriers. Vesting is immediate for all contributions.

As noted above, the ARP is a defined contribution plan; benefits are determined strictly by contributions made and earnings on contributions. Participating employees are responsible for, and accept the risks of, selecting investments from those offered by the carriers and for managing their investments. Retirement benefits are computed and paid by the annuity carriers; the ERB does not compute or pay the retirement benefits. If a participant seeks to retire due to disability, the annuity carrier determines the disability and computes the lifetime annuity.

The following is a schedule of the employer contributions to the above retirement systems/fund (the contributions are equal to the required contributions mandated by the State statute):

Employer Contributions - Retirement Systems

June 30, 2008

(in Thousands)

System/Fund	2008	2007	2006
PERS	\$ 292,569	\$ 269,571	\$ 249,740
JRS	3,832	3,622	3,154
MRS	981	920	849
VFRF *	750	750	750
EERS	290,846	255,853	226,479

* The contributions are by State statute and transfer was from the State Treasurer.

C. Post- Employment Benefits Other than Pensions

In addition to pension benefits as described in Note 3.B., the State provides other post-employment benefits (OPEB). The State of New Mexico adopted the provisions of GASB Statement 45, Accounting and Financial Reporting By Employers for

Postemployment Benefits Other Than Pensions , for the year ended June 30, 2008

The Retiree Health Care Act (10-7C-1 to 10-7C-19, NMSA 1978) established a multi-employer defined benefit health care plan that 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 a 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

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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).

Rates are established by State statute. 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 0.6 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 five dollars (not in thousands) if the eligible participant retired prior to the employer's RHCA 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.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operations or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis. For the years ended June 30, 2008, 2007, and 2006,

the employer contributions were (in thousands) \$78,840, \$48,875, and \$46,993, respectively.

The number of participating government employers, and the number of members in the Plan for the year ended June 30, 2008 were:

Plan Membership:

Current Retirees and Surviving Spouses	27,928
Inactive and Eligible for Deferred Benefit	7,853
Current Active Members	94,600
Total	130,381

Active Membership:

State General	19,772
State Police and Corrections	1,765
Municipal General	20,348
Municipal Police	3,214
Municipal FTRE	1,814
ERB	47,687
Total	94,600

The post employment benefit expenses for the year ended June 30, 2008, consisted of premiums and claims paid in the amount of \$193,947. Participant contributions were \$146,191. Therefore, the net expense for the year was \$47,756. 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

D. Deferred Compensation Plan

The State of New Mexico offers state, local government and school district employees a deferred compensation plan (Deferred 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.

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.

The Deferred Plan issues a publically available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, 1120 Paseo de Peralta, Santa Fe, NM 97504.

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 six month period. Gross proceeds deposited in a reserve fund or bona fide debt service fund, however, are not subject to the expenditure requirement.

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 bondholders.

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 1989 amended the six-month rule. For bonds issued after December 19,

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

	First Computation Date	First Payment Due to IRS	First Computation of Arbitrage Completed
Series 1999 General Obligation Capital Projects	9/1/2004	10/1/2004	X
Series 2001 General Obligation	3/21/2006	5/20/2006	X
Series 2001 A General Obligation Refunding	9/1/2004	10/31/2004	X
Series 2001 B General Obligation Refunding	9/1/2006	10/31/2006	X
Series 2003 General Obligation	3/18/2008	5/17/2008	X
Series 2003 B General Obligation Refunding	4/16/2008	6/15/2008	X
Series 2005 General Obligation	3/1/2010	4/30/2010	
Series 1993 B Severance Tax	7/1/1998	8/31/1998	X
Series 1994 B Severance Tax	7/1/1999	8/31/1999	X
Series 1995 A Severance Tax	7/1/2000	8/31/2000	X
Series 1995 B Severance Tax	7/1/2000	8/31/2000	X
Series 1996 A Severance Tax	12/20/2001	2/20/2002	X
Series 1997 A Severance Tax Refunding	7/1/2001	8/31/2002	X
Series 1998 A Severance Tax Refunding	7/1/2003	8/31/2003	X
Series 1999 B Severance Tax	7/1/2004	8/31/2004	X
Series 1999 A Supplemental Severance Tax	11/17/2004	1/17/2005	X
Series 2000 Severance Tax	7/1/2005	8/31/2005	X
Series 2000 C Supplemental Severance Tax	11/16/2005	1/16/2006	X
Series 2001 A Severance Tax Refunding	12/20/2006	2/20/2007	X
Series 2002 A Supplemental Severance Tax	1/16/2007	3/16/2007	X
Series 2002 A Severance Tax	6/19/2007	8/18/2007	X
Series 2002 B Supplemental Severance Tax	11/14/2007	1/13/2013	X
Series 2003 A Severance Tax	6/27/2008	8/26/2008	X
Series 2003 B Supplemental Severance Tax	10/14/2008	12/13/2008	X
Series 2004 A Severance Tax	6/15/2009	8/14/2009	
Series 2004 B Supplemental Severance Tax	11/17/2009	1/16/2010	
Series 2005 A Severance Tax	6/15/2010	8/14/2010	
Series 2005 B-1 Severance Tax Refunding	6/28/2010	8/27/2010	
Series 2005 B-2 Supplemental Severance Tax	6/28/2010	8/27/2010	
Series 2006 A Severance Tax	6/20/2011	8/16/2011	
Series 2000 Enhanced 911 Revenue	9/12/2005	11/11/2005	X

Interest earnings on invested bond proceeds through June 30, 2008, 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (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

Governmental Activities

The unrestricted net assets of the governmental activities had a deficit as a result of an increase in capital assets and the related debt to purchase capital assets.

Proprietary Activities

The unrestricted net assets of the Internal Service, Industries for the Blind, Lottery Authority, 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 unrestricted governmental net assets of the New Mexico Finance Authority had a deficit as a result of the increase in restrictions of net assets for programs administered through the New Mexico Finance Authority.

H. Subsequent Events

During 2008, the financial markets as a whole have incurred significant declines in values due to the negative effects of the subprime credit crisis, rising food costs, stagnant wages, higher unemployment, and declining oil and gas prices. The State's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of losses that the State will recognize in future financial statements, if any, cannot be determined. The State has invested the cash collateral from securities. With the financial markets being extremely volatile and significant declines in values occurring, the State could have a potential loss on these collateral investments resulting in the State liquidating assets to offset the loss.

I. 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 0.8 percent of the average of the year-end market values of the

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

LGPF for the immediately preceding five calendar years; and in fiscal years 2013 through 2016, an amount equal to 0.5 percent of the average of the year-end market values of the LGPF for the immediately preceding five calendar years.

The Legislature, by a three-fifths 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.

Changes in Land Grant Permanent Fund Held for Beneficiaries (Expressed in Thousands)

Beneficiary	Balance June 30, 2007	Earnings From State Land Office	Other Decreases in Capital Accounts, Net	Balance June 30, 2008	Participation Percentage June 30, 2008
Benefiting the State, Included in Governmental Funds:					
Charitable, Penal and Reform	\$ 97,551	\$ 5,180	\$ (10,311)	\$ 92,420	0.9%
Miners' Colfax Medical Center	116,757	3,451	(9,592)	110,616	1.1%
New Mexico Boys School	743	-	(39)	704	0.0%
New Mexico State Hospital	26,125	1,111	(2,486)	24,750	0.2%
Improvements to the Rio Grande	31,621	713	(2,376)	29,958	0.3%
Water Reservoirs	120,300	7,900	(14,228)	113,972	1.1%
Penitentiary of New Mexico	213,966	9,315	(20,570)	202,711	2.0%
Public Buildings - Capitol	125,294	5,268	(11,858)	118,704	1.2%
	<u>732,357</u>	<u>32,938</u>	<u>(71,460)</u>	<u>693,835</u>	<u>6.8%</u>
Benefiting the State, Included in Enterprise Funds:					
Eastern New Mexico University	9,773	143	(657)	9,259	0.1%
New Mexico Highlands University	3,008	234	(393)	2,849	0.0%
New Mexico Institute of Mining and Technology	21,408	1,096	(2,222)	20,282	0.2%
New Mexico Military Institute	370,965	13,306	(32,819)	351,452	3.5%
New Mexico School for the Deaf	221,167	10,306	(21,940)	209,533	2.1%
New Mexico School for the Blind and Visually Impaired	220,523	10,308	(21,907)	208,924	2.1%
New Mexico State University	52,154	2,871	(5,614)	49,411	0.5%
Northern New Mexico College	2,244	235	(353)	2,126	0.0%
University of New Mexico	175,169	7,298	(16,512)	165,955	1.6%
University of New Mexico Saline Lands	718	-	(38)	680	0.0%
Western New Mexico University	3,029	234	(393)	2,870	0.0%
	<u>1,080,158</u>	<u>46,031</u>	<u>(102,848)</u>	<u>1,023,341</u>	<u>10.1%</u>
Not Considered to Benefit the State, included in Fiduciary Funds:					
Public Schools	8,895,578	395,933	(863,841)	8,427,670	83.1%
Total Net Assets Held in Trust for Pool Participants	<u>\$ 10,708,093</u>	<u>\$ 474,902</u>	<u>\$ (1,038,149)</u>	<u>\$ 10,144,846</u>	<u>100.0%</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

J. Segment Information

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

	Educational Institutions								
	State Fair Commission	Miners' Colfax Medical Center	New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
Condensed Statement of Net Assets									
Current Assets	\$ 5,306	\$ 11,805	\$ 108,191	\$ 33,043	\$ 54,239	\$ 54,687	\$ 11,546	\$ 17,129	\$ 746,019
Other Assets	1,445	21,918	201,446	31,610	5,257	63,285	375,014	3,758	445,220
Capital Assets, Net	44,404	14,463	371,320	104,508	47,702	126,498	56,723	23,774	1,068,663
Total Assets	51,155	48,186	680,957	169,161	107,198	244,470	443,283	44,661	2,259,902
Current Liabilities	3,414	2,436	76,338	15,562	9,908	19,094	4,302	4,479	226,902
Long-term Liabilities	3,720	14,816	112,276	22,743	21,097	8,516	4,806	5,454	676,566
Total Liabilities	7,134	17,252	188,614	38,305	31,005	27,610	9,108	9,933	903,468
Invested in Capital Assets,	40,948	19,511	262,490	87,013	45,892	126,498	50,874	18,931	267,419
Restricted	4,719	1,478	120,110	20,242	23,698	59,038	371,152	13,886	618,767
Unrestricted	(1,646)	9,945	109,743	23,601	6,603	31,324	12,149	1,911	470,248
Total Net Assets	\$ 44,021	\$ 30,934	\$ 492,343	\$ 130,856	\$ 76,193	\$ 216,860	\$ 434,175	\$ 34,728	\$ 1,356,434
Condensed Statement of Activities									
Operating Revenues:									
Charges for Services	\$ 9,935	\$ 15,022	\$ 38,255	\$ 8,077	\$ 3,110	\$ 3,814	\$ 4,730	\$ 2,235	\$ 104,882
Net Student Tuition and Fees	-	-	49,512	11,297	7,984	5,474	2,122	3,567	94,753
Patient Income	-	-	-	-	-	-	-	-	549,700
Federal Funds	-	255	142,063	18,873	10,098	62,317	474	5,061	203,966
Investment Income (Loss)	-	6,689	-	-	191	2,222	-	909	-
Other Operating Revenues	6,470	-	69,181	12,482	5,030	28,701	4,163	3,454	116,730
Total Operating Revenue	16,405	21,966	299,011	50,729	26,413	102,528	11,489	15,226	1,070,031
Operating Expenses:									
Operating Expenses	9,552	24,459	68,175	19,937	32,933	29,217	16,575	24,519	238,846
Depreciation Expense	2,196	1,806	27,568	7,089	4,899	7,383	2,907	2,198	46,994
General and Administrative	7,633	-	414,918	74,654	22,913	101,902	7,061	9,400	1,214,335
Total Operating Expenses	19,381	26,265	510,661	101,680	60,745	138,502	26,543	36,117	1,500,175
Operating Income (Loss)	(2,976)	(4,299)	(211,650)	(50,951)	(34,332)	(35,974)	(15,054)	(20,891)	(430,144)
Nonoperating Revenue (Expense)									
Government Grants and Contracts	-	-	30,472	-	-	6,536	1,860	805	79,067
Net Investment Income	-	-	5,629	(1,265)	787	3,802	(17,678)	370	16,148
Other Revenue	3,838	440	4,989	13,782	5,765	1,036	20,551	-	169,445
Interest Expense	(141)	-	(4,041)	(748)	(317)	(30)	(325)	-	(18,291)
Other Expense	-	-	(20,837)	-	-	-	(29)	-	(1,093)
Total Nonoperating Income (Expense)	3,697	440	16,212	11,769	6,235	11,344	4,379	1,175	245,276
Net Transfers	-	-	214,682	53,424	35,512	45,272	-	22,391	340,411
Change in Net Assets	721	(3,859)	19,244	14,242	7,415	20,642	(10,675)	2,675	155,543
Net Assets, Beginning	43,300	34,793	473,099	116,614	68,778	196,218	444,850	32,053	1,200,891
Net Assets, Ending	\$ 44,021	\$ 30,934	\$ 492,343	\$ 130,856	\$ 76,193	\$ 216,860	\$ 434,175	\$ 34,728	\$ 1,356,434
Condensed Statement of Cash Flows									
Net Cash Provided (Used) by:									
Operating Activities	\$ (718)	\$ (1,324)	\$ (187,172)	\$ (40,661)	\$ (29,236)	\$ (35,017)	\$ (11,895)	\$ (18,849)	\$ (328,402)
Noncapital Financing Activities	-	-	210,657	56,268	39,271	48,822	57	22,392	493,411
Capital and Related Financing Activities	(4,128)	(5,563)	(30,168)	(10,574)	10,352	(5,655)	13,803	(207)	(10,160)
Investing Activities	251	3,418	32,639	1,131	738	353	(2,266)	370	(90,893)
Cash and Cash Equivalents, Beginning Year	9,294	12,037	32,082	22,639	22,550	32,465	5,780	5,072	156,081
Cash and Cash Equivalents, Ending Year	\$ 4,699	\$ 8,568	\$ 58,038	\$ 28,803	\$ 43,675	\$ 40,968	\$ 5,479	\$ 8,778	\$ 220,037

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2008

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,787	\$ 2,829	\$ 2,961	\$ 132
Licenses, Permits, and Fees	33,820	33,346	34,950	1,604
Interest	41,118	43,534	111,312	67,778
Federal	104,818	143,192	82,504	(60,688)
Charges for Services	17,027	17,625	25,045	7,420
Other	21,547	22,390	119,460	97,070
Total Revenues	<u>221,117</u>	<u>262,916</u>	<u>376,232</u>	<u>113,316</u>
Expenditures				
General Control	242,703	250,404	265,099	(14,695)
Culture, Recreation, and Natural Resources	161,995	171,534	152,824	18,710
Judicial	178,250	180,414	176,184	4,230
Legislative	17,122	17,122	20,661	(3,539)
Public Safety	472,555	502,384	444,481	57,903
Regulation and Licensing	76,102	76,853	76,954	(101)
Total Expenditures	<u>1,148,727</u>	<u>1,198,711</u>	<u>1,136,203</u>	<u>62,508</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(927,610)</u>	<u>(935,795)</u>	<u>(759,971)</u>	<u>50,808</u>
Other Financing Sources (Uses)				
Transfers In	963,726	970,615	897,713	(72,902)
Transfers Out	<u>(7,749)</u>	<u>(9,756)</u>	<u>(13,558)</u>	<u>3,802</u>
Total Other Financing Sources (Uses)	<u>955,977</u>	<u>960,859</u>	<u>884,155</u>	<u>(69,100)</u>
Net Change Budgetary Basis	<u>\$ 28,367</u>	<u>\$ 25,064</u>	<u>\$ 124,184</u>	<u>\$ (18,292)</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

EDUCATION FUND

For the Year Ended June 30, 2008

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
Revenues				
Licenses, Permits, and Fees	\$ 1,183	\$ 1,317	\$ 812	\$ (505)
Interest	100	100	5,198	5,098
Federal	549,434	579,489	401,890	(177,599)
Other	-	712	4,791	4,079
Total Revenues	<u>550,717</u>	<u>581,618</u>	<u>412,691</u>	<u>(168,927)</u>
Expenditures				
Education	3,133,758	3,144,488	2,930,408	214,080
Total Expenditures	<u>3,133,758</u>	<u>3,144,488</u>	<u>2,930,408</u>	<u>214,080</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(2,583,041)</u>	<u>(2,562,870)</u>	<u>(2,517,717)</u>	<u>(383,007)</u>
Other Financing Sources (Uses)				
Transfers In	2,641,902	2,643,152	2,631,543	(11,609)
Transfers Out	(66,766)	(106,799)	(104,279)	(2,520)
Total Other Financing Sources (Uses)	<u>2,575,136</u>	<u>2,536,353</u>	<u>2,527,264</u>	<u>(14,129)</u>
Net Change Budgetary Basis	<u>\$ (7,905)</u>	<u>\$ (26,517)</u>	<u>\$ 9,547</u>	<u>\$ (397,136)</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

HEALTH AND HUMAN SERVICES FUND

For the Year Ended June 30, 2008

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 20,594	\$ 23,177	\$ 27,884	\$ 4,707
Licenses, Permits, and Fees	3,804	4,384	24,859	20,475
Interest	4,829	4,829	2,938	(1,891)
Federal	3,282,177	3,338,722	3,224,698	(114,024)
Charges for Services	50,789	50,789	33,098	(17,691)
Other	154,032	165,705	118,021	(47,684)
Total Revenues	<u>3,516,225</u>	<u>3,587,606</u>	<u>3,431,498</u>	<u>(156,108)</u>
Expenditures				
Health and Human Services	4,863,794	4,938,835	4,777,716	161,119
Total Expenditures	<u>4,863,794</u>	<u>4,938,835</u>	<u>4,777,716</u>	<u>161,119</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(1,347,569)</u>	<u>(1,351,229)</u>	<u>(1,346,218)</u>	<u>(317,227)</u>
Other Financing Sources (Uses)				
Transfers In	1,559,442	1,564,249	1,561,797	(2,452)
Transfers Out	(224,993)	(233,771)	(206,841)	26,930
Total Other Financing Sources (Uses)	<u>1,334,449</u>	<u>1,330,478</u>	<u>1,354,956</u>	<u>24,478</u>
Net Change Budgetary Basis	<u>\$ (13,120)</u>	<u>\$ (20,751)</u>	<u>\$ 8,738</u>	<u>\$ (292,749)</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE HIGHWAY AND TRANSPORTATION FUND For the Year Ended June 30, 2008 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 365,788	\$ 365,788	\$ 324,649	\$ (41,139)
Licenses, Permits, and Fees	97,243	97,243	94,282	(2,961)
Interest	2,428	2,428	28,545	26,117
Federal	358,129	365,344	315,407	(49,937)
Charges for Services	-	2,004	350	(1,654)
Other	215,365	215,465	8,128	(207,337)
Total Revenues	<u>1,038,953</u>	<u>1,048,272</u>	<u>771,361</u>	<u>(276,911)</u>
Expenditures				
Highway and Transportation	1,044,825	1,082,426	534,422	548,004
Total Expenditures	<u>1,044,825</u>	<u>1,082,426</u>	<u>534,422</u>	<u>548,004</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(5,872)</u>	<u>(34,154)</u>	<u>236,939</u>	<u>(824,915)</u>
Other Financing Sources (Uses)				
Transfers In	42,608	47,477	57,611	10,134
Transfers Out	(6,000)	(6,000)	(6,000)	-
Total Other Financing Sources (Uses)	<u>36,608</u>	<u>41,477</u>	<u>51,611</u>	<u>10,134</u>
Net Change Budgetary Basis	<u>\$ 30,736</u>	<u>\$ 7,323</u>	<u>\$ 288,550</u>	<u>\$ (814,781)</u>

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE BUDGET TO GAAP RECONCILIATION

For the Year Ended June 30, 2008

(In Thousands)

	General Fund	Education	Health and Human Services	Highway and Transportation
REVENUES				
Actual Total Revenues (Budgetary Basis)	\$ 376,232	\$ 412,691	\$ 3,431,498	\$ 771,361
Differences Budget to GAAP:				
Revenue Not Budgeted	5,962,772	-	-	-
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 6,339,004	\$ 412,691	\$ 3,431,498	\$ 771,361
EXPENDITURES				
Actual Total Expenditures (Budgetary Basis)	\$ 1,136,203	\$ 2,930,408	\$ 4,777,716	\$ 534,422
Differences Budget to GAAP:				
Multiple Year Expenditures	104,417	244,626	(35,050)	393,194
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 1,240,620	\$ 3,175,034	\$ 4,742,666	\$ 927,616
OTHER FINANCING SOURCES (USES)				
Actual Total Other Financing Sources (Uses) (Budgetary Basis)	\$ 884,155	\$ 2,527,264	\$ 1,354,956	\$ 51,611
Differences Budget to GAAP:				
Nonbudgeted Revenue Bond Proceeds	-	-	-	-
Multiple Year Activity	(5,878,422)	276,793	(62,595)	107,447
Total Other Financing Sources (Uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ (4,994,267)	\$ 2,804,057	\$ 1,292,361	\$ 159,058

The Notes to Required Supplementary Information – Budgetary Reporting are an integral part of this schedule

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2008

(In Thousands)

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.

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 required supplementary information for the differences due to multiple year appropriations and the nonbudgeted revenues and disbursements recognized by the State General Fund.

The General Fund presented herein includes the general funds of all state agencies. The largest of these general funds is the component appropriation

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2008

(In Thousands)

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.

Multi Year Appropriations Budgets – Capital Projects

Budgets for multiple year monies are not made on an annual basis, but are adopted on a project length basis. Budgets for capital projects may be established for periods from two to five years depending on the nature of the project. These nonoperating budgets primarily serve as a management control purpose, and because related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Budget to GAAP Reconciliation

The budgetary comparison schedules of the various funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Both the budget and actual amounts represent single year activity based on the budget reference assigned to the particular transaction. 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 is presented following the budgetary comparison schedules.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION INFORMATION ABOUT THE STATE'S PENSION BENEFIT PLANS

For the Year Ended June 30, 2008

(In Thousands)

The State's Pension Benefit Plans (Plans) are administered by the Public Employees Retirement Association and the Educational Retirement Board as trust funds. Assets of the trust funds are dedicated to providing retirement benefits to participants of the Plans. The State's Other Postemployment Benefit Plan (OPEB Plan) is administered by the Retiree Health Care Authority as an irrevocable trust fund. Assets of the OPEB Plan are dedicated to providing comprehensive core group health insurance for persons who have retired from certain public service in New Mexico.

The following schedules present the State of New Mexico's actuarially determined funding progress and required contributions for the State of New Mexico's Pension Plans and OPEB Plan:

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION

ANALYSIS OF THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)

For the Last Ten Years Ending June 30, 2008
(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, 2008	\$ 9,272,800	\$ 12,967,000	\$ 3,694,200	72.0%	\$ 2,491,700	148.0%
June 30, 2007	8,591,400	12,190,100	3,598,700	71.0%	2,341,100	154.0%
June 30, 2006	7,813,900	11,436,300	3,622,400	68.0%	2,219,400	163.0%
June 30, 2005	7,457,500	10,591,800	3,134,300	70.4%	2,209,100	141.9%
June 30, 2004	7,488,000	9,927,100	2,439,100	75.4%	2,142,400	113.8%
June 30, 2003	7,518,200	9,266,600	1,748,400	81.1%	2,032,500	86.0%
June 30, 2002	7,595,100	8,748,000	1,152,900	86.8%	1,978,500	58.3%
June 30, 2001	7,418,300	8,070,300	652,000	92.0%	1,819,600	36.0%
June 30, 2000	6,835,800	7,460,600	624,800	92.0%	1,795,700	35.0%
June 30, 1999	5,988,500	6,971,700	983,200	86.0%	1,637,500	60.0%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$ 368,197	79.0%
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%

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, 2008
Actuarial cost method	Entry Age Normal
Amortization method	Level Payment, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Investment rate of return*	8.0%
Projected salary increases*	5.0% to 13.5%
*Includes inflation at	3.0%
Cost of living adjustments	2.0%

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION ANALYSIS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) For the Last Ten Years Ending June 30, 2008 (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, 2008	\$ 12,836,217	\$ 13,761,750	\$ 925,532	93.0%	\$ 1,965,064	47.0%
June 30, 2007	12,049,358	12,982,072	932,714	93.0%	1,908,520	49.0%
June 30, 2006	10,863,895	11,800,861	936,966	92.0%	1,774,918	53.0%
June 30, 2005	10,008,511	10,920,967	912,456	92.0%	1,607,839	57.0%
June 30, 2004	9,275,676	9,973,755	698,079	93.0%	1,499,069	46.6%
June 30, 2003	8,976,908	9,223,602	246,694	97.3%	1,437,357	17.2%
June 30, 2002	8,769,234	8,505,931	(263,303)	103.1%	1,396,209	0.0%
June 30, 2001	8,308,210	7,883,447	(424,763)	105.0%	1,318,275	0.0%
June 30, 2000	7,527,280	7,118,975	(408,305)	106.0%	1,253,305	0.0%
June 30, 1999	6,494,487	6,554,553	60,066	99.0%	1,200,565	5.0%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$ 293,165	100.0%
2007	257,095	100.0%
2006	235,863	100.0%
2005	219,164	100.0%
2004	206,836	100.0%
2003	213,713	100.0%
2002	204,734	100.0%
2001	196,544	100.0%
2000	182,000	100.0%
1999	174,324	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, 2008
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*	8.0%
Inflation increase	4.0%
Post retirement benefit increases	3.0%
Projected salary increases*	4.5% - 19.0%

* Includes inflation

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION ANALYSIS OF THE JUDICIAL RETIREMENT SYSTEM (JRS) For the Last Ten Years Ending June 30, 2008 (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, 2008	\$ 87,430	\$ 111,721	\$ 24,292	78.0%	\$ 11,697	208.0%
June 30, 2007	82,570	104,040	21,471	79.0%	11,754	183.0%
June 30, 2006	74,003	95,216	21,213	78.0%	10,060	211.0%
June 30, 2005	68,781	87,175	18,394	79.0%	9,883	186.0%
June 30, 2004	66,209	87,620	21,411	75.6%	9,074	236.0%
June 30, 2003	65,223	85,952	20,729	75.9%	8,575	241.7%
June 30, 2002	61,686	75,958	14,272	81.2%	7,507	190.1%
June 30, 2001	59,523	70,604	11,081	84.0%	7,060	157.0%
June 30, 2000	54,726	63,316	8,590	86.0%	6,754	127.0%
June 30, 1999	47,776	58,189	10,413	82.0%	6,735	155.0%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$ 4,549	112.6%
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%

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, 2008
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*	8.0%
Inflation increase	4.5%
Post retirement benefit increases	3.0%
Projected salary increases*	5.0%

*Includes inflation

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

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION ANALYSIS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS) For the Last Ten Years Ending June 30, 2008 (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, 2008	\$ 38,866	\$ 41,721	\$ 2,855	93.0%	\$ 3,363	85.0%
June 30, 2007	37,242	36,964	(277)	110.0%	3,465	0.0%
June 30, 2006	33,694	33,362	(332)	101.0%	3,150	0.0%
June 30, 2005	31,303	31,385	82	99.7%	3,196	2.6%
June 30, 2004	30,072	30,195	123	99.6%	3,002	4.1%
June 30, 2003	29,630	29,078	(552)	101.9%	3,082	0.0%
June 30, 2002	32,040	28,959	(3,081)	110.6%	3,997	0.0%
June 30, 2001	30,258	26,685	(3,573)	113.0%	3,651	0.0%
June 30, 2000	27,097	23,738	(3,359)	114.0%	3,485	0.0%
June 30, 1999	23,369	21,645	(1,724)	108.0%	3,264	0.0%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$ 1,030	132.6%
2007	944	127.8%
2006	1,009	104.8%
2005	927	100.8%
2004	894	87.0%
2003	881	129.7%
2002	779	147.1%
2001	730	175.5%
2000	750	101.5%
1999	803	134.2%

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, 2008
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*	8.0%
Inflation increase	4.0%
Post retirement benefit increases	3.0%
Projected salary increases*	5.0%

*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

REQUIRED SUPPLEMENTARY INFORMATION

ANALYSIS OF THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)

For the Last Ten Years Ending June 30, 2008

(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, 2008	\$ 48,438	\$ 16,946	\$ (31,492)	286.0%	N/A+	N/A
June 30, 2007	44,961	16,536	(28,425)	272.0%	N/A+	N/A
June 30, 2006	39,512	23,743	(15,769)	166.0%	N/A+	N/A
June 30, 2005	35,651	25,152	(10,499)	141.7%	N/A+	N/A
June 30, 2004	33,000	17,778	(15,222)	185.6%	N/A+	N/A
June 30, 2003	31,222	17,058	(14,164)	183.0%	N/A+	N/A
June 30, 2002	29,784	16,128	(13,656)	184.7%	N/A+	N/A
June 30, 2001	27,992	15,807	(12,185)	177.0%	N/A+	N/A
June 30, 2000	24,641	17,303	(7,338)	0.0%	N/A+	N/A
June 30, 1999	20,246	16,161	(4,085)	125.0%	N/A+	N/A

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$ -	750.0%
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%

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, 2008
Actuarial cost method	Unit credit
Amortization method	Level dollar, open
Amortization period	30 years #
Asset valuation method	4 year smoothed market
Rate of return on investment of present and future assets*	8.0%
Inflation increase	4.0%
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.

Therefore, payroll information has been excluded.

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

REQUIRED SUPPLEMENTARY INFORMATION ANALYSIS OF THE RETIREE HEALTH CARE AUTHORITY (RHCA) For the Last Three Years Ending June 30, 2008 (In Thousands)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2008	\$ 170,626	\$ 3,116,916	\$ 2,946,289	5.0%	4,020,509	76.0%
June 30, 2006	154,539	4,264,181	4,109,642	4.0%	4,073,732	101.0%

Schedule of Employers and Other Contributing Entities Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions Employers and Employees	Actual Contributions State of New Mexico Pension Trust	Percentage Contributed
2008	\$ 286,538	\$ 78,432	\$ 13,689	N/A
2007	275,517	71,218	9,468	33.0%
2006	383,244	70,212	8,454	24.2%

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, 2008
Actuarial cost method	Entry age, level percent of pay
Amortization method	30-year open-ended amortization, with the initial payment determined as if the future payments would theoretically increase each year on a level percent of pay basis
Amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	5.0%
Projected payroll increases	4.0%
Health care cost trend rate:	
Prescription drug	8.0% from July 1, 2009 to July 1, 2016, decreasing by 0.5% for each year until it reaches an ultimate rate of 5.0%
Medical	- Under age 65 - 8.0% from July 1, 2009 to July 1, 2016, then decreasing by 0.5% for each year until it reaches an ultimate rate of 5.0% - Age 65 and over - 8.0% from July 1, 2008 to July 1, 2016, then decreasing by 0.5% each year until it reaches an ultimate rate of 5.0%

The actuarial methods and assumptions that are designed to reduce the effects of short-term volatility in actuarial value of assets, consistent with the long-term perspective of the plan.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)

For the Last Ten Years Ending June 30, 2008

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2008	\$ 201,916	\$ 290,846	\$ (567,837)	\$ 3,663	\$ (71,412)
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2008	\$ 578,776	\$ 6,089	\$ 29,475	\$ -	\$ 614,340
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

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

For the Last Ten Years Ending June 30, 2008

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2008	\$ 191,707	\$ 292,569	\$ (1,033,557)	\$ 11,092	\$ (538,189)
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2008	\$ 557,190	\$ 9,939	\$ 31,328	\$ -	\$ 598,457
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

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE JUDICIAL RETIREMENT SYSTEM (JRS)

For the Last Ten Years Ending June 30, 2008
(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2008	\$ 895	\$ 3,832	\$ (7,000)	\$ 58	\$ (2,215)
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2008	\$ 5,907	\$ 34	\$ 26	\$ -	\$ 5,967
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

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE MAGISTRATE RETIREMENT SYSTEM (MRS)

For the Last Ten Years Ending June 30, 2008

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income	
2008	\$ 243	\$ 981	\$ (3,177)	\$ 13	\$ (1,940)
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2008	\$ 2,294	\$ 18	\$ 20	\$ -	\$ 2,332
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

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)

For the Last Ten Years Ending June 30, 2008

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income (Loss)	Other Income *	
2008	\$ -	\$ -	\$ (3,984)	\$ 765	\$ (3,219)
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

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2008	\$ 539	\$ -	\$ -	\$ -	\$ 539
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

* Contributions are appropriated from the State of New Mexico Fire Protection Fund.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION

REVENUES AND EXPENSES BY TYPE

THE RETIREE HEALTH CARE AUTHORITY (RHCA)

For the Last Six Years Ending June 30, 2008

(In Thousands)

Fiscal Year Ended June 30,	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2008	\$ 67,351	\$ 78,840	\$ 364	\$ 34,459	\$ 181,014
2007	94,828	48,875	28,816	22,832	195,351
2006	23,220	46,993	17,435	80,275	167,923
2005	21,687	43,638	82,750	11,876	159,951
2004	118,699	-	19,872	7,759	146,330
2003*	107,984	-	2,615	9,215	119,814

Fiscal Year Ended June 30,	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2008	\$ 193,947	\$ -	\$ 801	\$ -	\$ 194,748
2007	171,751	2,489	-	-	174,240
2006	155,194	2,280	-	2,864	160,338
2005	138,660	2,016	-	2,014	142,690
2004	119,409	2,341	-	-	121,750
2003*	115,215	2,408	1,384	-	119,007

* In 2003, the State evaluated the classification of the Retiree Health Care Authority (RHCA). Prior to 2003, the RHCA was an enterprise activity for the State of New Mexico. In 2003, the RHCA was determined to be a trust for the State.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are restricted to expenditures for specified purposes. Special Revenue Funds are presented beginning on page 154.

Debt Service Funds

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 other contractual obligations. Debt Service Funds are presented beginning on page 160.

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). Capital Projects Funds are presented beginning on page 164.

Land Grant Permanent Fund

This fund receives a portion of the royalties and income from land grants, and distributes its income to the public schools and other state schools and institutions of higher education.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET – BY FUND TYPE NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 476,543	\$ 227,326	\$ 196,023	\$ 54,082	\$ 953,974
Deferred Charges and Other Assets	50	98,317	3	-	98,370
Due From Other Funds	180,957	42,995	78,871	188	303,011
Receivables, Net	44,821	200,145	40,967	12,302	298,235
Investments	48,442	-	-	724,455	772,897
Inventories	31	-	-	-	31
Total Assets	<u>\$ 750,844</u>	<u>\$ 568,783</u>	<u>\$ 315,864</u>	<u>\$ 791,027</u>	<u>\$ 2,426,518</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 29,694	\$ 215	\$ 10,585	\$ -	\$ 40,494
Accrued Liabilities	2,485	-	2	-	2,487
Due To Other Funds	51,388	32,667	3,851	-	87,906
Due To Beneficiaries	-	-	-	2,679	2,679
Due To Brokers	-	-	-	94,513	94,513
Intergovernmental Payables	1,098	-	-	-	1,098
Funds Held for Others	242	-	-	-	242
Other Obligations	407	-	-	-	407
Deferred Revenue	7,784	62,155	41,237	-	111,176
Total Liabilities	<u>93,098</u>	<u>95,037</u>	<u>55,675</u>	<u>97,192</u>	<u>341,002</u>
Fund balances:					
Reserved for:					
Capital Projects	-	-	199,970	-	199,970
Inventories	31	-	-	-	31
Multiple Year Appropriations and Encumbrances	420,827	-	32,703	-	453,530
Other	33,663	-	1,437	-	35,100
Unreserved Designated, Reported in nonmajor:					
Debt Service Funds	-	378,201	-	-	378,201
Pool Participants	-	-	-	693,835	693,835
Unreserved Undesignated, Reported in nonmajor:					
Special Revenue Funds	203,225	-	-	-	203,225
Debt Service Funds	-	95,545	-	-	95,545
Capital Projects Funds	-	-	26,079	-	26,079
Total Fund Balances	<u>657,746</u>	<u>473,746</u>	<u>260,189</u>	<u>693,835</u>	<u>2,085,516</u>
Total Liabilities and Fund Balances	<u>\$ 750,844</u>	<u>\$ 568,783</u>	<u>\$ 315,864</u>	<u>\$ 791,027</u>	<u>\$ 2,426,518</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BY FUND TYPE

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Special Revenue	Debt Service	Capital Projects	Land Grant Permanent	Total Governmental Funds
REVENUES					
General and Selective Taxes	\$ 48,496	\$ 654,775	\$ 4,373	\$ -	\$ 707,644
Other Revenues:					
Federal	31,471	-	1,401	-	32,872
Investment Income (Loss)	9,571	60,678	854	(37,692)	33,411
Rentals and Royalties	5,147	-	337	-	5,484
Charges for Services	5,811	-	-	-	5,811
Licenses, Fees, and Permits	21,956	184	-	-	22,140
Assessments	11,965	-	-	-	11,965
Miscellaneous and Other	8,021	-	880	136	9,037
Total Revenues	<u>142,438</u>	<u>715,637</u>	<u>7,845</u>	<u>(37,556)</u>	<u>828,364</u>
EXPENDITURES					
Current:					
General Control	203,478	-	7,409	-	210,887
Culture, Recreation, and Natural Resources	33,028	-	18,114	-	51,142
Judicial	54,970	-	894	-	55,864
Public Safety	13,015	-	1,132	-	14,147
Regulation and Licensing	24,018	-	7,691	-	31,709
Capital Outlay	5,377	-	89,871	-	95,248
Debt Service:					
Interest and Other Charges	-	83,539	-	-	83,539
Principal	-	138,076	-	-	138,076
Bond Costs	932	-	-	-	932
Total Expenditures	<u>334,818</u>	<u>221,615</u>	<u>125,111</u>	<u>-</u>	<u>681,544</u>
Excess Revenues Over (Under)					
Expenditures	<u>(192,380)</u>	<u>494,022</u>	<u>(117,266)</u>	<u>(37,556)</u>	<u>146,820</u>
OTHER FINANCING SOURCES (USES)					
Bonds Issued	220,270	-	-	-	220,270
Bond Premium	9,120	-	-	-	9,120
Refunding Bond Issue	20,550	-	-	-	20,550
Payment to Refunded Bond Escrow Agent	-	(28,080)	-	-	(28,080)
Transfers In	291,868	229,800	188,658	32,481	742,807
Transfers Out	(386,179)	(471,886)	(14,635)	(33,447)	(906,147)
Total Other Financing Sources (Uses)	<u>155,629</u>	<u>(270,166)</u>	<u>174,023</u>	<u>(966)</u>	<u>58,520</u>
Net Change in Fund Balances	<u>(36,751)</u>	<u>223,856</u>	<u>56,757</u>	<u>(38,522)</u>	<u>205,340</u>
Fund Balances - Beginning, as Restated	<u>694,497</u>	<u>249,890</u>	<u>203,432</u>	<u>732,357</u>	<u>1,880,176</u>
Fund Balances - Ending	<u>\$ 657,746</u>	<u>\$ 473,746</u>	<u>\$ 260,189</u>	<u>\$ 693,835</u>	<u>\$ 2,085,516</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR SPECIAL REVENUE FUND FINANCIAL STATEMENTS

Culture, Recreation, and Natural Resources

These funds account for revenue sources that are specified to be used for the operation of programs devoted to culture, recreation, and natural resource protection, use, and development.

General Control

These funds account for revenue sources specified to be used in a variety of governmental operational activities.

Judicial

These funds account for revenue sources specified for use in the judicial activities of the State, including the Supreme Court, Court of Appeals, District Courts, and Magistrate Courts.

Public Safety

These funds account for revenue sources specified for use in public safety activities, such as the State Police, Corrections, and other public safety programs.

Regulation and Licensing

These funds account for revenue sources specified for use in regulation and licensing activities, including revenues of the various licensing boards as well as the regulation and licensing of various business activities.

Bond Proceeds

This fund accounts for the proceeds of the sale of general obligation and severance tax bonds.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2008

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety	Regulation and Licensing
ASSETS					
Cash and Cash Equivalents	\$ 44,019	\$ 327,125	\$ 18,788	\$ 20,962	\$ 65,649
Deferred Charges and Other Assets	-	3	2	4	41
Due From Other Funds	22,421	129,828	14,147	10,854	3,707
Receivables, Net	8,799	34,233	1,274	310	205
Investments	16,349	-	-	-	32,093
Inventories	-	-	-	-	31
Total Assets	\$ 91,588	\$ 491,189	\$ 34,211	\$ 32,130	\$ 101,726
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 8,253	\$ 15,113	\$ 2,792	\$ 1,120	\$ 2,416
Accrued Liabilities	190	1,438	803	-	54
Due To Other Funds	3,784	27,644	272	13,742	5,946
Intergovernmental Payables	-	1,084	14	-	-
Funds Held for Others	-	242	-	-	-
Other Obligations	-	407	-	-	-
Deferred Revenue	2,974	1,421	230	-	3,159
Total Liabilities	15,201	47,349	4,111	14,862	11,575
Fund balances:					
Reserved for:					
Inventories	-	-	-	-	31
Multiple Year Appropriations and Encumbrances	-	409,991	-	-	10,836
Other	12,261	21,085	209	108	-
Unreserved Undesignated	64,126	12,764	29,891	17,160	79,284
Total Fund Balances	76,387	443,840	30,100	17,268	90,151
Total Liabilities and Fund Balances	\$ 91,588	\$ 491,189	\$ 34,211	\$ 32,130	\$ 101,726

Bond		Total	
Proceeds			
\$	-	\$	476,543
	-		50
	-		180,957
	-		44,821
	-		48,442
	-		31
\$	-	\$	750,844

\$	-	\$	29,694
	-		2,485
	-		51,388
	-		1,098
	-		242
	-		407
	-		7,784
	-		93,098

	-		31
	-		420,827
	-		33,663
	-		203,225
	-		657,746
\$	-	\$	750,844

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety	Regulation and Licensing
REVENUES					
Taxes:					
General and Selective Taxes	\$ 6,677	\$ 40,521	\$ -	\$ -	\$ 1,298
Total Taxes	6,677	40,521	-	-	1,298
Other Revenues:					
Federal	4,159	20,352	3,899	3,033	28
Investment Income	7,363	1,078	-	215	915
Rentals and Royalties	5,014	69	61	-	3
Charges for Services	2,167	4	2,497	525	618
Licenses, Fees, and Permits	3,819	2,027	1	248	15,861
Assessments	114	-	-	2,186	9,665
Miscellaneous and Other	2,691	3,222	1,213	829	66
Total Revenues	32,004	67,273	7,671	7,036	28,454
EXPENDITURES					
Current:					
General Control	-	203,478	-	-	-
Culture, Recreation, and Natural Resources	33,028	-	-	-	-
Judicial	-	-	54,970	-	-
Public Safety	-	-	-	13,015	-
Regulation and Licensing	-	-	-	-	24,018
Capital Outlay	2,925	109	2,067	-	276
Bond Costs	-	-	-	-	-
Total Expenditures	35,953	203,587	57,037	13,015	24,294
Excess Revenues Over (Under)					
Expenditures	(3,949)	(136,314)	(49,366)	(5,979)	4,160
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	-	-	-	-
Bond Premium	-	-	-	-	-
Refunding Bond Issue	-	-	-	-	-
Transfers In	33,827	157,877	62,744	19,611	17,809
Transfers Out	(23,412)	(100,068)	(127)	(1,588)	(11,976)
Total Other Financing Sources (Uses)	10,415	57,809	62,617	18,023	5,833
Net Change in Fund Balances	6,466	(78,505)	13,251	12,044	9,993
Fund Balances - Beginning, as Restated	69,921	522,345	16,849	5,224	80,158
Fund Balances - Ending	\$ 76,387	\$ 443,840	\$ 30,100	\$ 17,268	\$ 90,151

Bond Proceeds	Total
\$ -	\$ 48,496
-	48,496
-	31,471
-	9,571
-	5,147
-	5,811
-	21,956
-	11,965
-	8,021
-	142,438
-	203,478
-	33,028
-	54,970
-	13,015
-	24,018
-	5,377
932	932
932	334,818
(932)	(192,380)
220,270	220,270
9,120	9,120
20,550	20,550
-	291,868
(249,008)	(386,179)
932	155,629
-	(36,751)
-	694,497
\$ -	\$ 657,746

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR DEBT SERVICE FUND FINANCIAL STATEMENTS

Culture, Recreation, and Natural Resources

This fund accounts for the resources accumulated to service the debt incurred for the activities involving culture, recreation, and natural resources.

General Control

This fund accounts for resources accumulated to service some smaller debt issuances used to finance specific operations.

General Obligation Bonds

This fund accounts for state property taxes collected to service the State's general obligation bonds. Proceeds from these bonds are used to fund the development, construction, and furnishing of major capital facilities used in state government operations.

Severance Tax Bonds

This fund accounts for severance taxes, imposed on mineral and other natural resource production, which are accumulated to service the debt on these bonds. The bonds are issued to finance various capital projects, including school facilities.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NONMAJOR DEBT SERVICE FUNDS

June 30, 2008

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	General Obligation Bonds	Severance Tax Bonds	Total
ASSETS					
Cash and Cash Equivalents	\$ 4,861	\$ 187	\$ 127,914	\$ 94,364	\$ 227,326
Deferred Charges and Other Assets	-	-	-	98,317	98,317
Due From Other Funds	279	1	605	42,110	42,995
Receivables, Net	-	-	-	200,145	200,145
Total Assets	<u>\$ 5,140</u>	<u>\$ 188</u>	<u>\$ 128,519</u>	<u>\$ 434,936</u>	<u>\$ 568,783</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ -	\$ 215	\$ 215
Due To Other Funds	-	85	-	32,582	32,667
Deferred Revenue	-	-	-	62,155	62,155
Total Liabilities	<u>-</u>	<u>85</u>	<u>-</u>	<u>94,952</u>	<u>95,037</u>
Fund balances:					
Unreserved Designated, Debt Service	5,140	-	53,766	319,295	378,201
Unreserved Undesignated	-	103	74,753	20,689	95,545
Total Fund Balances	<u>5,140</u>	<u>103</u>	<u>128,519</u>	<u>339,984</u>	<u>473,746</u>
Total Liabilities and Fund Balances	<u>\$ 5,140</u>	<u>\$ 188</u>	<u>\$ 128,519</u>	<u>\$ 434,936</u>	<u>\$ 568,783</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR DEBT SERVICE FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	General Obligation Bonds	Severance Tax Bonds	Total
REVENUES					
General and Selective Taxes	\$ -	\$ -	\$ 56,196	\$ 598,579	\$ 654,775
Other Revenues:					
Investment Income	188	5	12,719	47,766	60,678
Licenses, Fees, and Permits	184	-	-	-	184
Total Revenues	<u>372</u>	<u>5</u>	<u>68,915</u>	<u>646,345</u>	<u>715,637</u>
EXPENDITURES					
Debt Service:					
Interest and Other Charges	1,168	29,271	7,353	45,747	83,539
Principal	1,661	-	58,654	77,761	138,076
Total Expenditures	<u>2,829</u>	<u>29,271</u>	<u>66,007</u>	<u>123,508</u>	<u>221,615</u>
Excess Revenues Over (Under)					
Expenditures	<u>(2,457)</u>	<u>(29,266)</u>	<u>2,908</u>	<u>522,837</u>	<u>494,022</u>
OTHER FINANCING SOURCES (USES)					
Payment to Refunded Bond Escrow Agent	-	-	-	(28,080)	(28,080)
Transfers In	2,890	29,271	79,253	118,386	229,800
Transfers Out	-	-	(4,500)	(467,386)	(471,886)
Total Other Financing Sources (Uses)	<u>2,890</u>	<u>29,271</u>	<u>74,753</u>	<u>(377,080)</u>	<u>(270,166)</u>
Net Change in Fund Balances	433	5	77,661	145,757	223,856
Fund Balances - Beginning	4,707	98	50,858	194,227	249,890
Fund Balances - Ending	<u>\$ 5,140</u>	<u>\$ 103</u>	<u>\$ 128,519</u>	<u>\$ 339,984</u>	<u>\$ 473,746</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR CAPITAL PROJECTS FUND FINANCIAL STATEMENTS

Culture, Recreation, and Natural Resources

These funds account for resources to be used for the acquisition or construction of capital facilities used in culture, recreation, and natural resource programs.

General Control

These funds account for resources to be used for the acquisition or construction of capital facilities used in governmental operational activities.

Judicial

These funds account for resources to be used for the acquisition or construction of capital facilities used in the judicial programs of the State.

Public Safety

These funds account for resources to be used for the acquisition or construction of capital facilities used in public safety programs.

Regulation and Licensing

These funds account for resources to be used for the acquisition or construction of capital facilities used in regulation and licensing activities of the State.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECT FUNDS

June 30, 2008

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
ASSETS				
Cash and Cash Equivalents	\$ 79,308	\$ 81,586	\$ 1,412	\$ 6,335
Deferred Charges and Other Assets	-	-	-	3
Due From Other Funds	19,968	51,122	2,000	5,534
Receivables, Net	15,670	25,003	3	-
Total Assets	\$ 114,946	\$ 157,711	\$ 3,415	\$ 11,872
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 6,776	\$ 2,890	\$ 163	\$ 553
Accrued Liabilities	-	-	2	-
Due To Other Funds	96	1,411	-	1,978
Deferred Revenue	15,465	25,449	323	-
Total Liabilities	22,337	29,750	488	2,531
Fund balances:				
Reserved for:				
Capital Projects	59,906	127,961	2,927	9,176
Multiple Year Appropriations and Encumbrances	32,703	-	-	-
Other	-	-	-	165
Unreserved Undesignated	-	-	-	-
Total Fund Balances	92,609	127,961	2,927	9,341
Total Liabilities and Fund Balances	\$ 114,946	\$ 157,711	\$ 3,415	\$ 11,872

Regulation and Licensing	Total
\$ 27,382	\$ 196,023
-	3
247	78,871
291	40,967
<u>\$ 27,920</u>	<u>\$ 315,864</u>

\$ 203	\$ 10,585
-	2
366	3,851
-	41,237
<u>569</u>	<u>55,675</u>

-	199,970
-	32,703
1,272	1,437
26,079	26,079
<u>27,351</u>	<u>260,189</u>
<u>\$ 27,920</u>	<u>\$ 315,864</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Culture, Recreation, and Natural Resources	General Control	Judicial	Public Safety
REVENUES				
General and Selective Taxes	\$ 4,373	\$ -	\$ -	\$ -
Other Revenues:				
Federal	1,401	-	-	-
Investment Income	94	752	-	-
Rentals and Royalties	-	337	-	-
Miscellaneous and Other	-	-	-	-
Total Revenues	<u>5,868</u>	<u>1,089</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
General Control	-	7,409	-	-
Culture, Recreation, and Natural Resources	18,114	-	-	-
Judicial	-	-	894	-
Public Safety	-	-	-	1,132
Regulation and Licensing	-	-	-	-
Capital Outlay	64,603	19,255	1,012	3,130
Total Expenditures	<u>82,717</u>	<u>26,664</u>	<u>1,906</u>	<u>4,262</u>
Excess Revenues Over (Under)				
Expenditures	<u>(76,849)</u>	<u>(25,575)</u>	<u>(1,906)</u>	<u>(4,262)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	66,203	87,820	3,250	4,227
Transfers Out	(5,137)	(8,196)	(950)	-
Total Other Financing Sources (Uses)	<u>61,066</u>	<u>79,624</u>	<u>2,300</u>	<u>4,227</u>
Net Change in Fund Balances	(15,783)	54,049	394	(35)
Fund Balances - Beginning	108,392	73,912	2,533	9,376
Fund Balances - Ending	<u>\$ 92,609</u>	<u>\$ 127,961</u>	<u>\$ 2,927</u>	<u>\$ 9,341</u>

Regulation and Licensing	Total
\$ -	\$ 4,373
-	1,401
8	854
-	337
880	880
888	7,845
-	7,409
-	18,114
-	894
-	1,132
7,691	7,691
1,871	89,871
9,562	125,111
(8,674)	(117,266)
27,158	188,658
(352)	(14,635)
26,806	174,023
18,132	56,757
9,219	203,432
\$ 27,351	\$ 260,189

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR ENTERPRISE FUND FINANCIAL STATEMENTS

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 wastewater 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.

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

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 410	\$ 92,001	\$ 1,758	\$ 59,003
Deferred Charges and Other Assets	-	-	-	12	258
Due From Other Funds	-	1,605	2,888	-	-
Receivables, Net	183	119	4,328	171	747
Loans Receivable, Current	-	-	25,000	-	-
Inventories	163	1,956	-	198	-
Total Current Assets	346	4,090	124,217	2,139	60,008
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Loans Receivable	-	-	130,608	-	-
Investments	-	-	-	-	33,925
Nondepreciable Capital Assets	20	-	-	-	235
Capital Assets, Net	54	360	-	7	236
Total Noncurrent Assets	74	360	130,608	7	34,396
Total Assets	420	4,450	254,825	2,146	94,404
LIABILITIES					
Current Liabilities:					
Cash Overdraft	220	-	-	-	-
Accounts Payable	2	423	484	184	5,883
Accrued Liabilities	90	69	12	115	124
Deferred Revenue	-	-	-	111	107
Due to Other Funds	54	-	19	268	-
Other Obligations	-	-	-	-	-
Funds Held for Others	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Other Liabilities	14	116	-	624	20,052
Total Current Liabilities	380	608	515	1,302	26,166
Noncurrent Liabilities:					
Bonds Payable	-	-	-	-	-
Other Liabilities	-	-	-	681	46,000
Total Noncurrent Liabilities	-	-	-	681	46,000
Total Liabilities	380	608	515	1,983	72,166
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	74	360	-	7	471
Restricted for:					
Debt Service	-	-	-	-	-
Other Purposes	-	-	254,310	-	21,765
Unrestricted (deficit)	(34)	3,482	-	156	2
Total Net Assets	\$ 40	\$ 3,842	\$ 254,310	\$ 163	\$ 22,238

New Mexico Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commision	Total
\$ 5,360	\$ 14,028	\$ 8,568	\$ 557,473	\$ 4,073	\$ 742,674
2,636	-	1	-	-	2,907
-	88	197	249	-	5,027
1,817	69	2,430	-	1,185	11,049
-	2,150	-	-	-	27,150
16	-	609	-	48	2,990
9,829	16,335	11,805	557,722	5,306	791,797
-	-	-	-	626	626
-	-	-	-	-	130,608
-	-	1,478	-	-	35,403
-	-	20,440	-	819	21,514
249	-	14,463	-	44,404	59,773
249	-	36,381	-	45,849	247,924
10,078	16,335	48,186	557,722	51,155	1,039,721
-	-	-	-	-	220
1,240	877	760	-	1,797	11,650
5,886	435	550	1,132	315	8,728
-	-	-	5,333	377	5,928
2,952	-	150	322	-	3,765
-	-	-	14,565	-	14,565
-	-	-	-	151	151
-	-	616	-	554	1,170
-	-	360	-	220	21,386
10,078	1,312	2,436	21,352	3,414	67,563
-	-	14,776	-	3,720	18,496
-	-	40	-	-	46,721
-	-	14,816	-	3,720	65,217
10,078	1,312	17,252	21,352	7,134	132,780
249	-	19,511	-	40,948	61,546
-	-	12	-	1,181	1,193
-	15,023	1,466	533,134	3,538	829,236
(249)	-	9,945	3,236	(1,646)	14,966
\$ -	\$ 15,023	\$ 30,934	\$ 536,370	\$ 44,021	\$ 906,941

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
OPERATING REVENUES					
Charges for Services	\$ 419	\$ 4,740	\$ -	\$ 4,017	\$ 293,758
Federal Revenue	-	-	-	-	-
Loan and Other Income	-	-	7,958	-	8
Licenses, Fees, and Permits	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-
Total Operating Revenues	<u>419</u>	<u>4,740</u>	<u>7,958</u>	<u>4,017</u>	<u>293,766</u>
OPERATING EXPENSES					
Benefits, Claims, and Premiums	-	-	-	-	38,500
Depreciation Expense	16	120	-	5	30
Game Expense	-	-	-	-	-
General and Administrative Expenses	749	-	8,953	-	28,425
Losses	-	-	-	-	243,000
Other Operating Expenses	-	5,209	-	3,994	-
Total Operating Expenses	<u>765</u>	<u>5,329</u>	<u>8,953</u>	<u>3,999</u>	<u>309,955</u>
Operating Income (Loss)	<u>(346)</u>	<u>(589)</u>	<u>(995)</u>	<u>18</u>	<u>(16,189)</u>
NONOPERATING REVENUES (EXPENSES)					
Asset-related Debt	-	-	-	-	-
Other Revenue (Expenses)	290	49	14,604	-	2,595
Total Nonoperating Revenues (Expenses)	<u>290</u>	<u>49</u>	<u>14,604</u>	<u>-</u>	<u>2,595</u>
Income (Loss) Before Transfers	<u>(56)</u>	<u>(540)</u>	<u>13,609</u>	<u>18</u>	<u>(13,594)</u>
TRANSFERS					
Transfers In	149	331	1,500	-	1,228
Transfers Out	-	-	-	-	(1,228)
Total Transfers	<u>149</u>	<u>331</u>	<u>1,500</u>	<u>-</u>	<u>-</u>
Change in Net Assets	93	(209)	15,109	18	(13,594)
Net Assets - Beginning	(53)	4,051	239,201	145	35,832
Net Assets - Ending	<u>\$ 40</u>	<u>\$ 3,842</u>	<u>\$ 254,310</u>	<u>\$ 163</u>	<u>\$ 22,238</u>

New Mexico Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commision	Total
\$ 147,152	\$ -	\$ 15,022	\$ -	\$ 9,935	\$ 475,043
-	-	255	237	-	492
-	608	6,689	28,132	-	43,395
-	-	-	-	2,828	2,828
-	-	-	97,867	3,642	101,509
147,152	608	21,966	126,236	16,405	623,267
-	-	-	179,295	-	217,795
192	-	1,806	-	2,196	4,365
101,725	-	-	-	-	101,725
-	4,469	-	-	7,633	50,229
-	-	-	-	-	243,000
5,080	-	24,459	-	9,552	48,294
106,997	4,469	26,265	179,295	19,381	665,408
40,155	(3,861)	(4,299)	(53,059)	(2,976)	(42,141)
-	-	-	-	(141)	(141)
656	-	440	-	3,838	22,472
656	-	440	-	3,697	22,331
40,811	(3,861)	(3,859)	(53,059)	721	(19,810)
-	-	7,778	-	-	10,986
(40,811)	-	(7,778)	-	-	(49,817)
(40,811)	-	-	-	-	(38,831)
-	(3,861)	(3,859)	(53,059)	721	(58,641)
-	18,884	34,793	589,429	43,300	965,582
\$ -	\$ 15,023	\$ 30,934	\$ 536,370	\$ 44,021	\$ 906,941

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from:					
Fees for Service	\$ 536	\$ 4,847	\$ -	\$ 3,989	\$ 293,486
Sale of Products	-	-	-	-	-
Loan and Note Repayments	-	-	7,006	-	-
Unemployment Insurance Taxes	-	-	-	-	-
Other Sources	-	-	-	-	-
Cash Payments to or for:					
Suppliers	(280)	(3,264)	(242)	(2,894)	(49,337)
Employees	(635)	(2,099)	(82)	(1,120)	(836)
Unemployment Benefits	-	-	-	-	-
Loans and Student Loans and Loan Losses	-	-	(33,778)	-	(254,532)
Lottery Prizes	-	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>(379)</u>	<u>(516)</u>	<u>(27,096)</u>	<u>(25)</u>	<u>(11,219)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	350	-	-	-	387
Transfers Out	-	-	(983)	-	-
Gifts for Other Than Capital Purposes	-	-	-	-	-
Noncapital Debt Proceeds	-	-	7,536	-	-
Intergovernmental Receipts	-	-	-	-	-
Noncapital Nonoperating Revenues (Expenses)	(220)	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>130</u>	<u>-</u>	<u>6,553</u>	<u>-</u>	<u>387</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	-	(74)	-	-	-
Capital Gifts, Grants, and Contracts	-	-	8,575	-	-
Capital Debt Service Payments	-	-	-	-	-
Capital Contributions and Debt Proceeds	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(74)</u>	<u>8,575</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest, Dividends, Investment Gains and Losses (Net)	-	332	3,948	-	3,247
Receipts of Rent	-	-	-	-	-
Proceeds from Sale and Maturity of Investments	-	-	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>332</u>	<u>3,948</u>	<u>-</u>	<u>3,247</u>
Net Increase (Decrease) in Cash	(249)	(258)	(8,020)	(25)	(7,585)
Cash and Cash Equivalents at Beginning of Year	29	668	100,021	1,783	66,588
Cash and Cash Equivalents at End of Year	<u>\$ (220)</u>	<u>\$ 410</u>	<u>\$ 92,001</u>	<u>\$ 1,758</u>	<u>\$ 59,003</u>
Cash and Cash Equivalents					
Unrestricted	\$ -	410	92,001	1,758	59,003
Restricted	-	-	-	-	-
Cash Overdraft	(220)	-	-	-	-
	<u>\$ (220)</u>	<u>\$ 410</u>	<u>\$ 92,001</u>	<u>\$ 1,758</u>	<u>\$ 59,003</u>

New Mexico Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commision	Total
\$ -	\$ -	\$ 21,250	\$ -	\$ 17,460	\$ 341,568
137,505	-	-	-	-	137,505
-	1,811	-	-	-	8,817
-	-	-	121,858	-	121,858
4,118	-	-	-	-	4,118
(15,679)	-	(10,111)	-	(10,545)	(92,352)
(2,793)	-	(12,463)	-	(7,633)	(27,661)
-	-	-	(180,561)	-	(180,561)
-	-	-	-	-	(288,310)
(83,900)	-	-	-	-	(83,900)
39,251	1,811	(1,324)	(58,703)	(718)	(58,918)
-	1,451	-	-	-	2,188
(41,019)	-	-	-	-	(42,002)
-	-	-	28,132	-	28,132
-	-	-	-	-	7,536
-	-	-	-	-	-
-	-	-	-	-	(220)
(41,019)	1,451	-	28,132	-	(4,366)
(90)	-	(4,913)	-	(7,742)	(12,819)
-	-	-	-	-	8,575
-	-	(652)	-	(682)	(1,334)
-	-	-	-	4,296	4,296
-	-	2	-	-	2
(90)	-	(5,563)	-	(4,128)	(1,280)
259	-	(108)	-	251	7,929
131	-	-	-	-	131
-	-	3,526	-	-	3,526
390	-	3,418	-	251	11,586
(1,468)	3,262	(3,469)	(30,571)	(4,595)	(52,978)
6,828	10,766	12,037	588,044	9,294	796,058
\$ 5,360	\$ 14,028	\$ 8,568	\$ 557,473	\$ 4,699	\$ 743,080
5,360	14,028	8,568	557,473	4,073	742,674
-	-	-	-	626	626
-	-	-	-	-	(220)
\$ 5,360	\$ 14,028	\$ 8,568	\$ 557,473	\$ 4,699	\$ 743,080

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2008

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (346)	\$ (589)	\$ (995)	\$ 18	\$ (16,189)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	16	120	-	5	30
Bad Debt Expense	-	-	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:					
Increase (Decrease) in Receivables	119	(8)	709	69	(299)
Increase (Decrease) in Notes/Loans	-	-	(27,606)	-	-
Increase (Decrease) in Inventories	(1)	(20)	-	-	-
Increase (Decrease) in Assets	(1)	-	-	-	-
Increase (Decrease) in Accrued Liabilities	(166)	(4)	796	(117)	1,325
Increase (Decrease) in Unearned Revenue/Deposits	-	(15)	-	-	3,914
Net Cash Provided (Used) by Operating Activities	<u>\$ (379)</u>	<u>\$ (516)</u>	<u>\$ (27,096)</u>	<u>\$ (25)</u>	<u>\$ (11,219)</u>

<u>New Mexico Lottery Authority</u>	<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commision</u>	<u>Total</u>
\$ 40,155	\$ (3,861)	\$ (4,299)	\$ (53,059)	\$ (2,976)	\$ (42,141)
192	-	1,806	-	2,196	4,365
-	-	1,783	-	-	1,783
207	-	(250)	27,556	(595)	27,508
-	6,984	-	-	-	(20,622)
-	-	(89)	-	-	(110)
2	-	(1)	-	(47)	(47)
(1,102)	(1,312)	(274)	(14,930)	788	(14,996)
<u>(203)</u>	<u>-</u>	<u>-</u>	<u>(18,270)</u>	<u>(84)</u>	<u>(14,658)</u>
<u>\$ 39,251</u>	<u>\$ 1,811</u>	<u>\$ (1,324)</u>	<u>\$ (58,703)</u>	<u>\$ (718)</u>	<u>\$ (58,918)</u>

STATE OF NEW MEXICO

**OTHER SUPPLEMENTARY INFORMATION
FIDUCIARY FUNDS FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS FINANCIAL STATEMENTS

Magistrate Retirement System (MRS) – The MRS 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 System (PERS) – PERS 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 (EERS) – EERS 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 System (JRS) – The JRS 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 Fund (VFRS) – The VFRS is a cost-sharing, multiple-employer defined pension benefit plan with a special funding mandate. Membership is open to most volunteer, non-salaried firefighters who are listed as active members on the rolls of a fire department and meet certain age and service credit requirements (eligibility is 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 a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that provides comprehensive core group health insurance for persons who have retired from public service with entities in the State of New Mexico.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

June 30, 2008

(In Thousands)

	Magistrate Retirement	Public Employees Retirement	Educational Employees Retirement System	Judicial Retirement	Volunteer Firefighters Retirement
ASSETS					
Cash and Cash Equivalents	\$ 732	\$ 248,732	\$ 351,031	\$ 1,603	\$ 930
Investments, at Fair Value	41,515	13,708,414	9,575,762	93,139	51,883
Due From Other Funds	-	393	-	-	-
Due From Brokers	7,081	2,406,801	286,904	15,513	9,001
Other Assets	-	12,376	10,121	-	-
Receivables, Net of Allowance	217	67,721	97,724	416	165
Total Assets	<u>49,545</u>	<u>16,444,437</u>	<u>10,321,542</u>	<u>110,671</u>	<u>61,979</u>
LIABILITIES					
Accounts Payable	-	3,013	5,707	-	-
Security Lending Liability	4,978	1,691,990	1,136,364	10,905	6,328
Accrued Liabilities	-	8,064	409,080	-	-
Due to Other Funds	95	-	-	202	95
Due to Brokers	8,119	2,766,671	-	17,832	10,347
Deposits Held in Trust	-	-	136	16	-
Other Liabilities	-	295	211	-	-
Total Liabilities	<u>13,192</u>	<u>4,470,033</u>	<u>1,551,498</u>	<u>28,955</u>	<u>16,770</u>
NET ASSETS					
Held in Trust for:					
Pension Benefits	36,353	11,974,404	8,770,044	81,716	45,209
Other Employee Benefits	-	-	-	-	-
Defined Contribution	-	-	-	-	-
Net Assets	<u>\$ 36,353</u>	<u>\$ 11,974,404</u>	<u>\$ 8,770,044</u>	<u>\$ 81,716</u>	<u>\$ 45,209</u>

Deferred Compensation (IRC 457) Plan	New Mexico Retiree Health Care Authority	Total
\$ -	\$ 2,272	\$ 605,300
316,155	176,829	23,963,697
-	3,100	3,493
-	-	2,725,300
2,131	66	24,694
5,806	11,403	183,452
<u>324,092</u>	<u>193,670</u>	<u>27,505,936</u>
-	-	8,720
-	-	2,850,565
-	-	417,144
-	3,080	3,472
-	-	2,802,969
-	-	152
-	28,610	29,116
<u>-</u>	<u>31,690</u>	<u>6,112,138</u>
-	-	20,907,726
324,092	-	324,092
-	161,980	161,980
<u>\$ 324,092</u>	<u>\$ 161,980</u>	<u>\$ 21,393,798</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Magistrate Retirement	Public Employees Retirement	Educational Employees Retirement System	Judicial Retirement	Volunteer Firefighters Retirement
ADDITIONS					
Contributions:					
Employee Contributions	\$ 243	\$ 191,707	\$ 201,916	\$ 895	\$ -
Employer Contributions	981	292,569	290,846	3,832	-
Total Contributions	1,224	484,276	492,762	4,727	-
Investment Income:					
Net Increase in Fair Value of Investments	(4,203)	(1,371,013)	(785,485)	(9,199)	(5,250)
Interest and Dividends	1,329	439,978	232,176	2,861	1,648
	(2,874)	(931,035)	(553,309)	(6,338)	(3,602)
Less Investment Expense	(303)	(102,522)	(14,528)	(662)	(382)
Net Investment Income (Loss)	(3,177)	(1,033,557)	(567,837)	(7,000)	(3,984)
Other Additions					
Other Operating Revenues	13	11,092	3,663	58	765
Total Other Additions	13	11,092	3,663	58	765
Total Additions	(1,940)	(538,189)	(71,412)	(2,215)	(3,219)
DEDUCTIONS					
Benefits and Claims	2,294	557,190	578,776	5,907	539
Retiree Healthcare Payments	-	-	-	-	-
Refunds	20	31,328	29,475	26	-
General and Administrative	18	9,939	6,089	34	-
Other Operating Expenses	-	-	-	-	-
Total Deductions	2,332	598,457	614,340	5,967	539
Change in Net Assets	(4,272)	(1,136,646)	(685,752)	(8,182)	(3,758)
Net Assets - Beginning	40,625	13,111,050	9,455,796	89,898	48,967
Net Assets - Ending	\$ 36,353	\$ 11,974,404	\$ 8,770,044	\$ 81,716	\$ 45,209

Deferred Compensation (IRC 457) Plan	New Mexico Retiree Health Care Authority	Total
\$ 31,078	\$ 67,351	\$ 493,190
-	78,840	667,068
<u>31,078</u>	<u>146,191</u>	<u>1,160,258</u>
(15,915)	-	(2,191,065)
5,461	364	683,817
<u>(10,454)</u>	<u>364</u>	<u>(1,507,248)</u>
-	-	(118,397)
<u>(10,454)</u>	<u>364</u>	<u>(1,625,645)</u>
-	-	-
-	34,459	50,050
<u>-</u>	<u>34,459</u>	<u>50,050</u>
20,624	181,014	(415,337)
21,079	-	1,165,785
-	193,947	193,947
-	801	61,650
843	-	16,923
<u>170</u>	<u>-</u>	<u>170</u>
22,092	194,748	1,438,475
(1,468)	(13,734)	(1,853,812)
325,560	175,714	23,247,610
<u>\$ 324,092</u>	<u>\$ 161,980</u>	<u>\$ 21,393,798</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION EXTERNAL TRUST FUNDS FINANCIAL STATEMENTS

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

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET ASSETS EXTERNAL TRUST FUNDS

June 30, 2008

(In Thousands)

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and Cash Equivalents	\$ 34,708	\$ 582	\$ 35,290
Investments, at Fair Value	630,718	5,483,451	6,114,169
Due From Other Funds	-	56,205	56,205
Due From Brokers	5,640	-	5,640
Receivables, Net of Allowance	2,999	-	2,999
Total Assets	<u>674,065</u>	<u>5,540,238</u>	<u>6,214,303</u>
LIABILITIES			
Due to Other Funds	149	-	149
Due to Brokers	134,831	-	134,831
Total Liabilities	<u>134,980</u>	<u>-</u>	<u>134,980</u>
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	539,085	5,540,238	6,079,323
Net Assets	<u>\$ 539,085</u>	<u>\$ 5,540,238</u>	<u>\$ 6,079,323</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

EXTERNAL TRUST FUNDS

For the Year Ended June 30, 2008
(In Thousands)

	State Investment Council	State Treasurer	Total
ADDITIONS			
Pool Participant Deposits	\$ 115,218	\$ 448,738	\$ 563,956
Investment Income:			
Net Increase in Fair Value of Investments	(95,589)	-	(95,589)
Interest and Dividends	20,945	212,344	233,289
	(74,644)	212,344	137,700
Less Investment Expense	-	(38)	(38)
Net Investment Income (Loss)	(74,644)	212,306	137,662
Total Additions	40,574	661,044	701,618
DEDUCTIONS			
Pool Participant Withdrawals	107,568	-	107,568
General and Administrative	926	-	926
Total Deductions	108,494	-	108,494
Change in Net Assets	(67,920)	661,044	593,124
Net Assets - Beginning	607,005	4,879,194	5,486,199
Net Assets - Ending	\$ 539,085	\$ 5,540,238	\$ 6,079,323

Note: The pool participant deposits of \$448,738 reported for the State Treasurer above is net of actual pool participant deposits and withdrawals.

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION PRIVATE PURPOSE TRUST FUNDS FINANCIAL STATEMENTS

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 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.

Water Trust Fund – The Water Trust Fund accounts for monies appropriated, donated, or otherwise accrued in the fund for the water project fund which is administered by the New Mexico Finance Authority.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

June 30, 2008

(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Total
ASSETS					
Cash and Cash Equivalents	\$ 5,418	\$ 656,907	\$ -	\$ 18,709	\$ 681,034
Investments, at Fair Value	95,000	8,799,621	1,955,450	45,505	10,895,576
Due From Other Funds	31	2,280	-	-	2,311
Due From Brokers	-	-	-	632	632
Receivables, Net of Allowance	-	149,429	6,337	189	155,955
Total Assets	<u>100,449</u>	<u>9,608,237</u>	<u>1,961,787</u>	<u>65,035</u>	<u>11,735,508</u>
LIABILITIES					
Accounts Payable	-	-	1,756	-	1,756
Accrued Liabilities	-	-	5,337	-	5,337
Due to Other Funds	23	-	-	16	39
Due to Beneficiaries	-	32,537	-	-	32,537
Due to Brokers	-	1,148,030	-	9,019	1,157,049
Total Liabilities	<u>23</u>	<u>1,180,567</u>	<u>7,093</u>	<u>9,035</u>	<u>1,196,718</u>
NET ASSETS					
Held in Trust for:					
Other Purposes	100,426	8,427,670	1,954,694	56,000	10,538,790
Net Assets	<u>\$ 100,426</u>	<u>\$ 8,427,670</u>	<u>\$ 1,954,694</u>	<u>\$ 56,000</u>	<u>\$ 10,538,790</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2008

(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Total
ADDITIONS					
Member Contributions	\$ -	\$ -	\$ 2,022,036	\$ 57,248	\$ 2,079,284
Investment Income:					
Net Increase in Fair Value of Investments	-	(701,765)	(145,753)	(2,976)	(850,494)
Interest and Dividends	437	243,942	46,908	1,809	293,096
	437	(457,823)	(98,845)	(1,167)	(557,398)
Less Investment Expense	-	-	(6,923)	-	(6,923)
Net Investment Income (Loss)	437	(457,823)	(105,768)	(1,167)	(564,321)
Other Additions					
Other Operating Revenues	-	1,657	-	-	1,657
Total Other Additions	-	1,657	-	-	1,657
Total Additions	437	(456,166)	1,916,268	56,081	1,516,620
DEDUCTIONS					
Distributions	-	11,742	1,069,113	-	1,080,855
Other Operating Expenses	-	-	-	81	81
Total Deductions	-	11,742	1,069,113	81	1,080,936
Change in Net Assets	437	(467,908)	847,155	56,000	435,684
Net Assets - Beginning, as Restated	99,989	8,895,578	1,107,539	-	10,103,106
Net Assets - Ending	\$ 100,426	\$ 8,427,670	\$ 1,954,694	\$ 56,000	\$ 10,538,790

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION AGENCY FUNDS FINANCIAL STATEMENTS

Culture, Recreation and Natural Resources – These funds are administered by the Office of Cultural Affairs and the Office of Natural Resources Trustee.

Other Agency Funds – This grouping contains all other agency funds.

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.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

June 30, 2008

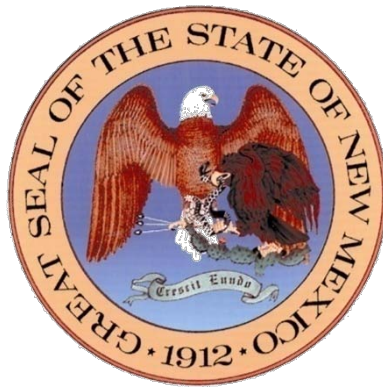
(In Thousands)

	Culture, Recreation, and Natural Resources	Other Agency	Receipts Pending Distribution	Suspense Related	Total
ASSETS					
Cash and Cash Equivalents	\$ 406	\$ 270,020	\$ 4,500	\$ 847,783	\$ 1,122,709
Investments, at Fair Value	-	12,667	-	-	12,667
Due From Other Funds	-	11,700	635	140,245	152,580
Receivables, Net of Allowance	152	68,853	882	1,319,973	1,389,860
Total Assets	<u>\$ 558</u>	<u>\$ 363,240</u>	<u>\$ 6,017</u>	<u>\$ 2,308,001</u>	<u>\$ 2,677,816</u>
LIABILITIES					
Accounts Payable	\$ -	\$ 33,689	\$ -	\$ -	\$ 33,689
Due to Other Funds	-	295,990	1,504	1,601,424	1,898,918
Intergovernmental Payables	-	21,274	188	248,682	270,144
Deposits Held in Trust	-	7,051	4,295	457,895	469,241
Other Liabilities	558	5,236	30	-	5,824
Total Liabilities	<u>\$ 558</u>	<u>\$ 363,240</u>	<u>\$ 6,017</u>	<u>\$ 2,308,001</u>	<u>\$ 2,677,816</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008



STATISTICAL SECTION

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

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.

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

INDEX TO STATISTICAL SECTION

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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.

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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 Seven Fiscal Years
(In Thousands)

	Fiscal Year			
	2008	2007, as Restated	2006	2005
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 6,617,012	\$ 5,516,914	\$ 5,724,003	\$ 6,689,355
Restricted	7,453,117	8,828,955	6,427,635	5,282,593
Unrestricted	299,517	214,145	752,605	762,177
Total Governmental Activities Net Assets	<u>\$ 14,369,646</u>	<u>\$ 14,560,014</u>	<u>\$ 12,904,243</u>	<u>\$ 12,734,125</u>
Business-Type Activities				
Invested in Capital Assets, Net of Related Debt	\$ 1,090,692	\$ 940,608	\$ 945,940	\$ 885,520
Restricted	2,187,872	2,422,434	2,145,306	1,391,203
Unrestricted	444,286	657,530	489,752	979,918
Total Business-Type Activities Net Assets	<u>\$ 3,722,850</u>	<u>\$ 4,020,572</u>	<u>\$ 3,580,998</u>	<u>\$ 3,256,641</u>
Primary Government				
Invested in Capital Assets, Net of Related Debt	\$ 7,707,704	\$ 6,457,522	\$ 6,669,943	\$ 7,574,875
Restricted	9,640,989	11,251,389	8,572,941	6,673,796
Unrestricted	743,803	871,675	1,242,357	1,742,095
Total Primary Government Net Assets	<u>\$ 18,092,496</u>	<u>\$ 18,580,586</u>	<u>\$ 16,485,241</u>	<u>\$ 15,990,766</u>

Note: The State implemented GASB Statement 34 in fiscal year 2002. The government-wide schedules are effective beginning in fiscal year 2002.

SCHEDULE A-1

(Accrual Basis of Accounting)

Fiscal Year		
2004	2003	2002
\$ 7,187,781	\$ 7,830,967	\$ 7,226,617
5,301,338	4,075,363	4,166,965
171,430	351,759	1,321,140
<u>\$ 12,660,549</u>	<u>\$ 12,258,089</u>	<u>\$ 12,714,722</u>
\$ 955,999	\$ 892,515	\$ 874,302
1,561,273	1,506,856	1,682,804
624,269	582,996	494,137
<u>\$ 3,141,541</u>	<u>\$ 2,982,367</u>	<u>\$ 3,051,243</u>
\$ 8,143,780	\$ 8,723,482	\$ 8,100,919
6,862,611	5,582,219	5,849,769
795,699	934,755	1,815,277
<u>\$ 15,802,090</u>	<u>\$ 15,240,456</u>	<u>\$ 15,765,965</u>

STATE OF NEW MEXICO

CHANGES IN NET ASSETS

Last Seven Fiscal Years
(In Thousands)

	Fiscal Year			
	2008	2007, as Restated	2006	2005
Program Expenses				
Governmental Activities:				
General Government	\$ 1,015,361	\$ 921,198	\$ 869,013	\$ 882,809
Culture, Recreation, and Natural Resources	215,416	263,457	202,330	185,303
Highway and Transportation	999,418	1,126,085	1,027,618	877,638
Judicial	231,577	215,954	194,452	184,319
Legislative	22,237	22,079	14,052	12,412
Public Safety	453,309	451,320	390,557	378,394
Regulation and Licensing	119,868	115,717	97,956	88,722
Health and Human Services	4,746,873	4,471,413	4,055,602	3,729,641
Education	3,181,047	2,987,212	2,902,753	2,637,052
Interest	175,364	547,366	92,505	125,476
Total Governmental Activities Expenses	<u>11,160,470</u>	<u>11,121,801</u>	<u>9,846,838</u>	<u>9,101,766</u>
Business-type Activities:				
Unemployment Insurance Trust Fund	-	-	- *	129,422
Educational Institutions	2,921,387	2,273,301	2,142,898	1,996,827
Nonmajor Enterprise Funds	665,549	566,064	533,039	395,307
Total Business-type Activity Expenses	<u>3,586,936</u>	<u>2,839,365</u>	<u>2,675,937</u>	<u>2,521,556</u>
Total Primary Government Expenses	<u>\$ 14,747,406</u>	<u>\$ 13,961,166</u>	<u>\$ 12,522,775</u>	<u>\$ 11,623,322</u>
Program Revenues				
Governmental Activities:				
Charges for Services	\$ 1,459,908	\$ 1,205,421	\$ 1,297,926	\$ 827,248
Operating Grants and Contributions	3,741,964	3,416,802	3,283,620	3,268,985
Capital Grants and Contributions	315,407	290,317	323,013	275,053
Total Governmental Activities Program Revenues	<u>5,517,279</u>	<u>4,912,540</u>	<u>4,904,559</u>	<u>4,371,286</u>
Business-type Activities:				
Charge for Services	1,475,500	1,349,518	1,866,396	1,807,340
Operating Grants and Contributions	454,058	650,982	120,205	35,418
Capital Grants and Contributions	73,918	99,347	28,934	30,553
Total Business-type Activities Program Revenues	<u>2,003,476</u>	<u>2,099,847</u>	<u>2,015,535</u>	<u>1,873,311</u>
Total Primary Government Program Revenues	<u>\$ 7,520,755</u>	<u>\$ 7,012,387</u>	<u>\$ 6,920,094</u>	<u>\$ 6,244,597</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (5,643,191)	\$ (6,209,261)	\$ (4,942,279)	\$ (4,730,480)
Business-type Activities	<u>(1,583,460)</u>	<u>(739,518)</u>	<u>(660,402)</u>	<u>(648,245)</u>
Total Primary Government Net Expense	<u>\$ (7,226,651)</u>	<u>\$ (6,948,779)</u>	<u>\$ (5,602,681)</u>	<u>\$ (5,378,725)</u>

SCHEDULE A-2

(Accrual Basis of Accounting)

Fiscal Year		
2004	2003	2002
\$ 537,442	\$ 279,041	\$ 367,506
183,074	203,607	169,027
785,042	585,187	875,972
168,013	158,362	153,391
12,036	22,424	11,874
345,779	338,676	323,909
81,551	75,894	100,022
3,732,015	3,424,129	3,148,466
2,611,476	2,381,521	2,336,909
132,440	246,340	92,062
<u>8,588,868</u>	<u>7,715,181</u>	<u>7,579,138</u>
159,954	174,705	135,748
1,876,567	1,801,107	1,733,310
374,388	344,429	419,484
<u>2,410,909</u>	<u>2,320,241</u>	<u>2,288,542</u>
<u>\$ 10,999,777</u>	<u>\$ 10,035,422</u>	<u>\$ 9,867,680</u>
\$ 640,028	\$ 503,908	\$ 720,718
3,182,126	2,765,888	2,413,596
292,847	324,588	334,663
<u>4,115,001</u>	<u>3,594,384</u>	<u>3,468,977</u>
1,265,229	1,053,341	1,196,953
460,203	581,150	-
20,699	13,080	6,519
<u>1,746,131</u>	<u>1,647,571</u>	<u>1,203,472</u>
<u>\$ 5,861,132</u>	<u>\$ 5,241,955</u>	<u>\$ 4,672,449</u>
\$ (4,473,867)	\$ (4,120,797)	\$ (4,110,161)
<u>(664,778)</u>	<u>(672,670)</u>	<u>(1,085,070)</u>
<u>\$ (5,138,645)</u>	<u>\$ (4,793,467)</u>	<u>\$ (5,195,231)</u>

STATE OF NEW MEXICO

CHANGES IN NET ASSETS

Last Seven Fiscal Years
(In Thousands)

	Fiscal Year			
	2008	2007, as Restated	2006	2005
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Individual Income Tax	\$ 1,523,079	\$ 1,520,214	\$ 1,543,262	\$ 1,089,031
Corporate Income Tax	403,525	453,857	374,957	244,371
Sales and Use Tax	397,894	403,909	388,739	368,716
Business Privilege	3,319,760	2,962,550	2,370,530	1,970,239
Severance	-	-	-	-
Other Taxes	38,706	30,683	30,683	507,381
Tribal Gaming Revenue	-	-	-	-
Investment Income	576,904	1,622,183	1,203,881	994,872
Other Revenue	(114,555)	276,242	(264,596)	239,724
Transfers	(692,490)	(560,187)	(533,035)	(495,101)
Total Governmental Activities	<u>5,452,823</u>	<u>6,709,451</u>	<u>5,114,421</u>	<u>4,919,233</u>
Business-type Activities:				
Non-Operating Grants and Contracts	-	-	-	-
Investment Income (Loss)	169,230	318,922	129,014	115,187
Other Revenue (Expense)	424,018	299,983	259,303	154,389
Transfers	692,490	560,187	533,035	495,101
Total Business-type Activities	<u>1,285,738</u>	<u>1,179,092</u>	<u>921,352</u>	<u>764,677</u>
Total Primary Government	<u>\$ 6,738,561</u>	<u>\$ 7,888,543</u>	<u>\$ 6,035,773</u>	<u>\$ 5,683,910</u>
Change in Net Assets				
Governmental Activities	(190,368)	500,190	172,142	188,753
Business-type Activities	(297,722)	439,574	260,950	116,432
Total Primary Government	<u>\$ (488,090)</u>	<u>\$ 939,764</u>	<u>\$ 433,092</u>	<u>\$ 305,185</u>

*The Unemployment Insurance Fund was determined to be a nonmajor enterprise fund beginning with fiscal year 2006.

Note: The State implemented GASB Statement 34 in fiscal year 2002. The government-wide schedules are effective beginning in fiscal year 2002.

SCHEDULE A-2 (Continued)

(Accrual Basis of Accounting)

Fiscal Year		
2004	2003	2002
\$ 1,090,733	\$ 980,326	\$ 1,009,224
131,897	102,846	138,078
327,878	275,873	303,615
1,821,396	1,684,150	1,305,730
-	-	194,347
360,940	301,555	381,209
-	-	107,339
1,071,990	639,731	169,647
181,707	139,060	27,775
(481,507)	(473,007)	(484,860)
<u>4,505,034</u>	<u>3,650,534</u>	<u>3,152,104</u>
-	-	534,293
134,001	77,334	(55,987)
186,383	160,058	115,727
481,507	473,007	484,860
<u>801,891</u>	<u>710,399</u>	<u>1,078,893</u>
<u>\$ 5,306,925</u>	<u>\$ 4,360,933</u>	<u>\$ 4,230,997</u>
31,167	(470,263)	(958,057)
137,113	37,729	(6,177)
<u>\$ 168,280</u>	<u>\$ (432,534)</u>	<u>\$ (964,234)</u>

STATE OF NEW MEXICO

FUND BALANCES, GOVERNMENTAL FUNDS

Last Seven Fiscal Years
(In Thousands)

	Fiscal Year			
	2008	2007	2006	2005
General Fund				
Reserved	\$ 33,455	\$ 72,979	\$ 76,990	\$ 69,687
Unreserved	854,104	681,061	859,338	732,395
Total General Fund	887,559	754,040	936,328	802,082
All Other Governmental Funds				
Reserved	7,661,416	6,672,312	5,516,982	5,253,182
Unreserved, Reported in:				
Special Revenue Funds	1,238,653	898,371	685,478	422,245
Capital Projects Funds	26,079	114,637	224,278	36,745
Debt Service Funds	95,545	1,542	1,147	621,143
Total All Other Governmental Funds	\$ 9,021,693	\$ 7,686,862	\$ 6,427,885	\$ 6,333,315

Note: Due to changes in the State's fund structure initiated when GASB Statement 34 was implemented, the changes in fund balance information is only available beginning in fiscal year 2002.

SCHEDULE A-3

(Modified Accrual Basis of Accounting)

Fiscal Year		
2004	2003	2002
\$ 186,655	\$ 230,781	\$ 197,938
427,605	172,240	298,084
614,260	403,021	496,022
5,183,451	4,507,256	4,890,316
116,023	196,816	221,350
105,151	12,497	4,569
889,304	177,355	11,486
<u>\$ 6,293,929</u>	<u>\$ 4,893,924</u>	<u>\$ 5,127,721</u>

STATE OF NEW MEXICO

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Seven Fiscal Years
(In Thousands)

	Fiscal Year			
	2008	2007	2006	2005
Revenues				
Taxes	\$ 5,682,964	\$ 5,360,317	\$ 4,701,612	\$ 4,122,934
Licenses, Fees, and Permits	218,066	202,897	212,590	98,114
Interest and Other Investment Income	553,456	1,617,035	1,200,119	991,789
Rentals and Royalties	730,175	571,919	623,131	499,319
Charges for Services	66,159	57,883	151,759	229,816
Federal	4,057,371	3,708,912	3,606,240	3,543,855
Other Revenues	224,605	148,132	220,093	233,804
Total Revenues	11,532,796	11,667,095	10,715,544	9,719,631
Expenditures				
General Control	588,536	546,890	488,674	852,544
Culture, Recreation, and Natural Resources	201,009	249,460	190,662	175,341
Highways and Transportation	409,321	623,619	515,262	374,151
Judicial	226,465	209,601	188,703	178,863
Legislative	20,876	20,564	13,940	12,313
Public Safety	438,744	437,857	373,973	359,980
Regulation and Licensing	118,611	112,887	96,071	87,008
Health and Human Services	4,734,454	4,527,036	4,043,961	3,790,976
Education	3,174,688	3,083,174	2,901,712	2,636,367
Debt Service				
Interest	171,673	547,366	92,556	125,476
Principal	175,043	903,289	1,106,838	1,190,529
Bond Issuance Costs	932	397	445	3,870
Advance Refunding Escrow	-	-	-	651
Capital Outlay	507,128	502,040	491,493	371,535
Total Expenditures	10,767,480	11,764,180	10,504,290	10,159,604
Excess (Deficiency) of Revenues Over Expenditures	765,316	(97,085)	211,254	(439,973)
Other Financing Sources (Uses)				
Bonds Issued	220,270	1,468,650	795,012	1,535,043
Bond Premium	9,120	-	-	18,977
Refunding Bond Issue	490,950	-	-	-
Payment to Refunded Bond Escrow Agent	(498,480)	-	-	(75,077)
Nonoperating Revenues (Expenditures)	-	137,964	6,885	-
Operating Transfers In	7,024,943	6,179,320	5,888,308	5,217,701
Operating Transfers Out	(7,740,289)	(6,746,776)	(6,425,666)	(5,725,723)
Total Other Financing Sources (Uses)	(493,486)	1,039,158	264,539	970,921
Net Change in Fund Balances	\$ 271,830	\$ 942,073	\$ 475,793	\$ 530,948
Debt Service as a Percentage of Noncapital Expenditures	3.4%	12.9%	12.0%	13.4%

Note: Due to changes in the State's fund structure initiated when GASB Statement 34 was implemented, the changes in fund balance information is only available beginning in fiscal year 2002.

SCHEDULE A-4

(Modified Accrual Basis of Accounting)

Fiscal Year		
2004	2003	2002
\$ 3,957,290	\$ 3,366,514	\$ 3,217,911
79,069	113,421	92,360
1,069,187	639,731	163,936
370,014	302,101	275,350
190,945	88,386	85,089
3,474,722	3,090,476	2,792,421
173,300	139,060	497,998
<u>9,314,527</u>	<u>7,739,689</u>	<u>7,125,065</u>
343,036	272,941	359,439
173,455	199,287	163,326
291,302	208,190	478,520
164,519	154,441	148,217
11,935	22,121	11,474
325,687	330,397	312,982
79,517	73,338	96,649
3,639,440	3,383,743	3,042,898
2,610,544	2,321,789	2,258,083
133,740	246,340	92,062
364,460	176,328	270,071
10,597	-	-
7,286	-	-
364,113	563,652	392,205
<u>8,519,631</u>	<u>7,952,567</u>	<u>7,625,926</u>
<u>794,896</u>	<u>(212,878)</u>	<u>(500,861)</u>
1,103,469	336,653	513,880
59,904	-	-
437,950	-	-
(408,856)	-	-
-	-	-
4,697,378	4,628,455	4,195,209
<u>(5,180,257)</u>	<u>(5,103,650)</u>	<u>(4,681,988)</u>
<u>709,588</u>	<u>(138,542)</u>	<u>27,101</u>
<u>\$ 1,504,484</u>	<u>\$ (351,420)</u>	<u>\$ \$ (473,760)</u>
6.1%	5.7%	5.0%

STATE OF NEW MEXICO

REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL FUND TYPES

Last Ten Fiscal Years

(In Thousands)

	FISCAL YEAR			
	2008	2007, as Restated	2006	2005
Revenues by Source				
Taxes	\$ 5,710,163	\$ 5,405,246	\$ 4,727,838	\$ 4,179,738
Licenses, Fees, and Permits	51,707	361,099	212,590	98,114
Interest and Other Investment Income (Loss)	(1,266,342)	7,108,548	4,477,484	3,539,435
Rentals and Royalties	563,956	791,019	842,823	792,131
Charges for Services	3,041,666	3,257,602	3,224,728	2,688,146
Intergovernmental	4,776,318	3,893,922	3,759,989	3,640,312
Contributions	3,239,542	1,076,626	900,114	832,132
Other Sources	309,463	669,846	407,193	399,677
Total Revenues	\$ 16,426,473	\$ 22,563,908	\$ 18,552,759	\$ 16,169,685
Expenditures by Function				
Legislative	\$ 22,237	\$ 22,079	\$ 14,052	\$ 12,412
Judicial	231,577	215,954	194,452	184,319
General Control	4,722,551	4,847,573	3,670,838	3,271,862
Regulation and Licensing	119,868	115,717	97,956	88,722
Culture, Recreation and Natural Resources	215,416	263,457	202,330	185,303
Health and Human Services	4,746,873	4,534,851	4,055,602	3,729,641
Public Safety	453,309	451,320	390,557	378,394
Highway and Transportation	999,418	1,126,085	1,027,618	877,638
Education	6,102,434	5,357,146	5,118,191	4,633,879
Total Expenditures	\$ 17,613,683	\$ 16,934,182	\$ 14,771,596	\$ 13,362,170

Note: As a result of adopting GASB Statement 34, certain revenue and expenditure amounts are not comparable to years prior to 2002.

Note: The amounts above include balances from 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

FISCAL YEAR					
2004	2003	2002*	2001	2000	1999
\$ 3,653,775	\$ 3,275,713	\$ 3,283,859	\$ 3,504,194	\$ 3,127,685	\$ 2,927,032
79,069	113,421	92,360	81,523	73,457	86,612
4,521,673	1,545,064	(1,112,306)	(1,239,950)	3,525,310	3,702,083
558,013	182,946	484,890	421,409	249,249	156,876
1,926,916	1,579,478	2,045,448	462,562	416,302	402,942
3,992,434	3,695,529	3,334,171	2,411,266	2,199,250	1,875,180
849,577	805,552	674,600	728,773	676,252	636,762
187,348	80,286	121,375	310,404	299,884	273,623
<u>\$ 15,768,805</u>	<u>\$ 11,277,989</u>	<u>\$ 8,924,397</u>	<u>\$ 6,680,181</u>	<u>\$ 10,567,389</u>	<u>\$ 10,061,110</u>
\$ 12,036	\$ 22,424	\$ 11,874	\$ 19,280	\$ 15,258	\$ 17,564
168,013	158,362	153,391	174,901	133,534	116,834
2,741,228	2,392,404	2,589,502	2,203,032	1,902,418	1,746,989
81,551	75,894	100,022	88,126	88,696	84,827
183,074	203,607	169,027	179,171	164,039	141,441
3,732,015	3,424,129	3,148,466	2,847,600	2,545,270	2,227,138
345,779	338,676	323,909	290,413	269,535	290,887
785,042	585,187	875,972	951,306	897,716	640,222
4,488,043	4,182,628	4,070,219	4,210,928	4,051,113	3,762,107
<u>\$ 12,536,781</u>	<u>\$ 11,383,311</u>	<u>\$ 11,442,382</u>	<u>\$ 10,964,757</u>	<u>\$ 10,067,579</u>	<u>\$ 9,028,009</u>

STATE OF NEW MEXICO

SCHEDULE OF REVENUES – STATE GENERAL FUND

Last Nine Fiscal Years
(In Thousands)

	FISCAL YEAR			
	2008	2007	2006	2005
REVENUES				
Taxes and License Fees				
General and Selective Sales Taxes:				
Gross Receipts	\$ 1,835,572	\$ 1,840,489	\$ 1,689,838	\$ 1,512,483
Compensating	63,778	61,352	51,835	44,117
Tobacco (Luxury)	48,115	46,775	48,405	48,477
Alcoholic Beverage	25,093	26,726	29,340	25,173
Insurance	109,825	108,044	103,081	95,464
Fire Protection	21,109	19,929	24,589	27,157
Racing	660	1,378	362	897
Private Car	936	384	411	537
Motor Vehicle and Other Excise Tax	127,622	131,254	121,870	118,919
Gaming Tax	56,149	70,893	56,677	46,353
Leased Vehicles Gross Receipts and Surcharge	7,541	6,036	19,948	26,018
Bed Surcharge Tax	-	560	-	-
Gasoline Tax	1,957	410	-	-
Telecommunications Relay Surcharge	104	101	99	100
Boat Excise Tax	652	751	581	219
Franchise Receipts**	152	22	33	82
Total General and Selective Sales Tax	2,299,265	2,315,104	2,147,069	1,945,996
Income Taxes				
Gross Withholding	1,014,975	972,374	942,470	888,168
Final Settlements	546,498	516,122	471,952	446,945
Less:				
Transfer - Retiree Health Care	(15,704)	(9,647)	(8,453)	(7,623)
Transfer - PIT Suspense and Others	(344,184)	(299,375)	(373,974)	(247,158)
Refunds - TAA Suspense	(16,206)	(7,868)	(13,784)	(6,142)
Net Personal Income Taxes	1,185,379	1,171,606	1,018,211	1,074,190
Corporate Taxes	479,447	498,413	410,377	265,999
Less Refunds	(75,922)	(38,533)	(33,192)	(23,537)
Net Corporate Income Taxes	403,525	459,880	377,185	242,462
Estate Taxes	40	78	3,138	4,925
Fiduciary Taxes	13,011	8,597	12,960	11,825
Total Income Taxes	1,601,955	1,640,161	1,411,494	1,333,402
Severance Taxes				
Oil and Gas School Tax	557,332	420,254	483,240	381,302
7% Oil Conservation	24,065	19,916	22,564	17,822
Resources Excise	11,641	10,767	9,151	6,547
Natural Gas Processors	30,618	35,627	26,841	21,728
Total Severance Taxes	623,656	486,564	541,796	427,399
Total Taxes	4,524,876	4,441,829	4,100,359	3,706,797

SCHEDULE B-2

FISCAL YEAR				
2004	2003	2002	2001	2000
\$ 1,556,015	\$ 1,340,369	\$ 1,274,281	\$ 1,253,424	\$ 1,142,105
36,718	38,398	36,009	36,593	33,502
51,828	18,318	17,985	18,422	18,939
28,472	25,376	24,688	26,687	26,752
102,201	53,763	50,690	44,562	47,022
25,765	20,756	24,587	19,953	16,414
1,188	1,150	1,154	1,146	1,058
476	661	336	579	346
115,730	111,142	106,966	97,440	97,042
41,646	38,997	28,920	23,353	19,416
6,556	6,067	6,362	6,352	6,367
-	-	-	-	-
-	-	-	-	-
108	94	76	68	-
307	366	537	574	-
121	57	17	3	5
1,967,131	1,655,514	1,572,608	1,529,156	1,408,968
950,904	832,687	798,038	760,579	692,300
420,278	346,920	460,162	326,820	389,414
(7,368)	(6,017)	(5,373)	(5,068)	(4,781)
(281,740)	(248,067)	(234,204)	(194,357)	(225,690)
(2,684)	(1,112)	(2,207)	9,513	16,191
1,079,390	924,411	1,016,416	897,487	867,434
172,712	154,669	178,758	240,112	177,744
(49,269)	(51,823)	(37,085)	(20,325)	(11,942)
123,443	102,846	141,673	219,787	165,802
8,764	28,443	21,185	24,228	16,237
11,033	7,003	9,331	8,607	8,644
1,222,630	1,062,703	1,188,605	1,150,109	1,058,117
366,056	229,639	205,121	329,031	169,506
16,689	11,939	10,763	16,687	8,931
6,182	5,756	5,356	5,691	6,118
16,513	21,077	20,270	12,111	12,262
405,440	268,411	241,510	363,520	196,817
3,595,201	2,986,628	3,002,723	3,042,785	2,663,902

STATE OF NEW MEXICO

SCHEDULE OF REVENUES – STATE GENERAL FUND

Last Nine Fiscal Years

(In Thousands)

	FISCAL YEAR			
	2008	2007	2006	2005
REVENUES (CONTINUED)				
Taxes and License Fees (Continued)				
License Fees				
Manufactured Housing	\$ 648	\$ 652	\$ 674	\$ 728
Corporate Filing	2,997	2,955	2,841	2,810
Alcoholic Beverages and Gaming	3,593	4,195	3,509	3,541
Financial Institutions	3,046	3,011	3,073	2,845
Corporate Special	5,393	4,014	8,339	4,070
Construction Industries	7,648	7,369	6,825	6,800
Gaming License and Permit Fees	609	302	327	322
Securities Receipts	16,946	15,824	14,840	13,830
Public Utilities*	9,407	10,182	8,064	8,923
Health Facilities Fees	158	172	290	175
Pipeline Fees	75	137	11	38
Motor Vehicles Miscellaneous Fees	156	146	139	142
Drivers Training Fees	-	-	39	41
State Engineers Fees	-	-	-	-
Total License Fees	<u>50,676</u>	<u>48,959</u>	<u>48,971</u>	<u>44,265</u>
Total Taxes and License Fees	<u>4,575,552</u>	<u>4,490,788</u>	<u>4,149,330</u>	<u>3,751,062</u>
Other Revenue Sources				
Investment Income				
State Land Grant Permanent Fund Income	390,484	364,697	354,156	350,285
Earnings on State Balances	114,975	87,307	77,935	34,386
Severance Tax Permanent Fund Earnings	177,172	170,973	171,798	173,249
Total Interest Earnings	<u>682,631</u>	<u>622,977</u>	<u>603,889</u>	<u>557,920</u>
Rents and Royalties				
Federal Mineral Leasing	45,085	501,124	556,541	445,004
Land Office	611,182	50,410	52,696	42,044
Total Rents and Royalties	<u>656,267</u>	<u>551,534</u>	<u>609,237</u>	<u>487,048</u>
Miscellaneous Receipts and Fees				
Miscellaneous	-	-	-	-
Environment Department Filing Fees	2,253	1,237	1,272	1,181
Administrative Fees	-	-	-	-
Tribal Revenue Sharing	66,560	56,158	49,520	41,263
Media Lease Payments	20	18	18	19
MVD Penalty Assessments	7,019	6,053	5,704	5,894
Fines and Forfeitures	9,110	8,086	8,425	8,243
Birth and Death Certificates	1,170	865	661	576
District Judge Receipts	1,208	1,042	986	1,032
Notary Public Fees	686	56	728	721

SCHEDULE B-2 (Continued)

FISCAL YEAR				
2004	2003	2002	2001	2000
\$ 623	\$ 440	\$ 485	\$ 610	\$ 710
2,651	2,540	2,239	2,402	2,435
4,075	3,480	3,471	4,105	3,670
2,585	2,288	2,123	2,029	2,038
4,620	4,356	4,267	7,319	4,774
6,432	4,881	4,846	6,315	5,084
267	246	263	306	759
16,273	12,307	12,454	12,749	11,866
8,320	7,347	8,326	4,521	6,154
271	329	391	75	252
55	56	71	54	30
141	123	124	402	679
46	27	31	18	-
-	-	110	-	112
46,359	38,420	39,201	40,905	38,563
3,641,560	3,025,048	3,041,924	3,083,690	2,702,465
292,235	275,684	258,049	234,280	219,820
25,374	40,504	67,162	98,707	72,034
172,434	170,955	159,183	144,650	141,814
490,043	487,143	484,394	477,637	433,668
334,883	268,366	229,323	374,464	205,321
22,061	20,727	19,919	31,239	23,815
356,944	289,093	249,242	405,703	229,136
-	-	130	-	13
1,492	1,449	2,300	342	372
-	-	-	-	4
58,634	33,096	107,339	53	17,917
18	19	-	-	-
5,933	6,597	6,081	5,753	5,737
8,041	8,443	8,223	8,605	8,442
572	709	533	561	525
986	968	978	1,173	1,140
783	751	808	574	593

STATE OF NEW MEXICO

SCHEDULE OF REVENUES – STATE GENERAL FUND

Last Nine Fiscal Years
(In Thousands)

	FISCAL YEAR			
	2008	2007	2006	2005
REVENUES (CONTINUED)				
Other Revenue Sources (Continued)				
Miscellaneous Receipts and Fees (Continued)				
Court of Appeals	\$ -	\$ -	\$ -	\$ -
Legislative Receipts	44	59	38	59
Workmen's Compensation Fees	80	67	10	21
Payroll Administration Costs	-	-	-	-
Law Enforcement Protection	6,699	6,838	8,593	7,042
Small County Assistance	7,943	-	-	1,563
Supreme Court Fees	-	-	-	-
Unclaimed Property	-	12,291	12,501	13,456
Public Defender Reimbursement	430	404	389	595
Small Cities Assistance	-	-	-	447
Total Miscellaneous Receipts and Fees	<u>103,222</u>	<u>93,174</u>	<u>88,845</u>	<u>82,112</u>
Other Revenues				
Miscellaneous Nonrecurring	45,024	51,210	42,209	44,653
Transfers - Reversions	66,000	38,880	45,030	82,589
Total Other Revenues	<u>111,024</u>	<u>90,090</u>	<u>87,239</u>	<u>127,242</u>
Total Other Revenue Sources	<u>1,553,144</u>	<u>1,357,775</u>	<u>1,389,210</u>	<u>1,254,322</u>
Total Revenues	<u>\$ 6,128,696</u>	<u>\$ 5,848,563</u>	<u>\$ 5,538,540</u>	<u>\$ 5,005,384</u>

* In previous years, Public Utilities was reported in the section General Selective Sales Taxes under the heading Taxes and License Fees of this schedule. For fiscal year 2008, this line item is properly classified as section License Fees under the heading of Taxes and License Fees.

** In previous years, Franchise Receipts was reported in the section License Fees under the heading Taxes and License Fees. For fiscal year 2008, this line item is properly classified as General and Selective Sales Taxes under the heading Taxes and License Fees.

SCHEDULE B-2 (Continued)

FISCAL YEAR				
2004	2003	2002	2001	2000
\$ -	\$ -	\$ -	\$ 566	\$ -
44	61	40	65	46
2	29	-	39	-
-	-	-	-	1
-	669	1,096	339	2,038
1,669	2,561	3,170	2,714	4,497
-	-	-	2	1
7,463	6,201	7,415	4,823	7,736
260	223	207	192	233
371	1,851	559	1,357	532
<u>86,268</u>	<u>63,627</u>	<u>138,879</u>	<u>27,158</u>	<u>49,827</u>
4,896	93	-	-	-
45,984	50,340	42,119	-	-
<u>50,880</u>	<u>50,433</u>	<u>42,119</u>	<u>-</u>	<u>-</u>
984,135	890,296	914,634	910,498	712,631
<u>\$ 4,625,695</u>	<u>\$ 3,915,344</u>	<u>\$ 3,956,558</u>	<u>\$ 3,994,188</u>	<u>\$ 3,415,096</u>

STATE OF NEW MEXICO

REVENUE BASE

Last Seven Fiscal Years
(In Thousands)

	Calendar Year			
	2008 ²	2007	2006	2005
Taxable Gross Receipts				
Agriculture, Forestry and Fishing	\$ 61,796	\$ 84,941	\$ 81,043	\$ 83,895
Mining	1,768,608	2,162,156	2,063,727	1,626,594
Construction	5,439,039	7,546,822	7,402,413	6,038,563
Manufacturing	980,433	1,373,810	1,296,135	1,058,988
Transportation	462,845	577,428	500,233	399,323
Communications and Utilities	2,659,320	3,298,025	3,166,151	2,953,396
Wholesale Trade	2,013,633	2,583,579	2,702,003	2,419,634
Retail Trade	9,291,503	12,884,778	11,826,522	11,067,204
Finance, Insurance and Real Estate	842,378	1,198,885	1,047,208	955,373
Services and Other	14,241,046	17,201,063	16,085,796	14,679,218
Public Administration	137,988	521,733	460,533	469,556
Total Taxable Gross Receipts	<u>\$ 37,898,589</u>	<u>\$ 49,433,220</u>	<u>\$ 46,631,764</u>	<u>\$ 41,751,744</u>
State Gross Receipts Tax Rate	5.0%	5.0%	5.0%	5.0%
Personal Income by Industry				
Federal Civilian	N/A	2,900	2,768	2,580
Federal Military	N/A	1,129	1,125	1,125
State and Local Government	N/A	7,497	7,584	7,692
Farm Earnings	N/A	581	414	659
Forestry, Fishing, and Related Activities	N/A	124	127	120
Mining	N/A	1,904	1,820	1,477
Utilities	N/A	395	372	360
Construction	N/A	3,050	3,102	2,776
Manufacturing	N/A	2,658	2,468	2,264
Wholesale Trade	N/A	1,442	1,373	1,249
Retail	N/A	3,194	3,053	2,940
Transportation and Warehousing	N/A	1,249	1,201	1,125
Information	N/A	865	834	753
Financial, Insurance, Real Estate, Rental, and Leasing	N/A	2,316	2,250	2,150
Services	N/A	9,181	8,906	7,827
Other ¹	N/A	21,164	20,734	18,896
Total Personal Income	<u>N/A</u>	<u>59,649</u>	<u>58,131</u>	<u>53,993</u>
Highest Income Tax Rate	4.9%	5.3%	5.3%	5.7%

¹ Other personal income includes dividends, interest, rents, residence adjustment, government transfers to individuals, and deduction for social insurance contributions.

² Data available as of September 2008

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>

Note: 2007 Personal income by industry information was updated as of September 2008

Note: Taxable gross receipts and personal income by industry are only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

SCHEDULE B-3

Calendar Year		
2004	2003	2002
\$ 73,783	\$ 66,610	\$ 62,817
1,238,262	1,089,119	1,098,102
5,299,913	4,585,905	4,202,590
964,158	795,101	841,759
291,512	226,665	605,369
2,740,597	2,362,770	1,894,213
2,184,839	1,982,751	1,694,814
12,511,302	11,791,656	11,381,575
847,706	756,685	751,295
14,195,843	13,445,195	12,677,159
452,731	344,280	450,910
<u>\$ 40,800,646</u>	<u>\$ 37,446,737</u>	<u>\$ 35,660,603</u>
5.0%	5.0%	5.0%
2,451	2,254	2,185
1,115	1,036	931
7,264	6,788	6,399
681	528	498
114	113	115
1,258	1,230	1,115
338	305	295
2,456	2,239	2,113
2,188	2,117	2,090
1,161	1,100	1,096
2,824	2,711	2,633
1,056	929	904
725	733	741
2,036	1,932	1,900
7,403	6,934	6,549
<u>16,743</u>	<u>15,701</u>	<u>15,421</u>
<u>49,813</u>	<u>46,650</u>	<u>44,985</u>
6.8%	7.7%	8.2%

STATE OF NEW MEXICO

REVENUE PAYERS BY INDUSTRY – TAXABLE SALES, SERVICES, AND USE TAX PURCHASES

SCHEDULE B-4

Most Current Calendar Year and Historical Comparison
(In Thousands)

	Calendar Year 2002				Calendar Year 2008 ¹			
	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%	3,745	0.4%	\$ 61,796	0.2%
Mining	5,085	0.7%	1,098,102	3.1%	7,234	0.8%	1,768,608	4.7%
Construction	77,931	11.2%	4,202,590	11.8%	104,264	11.7%	5,439,039	14.4%
Manufacturing	29,293	4.2%	841,759	2.4%	33,821	3.8%	980,433	2.6%
Transportation	13,791	2.0%	605,369	1.7%	11,224	1.3%	462,845	1.2%
Communications and Utilities	8,718	1.2%	1,894,213	5.3%	49,617	5.6%	2,659,320	7.0%
Wholesale Trade	34,377	4.9%	1,694,814	4.8%	53,692	6.0%	2,013,633	5.3%
Retail Trade	142,234	20.4%	11,381,575	31.9%	183,670	20.6%	9,291,503	24.5%
Finance, Insurance and Real Estate	22,155	3.2%	751,295	2.1%	40,733	4.6%	842,378	2.2%
Services and Other	358,349	51.4%	12,677,159	35.5%	401,158	45.1%	14,241,046	37.5%
Public Administration	2,010	0.2%	450,910	1.2%	773	0.1%	137,988	0.4%
Total Number of Outlets and Total Taxable Gross Revenues	<u>697,796</u>	<u>100.0%</u>	<u>\$ 35,660,603</u>	<u>100.0%</u>	<u>889,931</u>	<u>100.0%</u>	<u>\$ 37,898,589</u>	<u>100.0%</u>
State Gross Receipts Tax Rate	5.0%				5.0%			

¹ Data available as of September 2008

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.

Note: Revenue payers by industry is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

STATE OF NEW MEXICO

REVENUE PAYERS – PERSONAL INCOME TAX

SCHEDULE B-5

Most Current Calendar Year and Historical Comparison
(Dollars, Except for Income Level, in Thousands)

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	1.0%	\$ 876,946	26.0%	16,439	1.9%	\$ 1,835,054	39.0%
\$100,000 - \$199,999	36,026	4.5%	781,752	23.2%	58,554	6.6%	1,109,736	23.6%
\$75,000 - \$99,999	43,361	5.4%	475,407	14.1%	59,336	6.6%	538,454	11.5%
\$50,000 - \$74,999	91,317	11.3%	562,587	16.7%	106,295	12.0%	583,230	12.4%
\$49,999 and lower	626,050	77.8%	679,431	20.0%	646,552	72.9%	635,010	13.5%
Total	804,851	100.0%	\$ 3,376,123	100.0%	887,176	100.0%	\$ 4,701,484	100.0%

* At the time of the issuance of the 2008 New Mexico State CAFR, the 2007 information was not available.

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	
2008	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
2007	5.3%	16,000	24,000	24,000	N/A
2006	5.3%	16,000	24,000	24,000	1.6%
2005	5.7%	16,000	24,000	24,000	2.2%
2004	6.8%	26,000	40,000	33,000	2.1%
2003	7.7%	42,000	64,000	53,000	2.6%
2002	8.2%	65,000	100,000	83,000	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>

Note: Personal income tax rates are only available beginning with fiscal year 2002 when
the State implemented GASB Statement 34.

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STATE OF NEW MEXICO

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Seven Fiscal Years
(In Thousands)

	Fiscal Year			
	2008	2007	2006	2005
Governmental Activities				
General Obligation	\$ 388,318	\$ 371,129	\$ 273,280	\$ 315,925
Enhanced E-911 Revenue Bonds	-	745	1,455	2,130
Severance Tax Bonds	738,687	669,686	577,935	512,180
Revenue Bonds	1,790,900	1,829,528	1,453,057	1,559,535
Total Government	2,917,905	2,871,088	2,305,727	2,389,770
Business-Type Activities				
Revenue Bonds	833,836	699,319	719,799	594,685
NMFA Bonds	1,166,862	810,183	730,391	594,734
NMMFA Bonds	1,441,952	1,491,035	1,290,949	1,324,844
Capital Leases	1,711	2,330	2,713	3,042
Total Primary Government	3,444,361	3,002,867	2,743,852	2,517,305
Total Debt	\$ 6,362,266	\$ 5,873,955	\$ 5,049,579	\$ 4,907,075
New Mexico Personal Income	\$ 63,505,000	\$ 62,001,991	\$ 58,131,416	\$ 53,992,896
Debt as a Percentage of Personal Income	10.0%	9.5%	8.7%	9.1%
New Mexico Population	1,948	2,059	2,014	1,969
General Obligation Debt Per Capita	\$ 199	\$ 180	\$ 136	\$ 160
Total Long-Term Debt Per Capita	\$ 3,266	\$ 2,853	\$ 2,507	\$ 2,492

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.

Note: In the past we were using total debt to calculate our ratios; starting 2008 we are using outstanding debt to do ratio calculation; therefore, we are changing prior year numbers to reflect the change.

Note: Outstanding debt by type is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

SCHEDULE C-1

Fiscal Year		
2004	2003	2002
\$ 246,375	\$ 287,310	\$ 200,287
2,775	3,390	3,980
486,840	473,405	416,311
1,696,603	841,781	891,465
<u>2,432,593</u>	<u>1,605,886</u>	<u>1,512,043</u>
354,639	341,259	298,802
399,059	397,368	322,541
1,244,522	1,195,039	1,228,013
2,882	3,433	5,483
<u>2,001,102</u>	<u>1,937,099</u>	<u>1,854,839</u>
<u>\$ 4,433,695</u>	<u>\$ 3,542,985</u>	<u>\$ 3,366,882</u>
\$ 49,813,042	\$ 46,650,275	\$ 44,986,517
8.9%	7.6%	7.5%
1,930	1,900	1,876
\$ 128	\$ 151	\$ 107
\$ 2,297	\$ 1,865	\$ 1,795

STATE OF NEW MEXICO

OTHER LONG-TERM LIABILITIES

Last Seven Fiscal Years
(In Thousands)

	Fiscal Year			
	2008	2007	2006	2005
Governmental Activities				
General Obligation Bonds	\$ 388,318	\$ 371,874	\$ 273,280	\$ 315,925
Severance Tax Bonds	738,687	669,686	577,935	512,180
Revenue Bonds	1,790,900	1,829,528	1,453,057	1,559,535
Claims and Judgments	42,478	44,826	48,466	44,666
Reserve for Losses	-	13,305	13,743	71,466
Compensated Absences	46,265	62,658	60,194	56,040
Other	61,687	75,393	63,318	7,155
Total Governmental Activities	<u>3,068,335</u>	<u>3,067,270</u>	<u>2,489,993</u>	<u>2,566,967</u>
Business-Type Activities				
Revenue Bonds	833,836	699,453	719,799	594,685
Capital Leases	1,711	2,330	2,713	3,042
Compensated Absences	67,466	61,211	57,648	49,118
Other	68,394	97,657	95,072	27,366
Total Business-Type Activities	<u>971,407</u>	<u>860,651</u>	<u>875,232</u>	<u>674,211</u>
Total Primary Government				
Other Long-term Liabilities	<u>\$ 4,039,742</u>	<u>\$ 3,927,921</u>	<u>\$ 3,365,225</u>	<u>\$ 3,241,178</u>

Note: Details regarding the liabilities listed above can be found in Note 2. E. Changes in Long-term Liabilities in the financial statements.

Note: Other long-term liability information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

SCHEDULE C-2

Fiscal Year		
2004	2003	2002
\$ 246,375	\$ 287,310	\$ 200,287
486,840	473,405	416,311
1,696,603	841,781	891,465
37,000	36,555	36,043
51,157	43,613	38,753
54,006	51,968	52,270
65,322	116,060	123,471
<u>2,637,303</u>	<u>1,850,692</u>	<u>1,758,600</u>
354,639	341,259	298,561
2,882	3,433	5,483
48,159	42,699	65,669
30,844	51,979	104,108
<u>436,524</u>	<u>439,370</u>	<u>473,821</u>
<u><u>\$ 3,073,827</u></u>	<u><u>\$ 2,290,062</u></u>	<u><u>\$ 2,232,421</u></u>

STATE OF NEW MEXICO

LEGAL DEBT MARGIN

Last Seven Fiscal Years
(In Thousands)

	Fiscal Year			
	2008	2007	2006	2005
Net Taxable Value of Property	\$ 47,261,516	\$ 42,985,028	\$ 38,910,768	\$ 35,890,023
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	472,615	429,850	389,108	358,900
General Obligation Bonds	388,318	371,874	274,735	318,055
Enhanced E-911 Bonds	-	762	1,521	2,277
	<u>388,318</u>	<u>372,636</u>	<u>276,256</u>	<u>320,332</u>
Legal Debt Margin	<u>\$ 84,297</u>	<u>\$ 57,214</u>	<u>\$ 112,852</u>	<u>\$ 38,568</u>
Legal Debt Margin as a Percentage of the Debt Limit	17.8%	13.3%	29.0%	10.7%

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, Section 8 limits the State's outstanding general debt to a maximum of one percent of the net taxable value of all property subject to taxation within the State.

Note: Net taxable value of property and legal debt margin information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

SCHEDULE C-3

Fiscal Year		
2004	2003	2002
\$ 32,149,435	\$ 31,750,454	\$ 30,901,933
1.0%	1.0%	1.0%
321,494	317,505	309,019
249,150	290,700	204,267
3,032	3,785	4,543
<u>252,182</u>	<u>294,485</u>	<u>208,810</u>
<u>\$ 69,312</u>	<u>\$ 23,020</u>	<u>\$ 100,209</u>
21.6%	7.3%	32.4%

STATE OF NEW MEXICO

PLEDGED REVENUE BOND COVERAGE

SCHEDULE C-4

Last Seven Fiscal Years
(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service (Total Debt Outstanding)		Coverage
		Principal	Interest	
Severance Tax Bonds (Including Supplemental Subordinate Liens)				
2008	\$ 573,595	\$ 647,380	\$ 120,358	74.7%
2007	1,097,517	669,686	117,345	139.5%
2006	996,911	577,935	105,736	145.8%
2005	817,872	512,180	91,120	135.6%
2004	629,339	486,840	89,988	109.1%
2003	614,828	473,405	86,620	109.8%
2002	463,859	416,311	80,497	93.4%
Highway Infrastructure Bonds				
2008	\$ 5,558,581	\$ 1,761,675	\$ 835,250	214.0%
2007	5,558,581	1,432,834	602,912	273.0%
2006	4,857,704	1,424,629	599,736	240.0%
2005	5,095,626	1,504,043	668,971	234.5%
2004	3,352,441	1,576,463	740,558	144.7%
2003	2,766,794	928,280	297,300	225.8%
2002	2,452,589	982,060	343,579	185.0%
Energy and Minerals Bonds				
2008	\$ 4,085	\$ 18,825	\$ 5,451	16.8%
2007	3,911	20,223	6,316	14.7%
2006	4,369	21,574	7,222	15.2%
2005	3,527	22,890	8,009	11.4%
2004	3,064	24,161	8,680	9.3%
2003	3,416	17,750	7,668	13.4%
2002	3,092	18,603	8,579	11.4%

Sources: 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

Note: Pledge revenue information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

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STATE OF NEW MEXICO

STATUTORY DEBT LIMIT

Last Seven Fiscal Years
(In Thousands)

	Fiscal Year			
	2008	2007	2006	2005
Annual Deposits into Severance Tax Bonding Fund	\$ 573,595	\$ 508,508	\$ 532,386	\$ 405,541
50.0% of annual deposits	286,798	254,254	266,193	202,771
Statutory debt limit amount	<u>286,798</u>	<u>254,254</u>	<u>266,193</u>	<u>202,771</u>
Annual Bond Servicing Amount	<u>200,633</u>	<u>93,005</u>	<u>107,154</u>	<u>87,348</u>
Statutory Debt Margin Amount	<u>\$ 86,165</u>	<u>\$ 161,249</u>	<u>\$ 159,039</u>	<u>\$ 115,423</u>
Statutory Debt Margin as a Percentage of Debt Limit	30.0%	63.4%	59.7%	56.9%

Sources: 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

Note: Pledge revenue information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

SCHEDULE C-5

Fiscal Year		
2004	2003	2002
\$ 319,337	\$ 257,157	\$ 246,046
159,669	128,579	123,023
159,669	128,579	123,023
86,869	80,751	77,016
\$ 72,800	\$ 47,828	\$ 46,007
45.6%	37.2%	37.4%

STATE OF NEW MEXICO

DEMOGRAPHIC AND ECONOMIC INDICATORS

SCHEDULE D-1

Last Seven Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling (Pop=25 Yrs & >)	Public School Enrollment
2008	1,984,356	\$ 63,505,000,000	\$ 32,003	N/A	N/A	329,261
2007	2,059,075	62,001,991,000	31,474	35.7	12.37	326,525
2006	2,014,006	58,131,416,000	29,929	35.3	12.31	321,663
2005	1,969,291	53,992,896,000	28,175	36.1	12.31	320,452
2004	1,929,713	49,813,042,000	26,326	35.7	12.26	315,543
2003	1,899,846	46,650,275,000	24,945	35.4	12.23	313,037
2002	1,876,287	44,986,517,000	24,310	35.1	12.20	312,209

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.

Note: Personal Income data as of 2008, 3rd quarter.
2007 population data is for calendar year ending December 31, 2007
2008 population data is through July 2008 and the source of the data was the U.S. Census Bureau.

Note: Demographic and economic indicators information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

STATE OF NEW MEXICO

PRINCIPAL EMPLOYERS

SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2002			Calendar Year 2008		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
Wal-Mart Associates	11,269	1	1.5%	N/A	N/A	N/A
Sandia Corporation/Lockheed Martin Corporation	7,928	2	1.1%	10,560	1	1.2%
Presbyterian Healthcare	5,671	3	0.8%	9,500	2	1.0%
Intel Corporation	5,196	4	0.7%	3,300	5	0.4%
Lovelace Health Systems	3,224	5	0.4%	6,495	3	0.7%
University of New Mexico Hospital	N/A	N/A	N/A	5,163	4	0.6%
Atlas Resources	2,997	6	0.4%	N/A	N/A	N/A
Public Service Company of New Mexico	2,325	7	0.3%	3,000	6	0.4%
Albertsons	2,264	8	0.3%	N/A	N/A	N/A
Ladera Nursing	2,137	9	0.3%	N/A	N/A	N/A
Smith's Food and Drugs	2,129	10	0.3%	2,350	7	0.3%
Pueblo of Sandia	N/A	N/A	N/A	1,800	8	0.2%
St. Vincent Regional Medical Center	N/A	N/A	N/A	1,750	9	0.2%
T-Mobile	N/A	N/A	N/A	1,750	9	0.2%
Total Employees of Principal Employers	45,140		6.1%	45,668		5.2%

Sources: New Mexico Office of Workforce Solutions
2009 Book of Business List

Note: Number of employees is based on a calendar year average.

STATE OF NEW MEXICO

COMPOSITION OF LABOR FORCE

Last Seven Fiscal Years
(In Millions)

	Calendar Year			
	2008	2007	2006	2005
Nonagricultural Jobs				
Government	187,766	186,955	183,436	181,088
Mining	19,756	19,347	18,624	16,860
Construction	58,056	59,966	59,191	54,356
Manufacturing	35,101	37,606	37,659	36,306
Trade, Transportation and Utilities	144,045	142,935	139,875	138,417
Information	15,911	17,327	15,859	14,651
Financial Activity	33,443	33,822	33,870	33,617
Professional and Business Services	107,054	109,233	102,361	92,472
Education and Health Services	101,005	99,639	96,060	93,236
Leisure and Hospitality	85,802	89,249	86,621	83,763
Other Services	21,981	21,869	21,817	21,362
Total Nonagricultural Jobs	809,920	817,948	795,373	766,128
Civilian Labor Force	952,585	863,518	846,790	826,405
Total Employed	916,051	830,424	807,063	778,233
Unemployed	36,533	33,094	39,727	48,172
Unemployment Rate	3.8%	3.5%	4.2%	5.3%

Source: U.S. Department of Labor, Bureau of Labor Statistics Data, <http://www.data.bls.gov>

Note: 2008 Information is available as of March of the same year.
Employment information is available as of October of the same year.

Note: Composition of labor force information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

SCHEDULE D-3

Calendar Year		
2004	2003	2002
178,280	175,067	171,687
15,010	14,221	13,945
50,301	47,166	45,746
35,870	36,472	38,365
136,223	134,167	133,918
14,816	15,906	16,864
33,171	32,643	32,452
89,996	88,553	89,033
90,856	86,713	82,116
82,443	81,447	80,051
21,133	20,802	20,293
<u>748,099</u>	<u>733,157</u>	<u>724,470</u>
812,365	798,594	785,739
760,449	745,935	737,418
51,916	52,659	48,321
5.8%	5.9%	5.5%

STATE OF NEW MEXICO

PUBLIC HIGHER EDUCATION ENROLLMENT

Last Eight Fiscal Years

	Academic Year				
	2008-09	2007-08	2006-07	2005-06	2004-05
Eastern New Mexico University	4,300	4,180	8,863	8,945	8,914
Highlands University	3,524	3,457	3,726	3,484	3,551
New Mexico Institute of Mining and Technology	1,912	1,844	1,868	1,888	1,829
New Mexico State University	17,200	16,726	27,507	26,902	26,645
Northern New Mexico College ²	3,303	N/A	2,250	2,196	N/A
University of New Mexico	25,820	25,749	32,506	33,108	33,614
Western New Mexico University	2,820	2,727	2,738	2,844	2,858
Total All Four-Year Institutions	58,879	54,683	79,458	79,367	77,411

	Academic Year				
	2008-09	2007-08	2006-07	2005-06	2004-05
Albuquerque Technical Vocational Institute ¹	N/A	N/A	N/A	N/A	22,927
Central New Mexico Community College ¹	35,553	34,722	23,607	24,057	N/A
Clovis Community College	5,876	5,703	3,652	3,937	4,195
Luna Community College	3,078	2,870	1,807	2,034	2,041
Mesalands Community College	1,431	1,137	692	648	574
New Mexico Junior College	4,691	4,553	3,106	3,104	3,546
New Mexico Military Institute	564	588	513	493	483
Northern New Mexico College ²	N/A	N/A	N/A	N/A	2,121
San Juan Community College	17,050	15,541	9,941	8,993	9,128
Santa Fe Community College	9,040	8,960	5,450	5,412	5,170
Total All Two-Year Institutions	77,283	74,074	48,768	48,678	50,185
Total All Institutions	136,162	128,757	128,226	128,045	127,596

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 four-year institution

Sources: 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>

Note: Public higher education enrollment information is only available beginning with academic year 2001-2002 when the State implemented GASB Statement 34.

SCHEDULE D-4

Academic Year		
2003-04	2002-03	2001-02
7,973	7,332	7,083
3,207	3,024	3,190
1,800	1,747	1,562
25,757	24,305	23,485
N/A	N/A	N/A
32,953	32,102	30,505
2,982	2,551	2,441
74,672	71,061	68,266

Academic Year		
2003-04	2002-03	2001-02
22,002	20,017	18,880
N/A	N/A	N/A
4,126	3,763	3,807
1,655	1,651	1,394
498	407	474
3,280	3,258	3,222
435	458	508
1,822	1,961	1,879
7,585	6,604	6,001
4,405	4,470	4,095
45,808	42,589	40,260
120,480	113,650	108,526

STATE OF NEW MEXICO

FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION

Last Seven Fiscal Years

	Fiscal Year			
	2008	2007	2006	2005
General Government				
Government Operations	1,311.3	1,231.1	1,220.8	1,245.3
Taxation and Revenue	1,241.7	1,124.7	1,109.7	1,010.7
Human Services and Youth Corrections	4,375.1	4,100.1	3,985.1	3,779.8
Adult Corrections	2,538.5	2,473.5	2,326.0	2,295.0
Public Safety	1,595.6	1,520.1	1,476.1	1,449.5
State Courts	3,481.0	3,175.3	2,988.3	2,905.8
Health and Environment				
Department of Health	4,141.0	4,065.5	4,014.5	3,866.8
Department of Environment	720.5	664.5	647.5	640.5
Miners Colfax Community Hospital	225.0	225.0	225.0	225.0
Employment and Family Services	696.5	674.0	672.0	651.5
Natural Resources	1,041.3	1,002.8	957.7	870.7
Cultural Affairs	586.0	565.5	561.5	555.0
Business, Labor and Agriculture	1,960.1	2,110.2	1,893.7	1,874.4
Education	427.8	391.8	386.3	333.9
Transportation	2,756.5	2,673.5	2,673.5	2,673.5
Total Full-Time Equivalent State Employees	27,097.9	25,997.6	25,137.7	24,377.4
Change	4.1%	3.3%	3.0%	0.8%

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.

Note: Information on Full-time equivalent state employees by function information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

SCHEDULE E-1

Fiscal Year		
2004	2003	2002
1,189.6	1,173.3	1,169.0
987.7	987.7	1,008.1
3,776.3	3,781.4	3,854.9
2,287.0	2,231.5	2,254.0
1,384.0	1,376.0	1,300.0
2,844.0	2,746.2	2,694.4
3,904.3	3,848.1	3,666.0
640.5	642.5	630.5
225.0	215.0	216.0
650.2	648.2	647.2
863.7	858.4	855.5
557.4	536.3	540.0
1,873.3	1,863.9	1,897.2
316.7	289.9	288.9
<u>2,673.5</u>	<u>2,673.5</u>	<u>2,675.5</u>
<u>24,173.2</u>	<u>23,871.9</u>	<u>23,697.2</u>
<u>1.2%</u>	<u>0.7%</u>	<u>3.5%</u>

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Five Fiscal Years

SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2008	2007	2006	2005	2004
General Government					
Operations					
Public Employees' Retirement Fund's National Performance Ranking Percentile (five-year annualized) ^{5 7}	49 th	41 st	82 nd	83 rd	87 th
% Decrease in Workers' Compensation Claims ⁵	1%	21%	9%	37%	5%
Projected Financial Position of Workers' Comp Liability Funds (\$ millions)	(26)	(29)	(23)	(17)	(9)
# of Newly Registered Voters ^{5 7}	N/A	45,907	46,614	317,000	112,000
Taxation					
% of Electronically Filed Personal Income Tax Returns ^{5 6}	49%	37%	34%	30%	17%
% of Motor Vehicle Registrations Issued (with liability insurance) ^{5 6}	89%	89%	87%	86%	83%
% of Delinquent Property Tax Accounts Resolved ^{5 6}	38%	66%	62%	89%	78%
Regulation					
# of Vehicular Port Traffic at New Mexico Ports ^{5 7}	N/A	740,931	693,583	623,855	664,528
Nursing Licenses Issued ^{5 7}	13,930	13,281	11,885	11,099	11,586
Tri-annual Physician Licenses Issued ^{5 7}	3,508	2,831	3,010	2,787	1,668
Biennial Physician Assistant Licenses Issued ^{5 7}	262	245	221	411	201
Annual Veterinarian Licenses Issued ^{5 7}	45	84	56	59	63
Public Safety					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{5 7}	28,422	25,817	26,196	48,774	20,250
Attrition Rate of New Mexico Army National Guard ^{5 7}	16%	12%	16%	24%	15%
# of Traffic Fatalities ⁵	371	424	519	469	521
# of Driving While Intoxicated Fatalities ⁵	163	137	199	146	217
# of Driving While Intoxicated Arrests ^{5 7}	3,363	3,883	3,261	3,879	4,314
Pounds of Narcotics Seized by Motor Transportation ⁵	N/A	26,377	33,349	51,770	N/A
# of Dismantled Methamphetamine Laboratories ⁵	N/A	N/A	36	71	83

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Five Fiscal Years

SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2008	2007	2006	2005	2004
General Government (Continued)					
Education					
Public					
# of High School Graduates ¹	18,588	18,260	17,660	17,830	18,080
Student Dropout Rate for Grades 9 - 12 ²	N/A	6%	5%	5%	5%
Public School Capital Outlay Allocation (\$ millions) ^{3 4}	137.3	159.5	242	280	248
Higher					
Graduation Rate of Bachelor Degree Students (Period of six years for completion).....	43%	42%	37%	39%	39%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years ^{5 6}	66%	65%	65%	64%	64%
Health and Human Services					
# of Blind/Visually Impaired Individuals Who Received Adaptation Training ^{5 7}	718	879	595	560	580
% of Children Receiving Services in Medicaid Managed Care ^{5 6}	64%	65%	55%	45%	52%
% of Child Support Collected of Support Owed ^{5 6}	58%	56%	54%	52%	52%
# of Homeless Veterans Provided Shelter (Period of Two Weeks Or More) ^{5 7}	222	270	160	840	72
% of Children Adopted within 24 Months of Entry into Foster Care ^{5 7}	36%	38%	33%	35%	44%
% of Abused Children with Repeat Maltreatment ^{5 6}	8%	7%	8%	7%	11%
% of Preschoolers Fully Immunized ^{5 6}	81%	72%	78%	84%	75%
# Childhood Vaccines Distributed ⁵	N/A	N/A	N/A	870,365	825,000
New Mexico Teenage Birth Rate/1000 Population for Females Ages 15 - 17 ^{5 6}	35%	35%	35%	36%	38%
U.S. Teenage Birth Rate/1000 Population for Females Ages 15 - 17 ⁵	N/A	N/A	22%	21%	22%
Suicide Rate for Adults (Age 20 & Older)/100,000 Population ^{5 6}	N/A	23%	22%	24%	N/A
# of Operating School-Based Health Centers ^{5 6}	84	65	66	34	13
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{5 7}	3.3	3.7	4.1	3.8	3.7

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Five Fiscal Years

SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2008	2007	2006	2005	2004
Corrections					
Juvenile					
% Juveniles Earning Education Credits While Incarcerated ^{5 6}	75%	84%	72%	42%	N/A
% of Juveniles who Complete Formal Probation ^{5 6}	90%	91%	90%	80%	83%
% of Juveniles Recommitted to a Youth Detention Facility ^{5 6}	4%	13%	14%	17%	17%
Adult					
Turnover Rate of Correctional Officers ^{5 7}	13%	15%	21%	11%	12%
Success Rate for No recidivism of Offenders Enrolled in After Release Program (36 months) ^{5 7}	33%	38%	41%	38%	N/A
% of Prisoners Reincarcerated within 12 months after Release into Community Supervision Program ^{5 7} ..	29%	32%	30%	26%	N/A
% of Prisoners Reincarcerated within 24 months after Release into Community Supervision Program ^{5 7} ..	42%	42%	38%	42%	N/A
# of Inmates Enrolled in Adult Basic Education ^{5 7}	3,228	2,738	2,850	1,397	1,685
Judicial					
Medicaid Fraud Recoupments (\$ millions) ⁷	1.14	1.42	1.95	1.62	1.22
Culture and Recreation					
# of Visits to Visitor Information Centers (millions) ^{5 7}	0.68	0.51	1.05	1.06	0.90
# of Unique Website Visitor Sessions (millions) ^{5 7}	3.28	5.26	5.09	2.59	N/A
Circulation Rate for New Mexico Magazine ^{5 7}	105,665	105,275	107,870	106,758	113,333
Attendance to Museum Exhibitions, Performances, Films, Programs ^{5 7}	840,520	790,175	902,282	886,812	808,457
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{5 7}	83%	83%	85%	84%	85%
Fish Output from Hatchery System (in pounds) ^{5 7}	451,337	410,579	441,707	477,665	312,625
# of Visitors to State Parks (millions) ^{5 6}	4.60	4.03	4.16	4.20	3.84

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Five Fiscal Years

SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2008	2007	2006	2005	2004
Natural Resources, Environment					
% of Annual Inspections Conducted of Oil and Gas Wells (includes reinspections)	N/A	48%	42%	42%	39%
# of Projects Funded To Improve New Mexico's Natural Resources	31	32	35	35	35
# of Mine Inspections Conducted ^{5 7}	N/A	220	324	278	282
# of Abandoned Mine Hazards Safeguarded ^{5 7}	N/A	52	42	126	78
% of Landfills Meeting Groundwater Monitoring Requirements ^{5 6}	75%	66%	71%	80%	88%
# of Wildlife Habitat Acres Conserved or Enhanced	132,00	110,621	106,921	N/A	N/A
# of Threatened/Endangered Species Monitored/Involved in Recovery Process ^{5 7}	77	69	58	49	42
Business, Labor and Agriculture					
# of Individuals Served by Labor Market Services who found Employment ^{5 7}	50,290	39,190	35,217	35,522	51,935
# of Individuals Served by Labor Market Services ^{5 7}	128,249	108,172	74,818	338,928	367,901
% of Adults who Entered Employment in 1st Quarter of Receiving Training Services ⁵	86%	85%	80%	74%	77%
% of Disabled Persons Achieving Suitable Employment Outcomes ^{5 7}	61%	61%	62%	59%	N/A
# of Business Expansions Assisted in Urban Areas ^{5 6}	35	34	35	34	42
# of Rural Jobs Created ^{5 6}	2,200	1,451	2,192	2,043	1,698
# of Media Industry Worker Days ^{5 6}	110,000	168,046	161,137	99,695	40,087
Economic Impact of Media Industry Productions (\$ millions) ^{5 6}	175.0	473.7	350.0	271.7	N/A
New Mexico Exports to Mexico (\$ millions) ^{5 7}	350	333	166	253	350

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Five Fiscal Years

SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2008	2007	2006	2005	2004
Highways and Transportation					
# of System wide Miles in Deficient Condition ^{5 6}	3,468	3,468	3,905	5,567	5,768
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{5 7}	5.61	1.73	2.13	1.99	2.10
# of Statewide Improved Pavement Surface Miles ^{5 6}	4,321	2,424	4,144	3,700	5,337

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 five 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 Seven Fiscal Years

	Fiscal Year			
	2008	2007	2006	2005
General Government				
Buildings	101	104	99	99
Public Safety				
Buildings	7	7	7	7
Vehicles	926	989	990	1,056
Ports of Entry	17	14	13	13
Health and Human Services				
Buildings - General Administrative	32	32	33	33
Buildings - Program -				
Juvenile Reintegration Center	3	3	3	3
Medical Center/Hospital	248	248	255	255
Rehabilitation Facility	7	7	7	7
Veterans' Center	11	11	11	11
Vehicles	417	382	385	343
Corrections				
Buildings	326	322	321	321
Vehicles	379	300	353	370
Culture and Recreation				
Vehicles	57	61	69	77
Museums	8	8	8	8
Monuments	6	7	6	5
Natural Resources, Environment				
Vehicles	383	340	336	323
State Parks	34	34	33	32
Wildlife Management Areas (Acres)	171,241	166,000	166,000	166,000
Fish Hatcheries	6	6	6	6
Highways and Transportation				
Highway Lane Miles	30,417	30,417	29,952	29,456
Vehicles/Heavy Equipment	6,531	6,421	6,421	6,421

Sources: 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

Note: Capital asset information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

SCHEDULE E-3

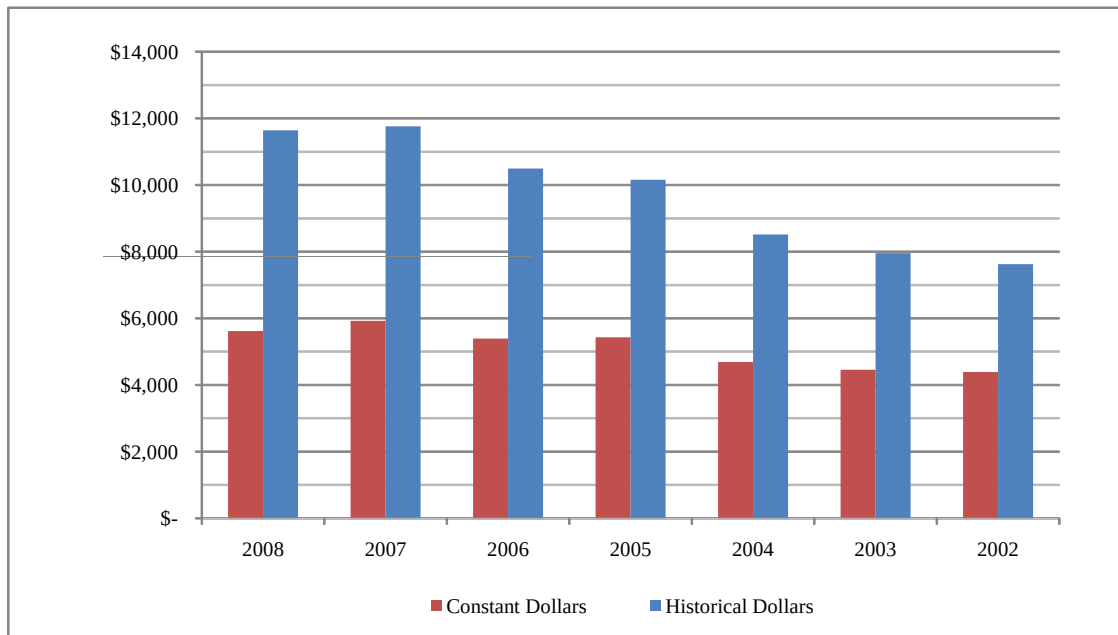
Fiscal Year		
2004	2003	2002
99	99	99
7	7	7
1,012	995	1,004
13	13	13
33	33	33
3	3	3
255	255	255
7	7	7
11	11	11
339	338	347
321	321	321
358	388	415
74	74	N/A
8	8	8
5	5	5
325	305	312
31	31	31
166,000	166,000	166,000
6	6	6
29,273	27,988	27,939
6,421	6,421	6,421

STATE OF NEW MEXICO

EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

SCHEDULE F-1

Last Seven Fiscal Years



Fiscal Year	Expenditures			
	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2008	\$ 11,640	(1.1)%	\$ 5,619	(5.4)%
2007	11,764	10.8%	5,922	8.9%
2006	10,495	3.2%	5,393	(0.7)%
2005	10,160	16.1%	5,429	13.7%
2004	8,520	6.7%	4,688	4.9%
2003	7,953	4.1%	4,460	1.6%
2002	7,626	1.4%	4,388	0.2%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982-84 = 100.

Note: Expenditure information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

Note: Amounts have been restated.

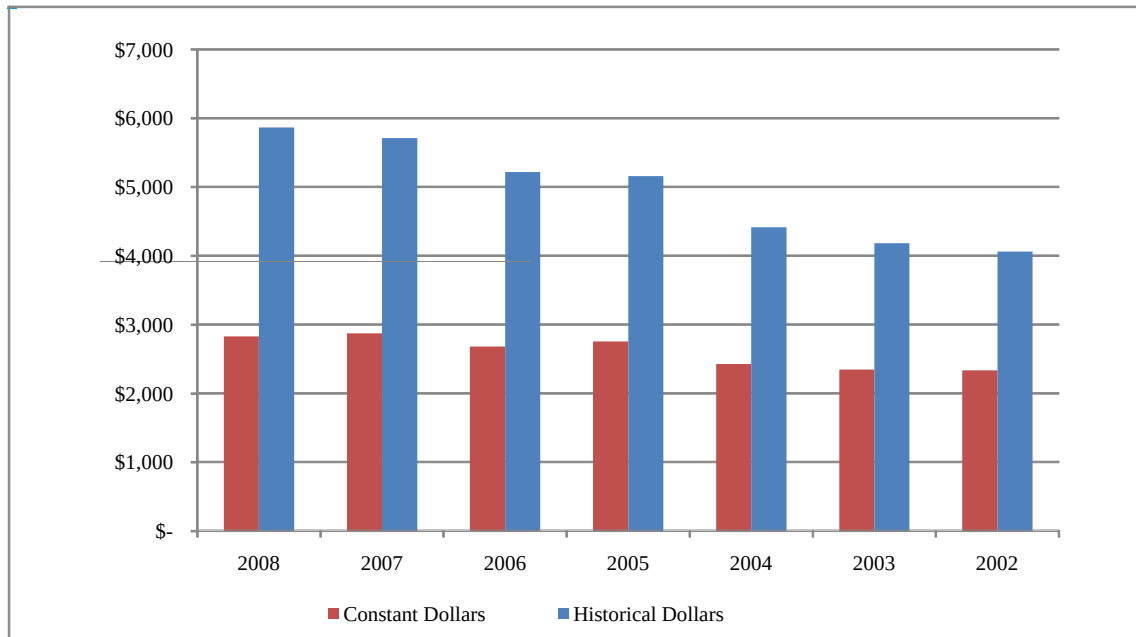
STATE OF NEW MEXICO

PER CAPITA EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS

SCHEDULE F-2

ALL GOVERNMENT FUND TYPES

Last Seven Fiscal Years



Fiscal Year	Per Capita Expenditures			
	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2008	\$ 5,866	2.6%	\$ 2,832	(1.6)%
2007	5,713	8.6%	2,876	6.7%
2006	5,220	1.1%	2,682	(2.8)%
2005	5,161	14.5%	2,758	11.9%
2004	4,415	5.2%	2,429	3.4%
2003	4,186	2.9%	2,348	0.4%
2002	4,064	0.1%	2,339	(1.0)%

Source: Constant Dollars are derived using the Consumer Price Index for all urban consumers, base year 1982-84 = 100.

Note: Per capita expenditure information is only available beginning with fiscal year 2002 when the State implemented GASB Statement 34.

Note: Amounts have been restated.