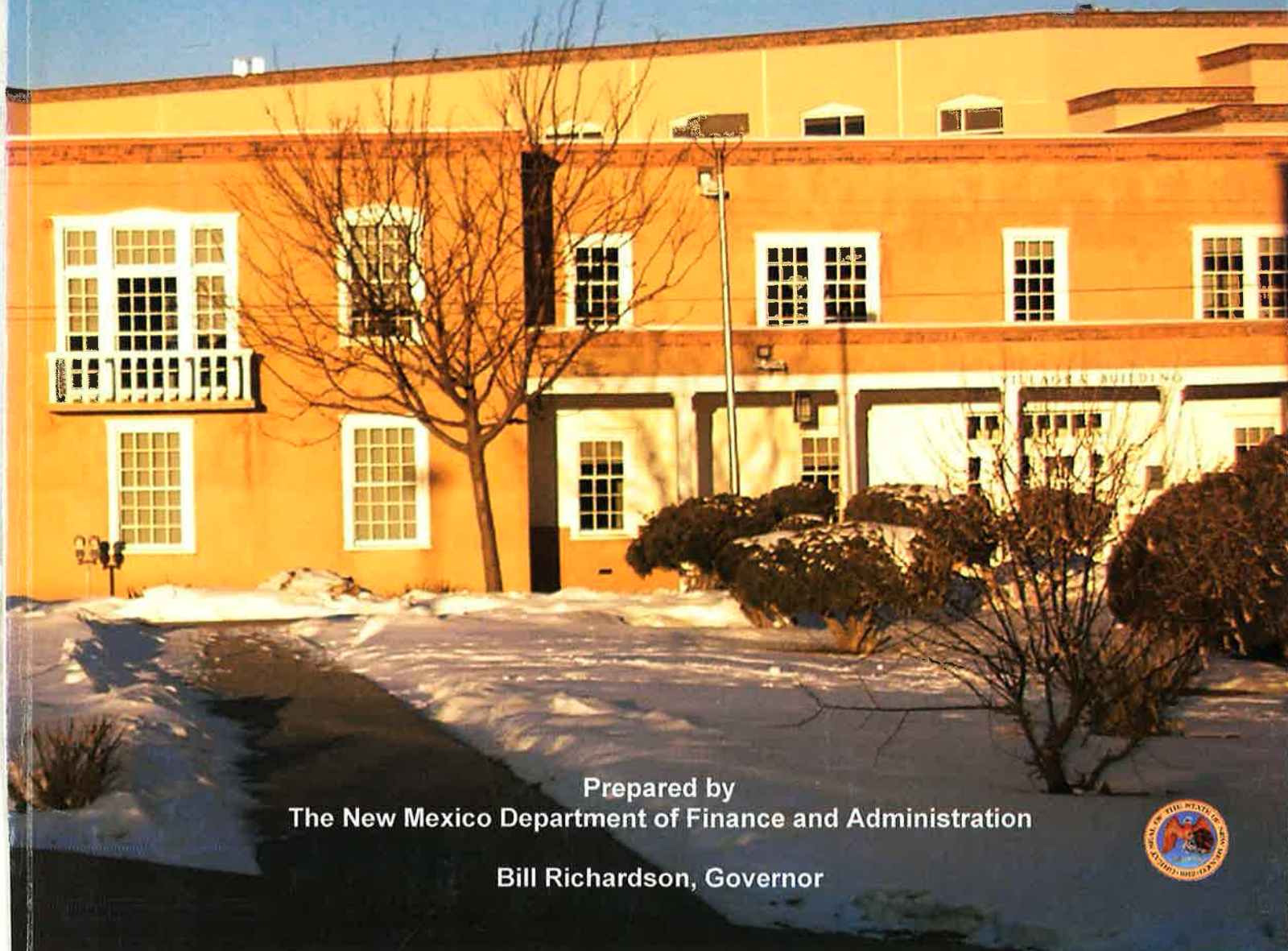


STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004



Prepared by
The New Mexico Department of Finance and Administration

Bill Richardson, Governor



STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
June 30, 2004



Bill Richardson, Governor

Prepared by Department of Finance and Administration

*James C. Jimenez
Cabinet Secretary*

*Anthony I. Armijo, CPA
State Controller*

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2004

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Basic Financial Statements

Government-wide Financial Statements:

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

Fund Financial Statements:

Balance Sheet—Governmental Funds	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	25
Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Net Assets—Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Net Assets—Proprietary Funds	30
Statement of Cash Flows—Proprietary Funds.....	31
Statement of Fiduciary Net Assets—Fiduciary Funds.....	33
Statement of Changes in Fiduciary Net Assets—Fiduciary Funds.....	35
Notes to the Financial Statements.....	37

Other Required Supplementary Information

Budgetary Comparisons:

Major Governmental Funds—	
General Fund.....	104
Education	105
Health and Human Services.....	106
Highway and Transportation.....	107

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2004

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

Other Required Supplementary Information (Continued)

Budget to GAAP Reconciliation—General Funds and Major Special Revenue Funds	108
Note A—Budgetary Reporting	109
Actuarial Analysis by Type -	
Analysis of the Educational Retirement System (EERS)	110
Analysis of the Public Employees Retirement System (PERS).....	111
Analysis of the Judicial Retirement System (JRS)	112
Analysis of the Magistrate Retirement System (MRS).....	113
Analysis of the Volunteer Firefighters Retirement System (VFRS)	114
Revenues and Expenses by Type -	
The Educational Employee Retirement System (EERS)	115
The Public Employees Retirement System (PERS).....	116
The Judicial Retirement System (JRS)	117
The Magistrate Retirement System (MRS).....	118
The Volunteer Firefighters Retirement System (VFRS)	119
Other Supplementary Information	
Nonmajor Governmental Funds:	
Combining Balance Sheet by Fund Type—Nonmajor Governmental Funds	120
Combining Statement of Revenues, Expenditures, and Changes in Fund	
Balances by Fund Type—Nonmajor Governmental Funds.....	121
Combining Balance Sheet—Nonmajor Special Revenue Funds	122
Combining Statement of Revenues, Expenditures, and Changes in Fund	
Balances—Nonmajor Special Revenue Funds	124
Combining Balance Sheet—Nonmajor Capital Projects Funds	126
Combining Statement of Revenues, Expenditures, and Changes in Fund	
Balances—Nonmajor Capital Project Funds	128
Combining Balance Sheet—Nonmajor Debt Service Fund.....	130
Combining Statement of Revenues, Expenditures, and Changes in Fund	
Balances—Nonmajor Debt Service Fund	131
Nonmajor Proprietary Funds:	
Combining Statement of Net Assets—Nonmajor Proprietary Funds	133
Combining Statement of Revenues and Expenses and Changes in Net Assets—	
Nonmajor Proprietary Funds.....	135
Combining Statement of Cash Flows—Nonmajor Proprietary Funds	137

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2004

TABLE OF CONTENTS (CONTINUED)

Fiduciary Funds:

Combining Statement of Fiduciary Net Assets—	
Private Purpose Trust Funds	142
Pension and Other Employee Benefits Trust Funds	145
External Trust Funds.....	150
Agency Funds	153

STATISTICAL SECTION

Revenues by Source and Expenditures by Function—All Fund Types.....	155
Schedule of Revenues—State General Fund	157
Net Assets by Component.....	159
Changes in Net Assets	160
Fund Balances, Governmental Funds	162
Changes in Fund Balances, Governmental Funds	163



New Mexico

Bill Richardson Governor

Department of Finance and Administration

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

Katherine B. Miller
Cabinet Secretary

Anthony I. Armijo, CPA, CGFM
State Controller

March 4, 2006

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

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico for the year ended June 30, 2004. The CAFR is the State's official annual report. Both state law and accounting principles generally accepted in the United States of America require the State to prepare and publish the report each year (Section 6-5-2.1D, NMSA, 1978, as amended, and Governmental Accounting Standards Board Codification Section 2200).

This report consists of management's representations concerning the finances of the State of New Mexico. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. 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 generally accepted accounting principles 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 their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The CAFR includes an introductory, financial, and statistical section. The introductory section includes a table of contents, this letter, a list of selected elected officials and an organization chart of the State. The financial section includes the independent accountants' report, management's discussion and analysis (MD&A), the basic financial statements, required

To the Honorable Governor Bill Richardson, the New Mexico State Legislature, and
the Citizens of the State of New Mexico
March 4, 2006

supplementary information other than MD&A and combining statements. The statistical section includes data on revenues by source and expenditures by function, a schedule of revenues, and revenues by expense and type for the retirement systems.

The purpose of the CAFR is to report the financial position and results of operation of the State of New Mexico and provide an overview of its discretely presented component units. The State of New Mexico has two such units, the New Mexico Finance Authority and the New Mexico Mortgage Finance Authority.

The MD&A included in the introductory section of the CAFR provides an analysis of the State of New Mexico's financial activities. The following background information will augment your understanding of that information. New Mexico became a state in 1912. In the 2000 Census, New Mexico's population was 1.8 million. New Mexico is the second largest state in natural gas production and the fifth largest in crude oil production. Agriculture and extraction of natural resources is an important part of New Mexico's economic base. However, the service and government sectors are the State's largest employers.

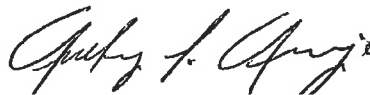
Hi-tech production and research and development play an important part in economy of New Mexico. Santa Fe, the state capitol, is home to over thirty biotech firms; Los Alamos and Albuquerque are home to two national laboratories: Los Alamos National Laboratory and Sandia National Laboratory. New Mexico is also home to several precision optic labs, including the Air Force Research Lab at Kirtland Air Force Base.

The State continues to enjoy high bond ratings indicative of its very strong capacity to meet financial commitments. The State New Mexico is one of the few states with a general fund that has a surplus. These factors are the result of the State's continuing commitment to sound fiscal management under the leadership of Governor Bill Richardson.

Respectfully submitted,



Katherine B. Miller
Cabinet Secretary



Anthony I. Armijo, CPA, CGFM
State Controller

STATE OF NEW MEXICO

June 30, 2004

Selected State Officials

Executive _____

Bill Richardson, Governor • **Diane Denish**, Lieutenant Governor • **Rebecca Vigil-Giron**, Secretary of State • **Patricia A. Madrid**, Attorney General • **Domingo Martinez**, State Auditor • **Patrick H. Lyons**, Commissioner of Public Lands • **Robert E. Vigil**, State Treasurer • **Herb H. Hughes**, Public Regulations Commission • **David King**, Public Regulations Commission • **Jerome D. Block**, Public Regulations Commission • **Lynda M. Lovejoy**, Public Regulations Commission • **E. Shirley Baca**, Public Regulations Commission

Judicial _____

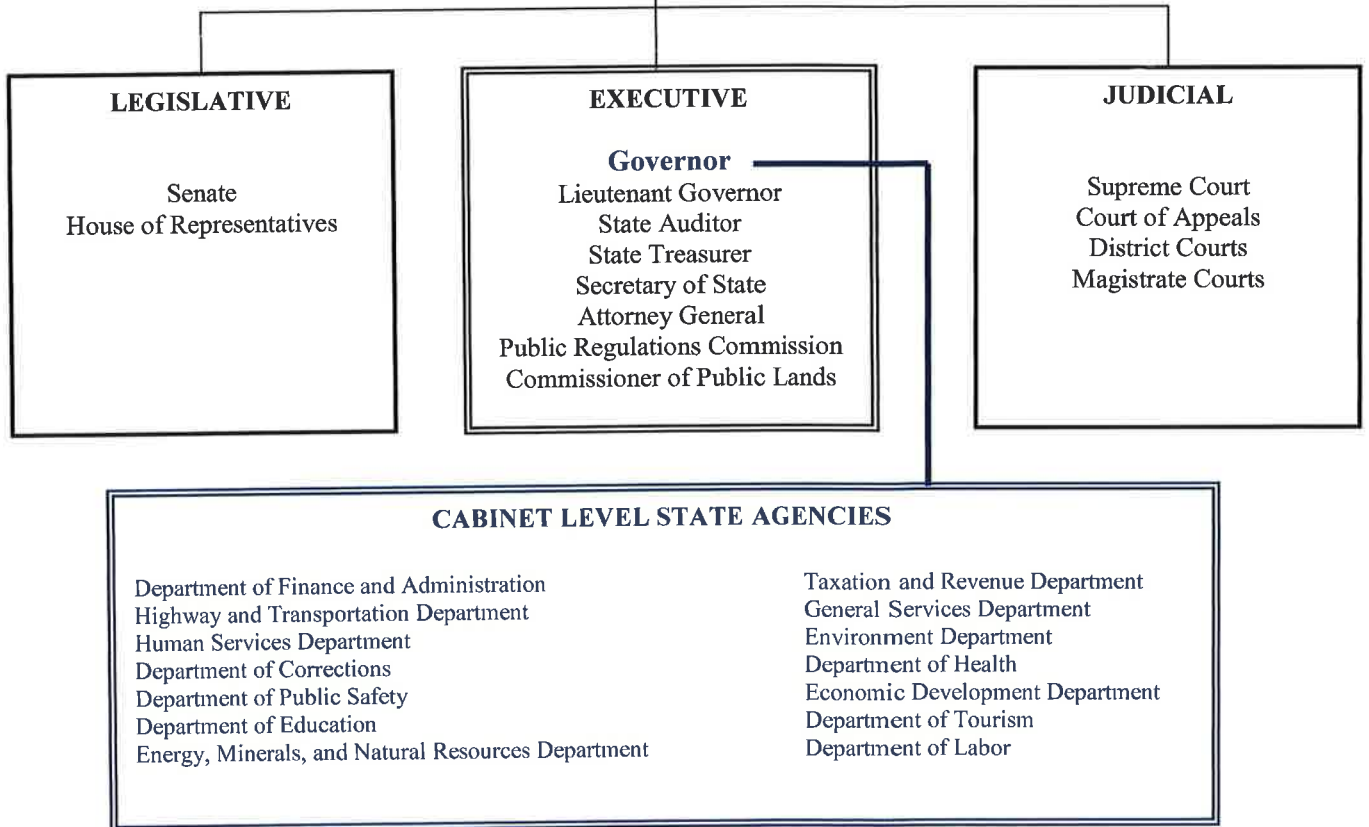
Patricio M. Serna, Justice of the Supreme Court • **Edward L. Chavez**, Justice of the Supreme Court • **Pamela B. Minzner**, Justice of the Supreme Court • **Petra J. Maes**, Justice of the Supreme Court • **Richard C. Bosson**, Justice of the Supreme Court • **A. Joseph Alarid**, Judge of the Court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

Legislative _____

Senate: **Ben D. Altamirano**, President Pro-Tempore • **Michael S. Sanchez**, Majority Floor Leader • **Stuart Ingle**, Minority Floor Leader • **Mary Jane M. Garcia**, Majority Whip • **Leonard Lee Rawson**, Minority Whip • **Linda M. Lopez**, Caucus Chair • **Clinton Harden**, Caucus Chair

House of Representatives: **Ben Lujan**, Speaker of the House • **Danice Picraux**, Majority Floor Leader • **Ted Hobbs**, Minority Floor Leader • **James G. Taylor**, Majority Whip • **Joe Thompson**, Minority Whip • **John A. Heaton**, Caucus Chair • **Terry T. Marquardt**, Caucus Chair

Organizational Chart





**FINANCIAL
SECTION**

Independent Accountants' Report

The Honorable Bill Richardson, Governor of the State of New Mexico
Mr. James Jimenez, Secretary of the
New Mexico Department of Finance and Administration,
Anthony I. Armijo, CPA, Director/State Controller, and
Mr. Domingo Martinez, CGFM
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, 2004, 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 proper application of cash receipts in certain fiduciary and grant funds within the Human Services Department could not be ascertained. As a result the related federal revenue, receivables and deferred revenue in the Health and Human Services Fund may not be accurate.

The Department of Education has not reconciled federal expenditures to related federal revenue. Consequently, the federal accounts receivable and revenue in the Education Fund may require adjustment once the reconciliations are completed.

We were unable to obtain sufficient evidence of the accounting records related to certain fiduciary funds at the Taxation and Revenue Department. As a result, we were unable to determine the disposition of taxes to payees including taxes due to the State General Fund.

The Honorable Bill Richardson, Governor of the State of New Mexico
Mr. James Jimenez, Secretary of the
New Mexico Department of Finance and Administration,
Anthony I. Armijo, CPA, Director/State Controller, and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor

The financial statements do not include the Section 529 Trust Plan of the New Mexico Education Trust Board.

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

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

The accompanying statistical information, as listed in the table of contents, are 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 them.

Moss Adams LLP

Albuquerque, New Mexico
March 4, 2006

This Page Intentionally Left Blank

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

INTRODUCTION

The following is a discussion and analysis of the State of New Mexico's (State) financial performance that provides an overview of the activities for the fiscal year ended June 30, 2004. This discussion and analysis should be read in conjunction with State's financial statements and the notes to the basic financial statements, which begin after this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

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

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

HIGHLIGHTS

- The State's net assets increased \$562 million or 3.7% over the prior year. Net assets of governmental activities remained relatively stable, increasing \$402 million or 3.3%. Net assets of business-types increased \$159 million or 5.3%, also staying stable.
- During the fiscal year, the State changed its revenue recognition policies for the State General Fund to extend the period of time that revenue collections are deemed to be available to meet current obligations from 30 days to 60 days.
- Total appropriations for fiscal year 2004 was \$4,383 million.
- Total net tax collections for fiscal year 2004 were \$5,000 million.
- The State's Property Tax Division was able to resolve a total of 10,779 (not in thousands) delinquent property accounts, either by field collections or through sale resulting in 90 percent of the delinquent property accounts being resolved. A total of 2,515 of 10,779 delinquent accounts were not resolved through field collections.
- The State was awarded a \$62 million grant by the U.S. Department of Treasury pursuant to Section 401(b) of the Jobs and Growth Tax Reconciliation Act of 2003. During the current fiscal year, the State disbursed \$36 million to various agencies within the State's government and other local government entities.
- Pursuant to the Laws of 2004, Chapter 26, Sections 11 and 151, the State Legislature appropriated \$20 million from severance tax bond proceeds for the Statewide Human Resources, Accounting and Management Reporting Project, or SHARE project.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

- The State issued \$700 million in tax and revenue anticipation notes that matured on June 30, 2004.
- The States investments held with the Office of the State Treasurer increased by \$417 million.
- In September 2004, the Motor Vehicle Division has reduced the uninsured rate in New Mexico from a national high of 33.03 percent to 15.25 percent equating to an additional 318,000 vehicles that have become insured.
- The State realized total revenues of \$263 million from nonrenewable sources from trust lands.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements – Reporting the State as a Whole

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

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

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

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

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

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

Fund Financial Statements

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

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

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

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

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

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

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

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

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

Notes to the financial statements

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

Other information

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

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

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

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

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

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Adjustments to Beginning Net Assets

As described in Note 1.V. of the financial statements, beginning net assets of governmental and business-type activities were increased by \$371 million and \$22 million, respectively. These adjustments were the result of various errors made in accruals and deferrals of income and liabilities and allocation of the Land Grant Permanent Fund.

Government-wide Financial Analysis

Condensed Statement of Net Assets

The largest component (\$8,143 million or 51.5 percent) of the State's net assets is its investment in capital assets (e.g. land, infrastructure, buildings, equipment and others), net of any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to the citizens and businesses in the State; consequently, these net assets are not available for future spending. Restricted net assets are the next largest component, totaling \$6,863 million (43.4 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 remaining 5.1 percent of net assets is unrestricted, which may be used to finance government operations.

Table 2 below presents the State's condensed Statement of Net Assets as of June 30, 2004, derived from the government-wide Statement of Net Assets.

**Table 2: Condensed Statement of Net Assets
As of June 30, 2004
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
Current and other assets	\$ 8,853,942	\$ 7,275,102	\$ 2,575,564	\$ 2,475,305	\$11,429,506	\$ 9,750,407
Capital assets, net	8,282,381	8,511,632	1,269,934	1,182,408	9,552,315	9,694,040
Total assets	17,136,323	15,786,734	3,845,498	3,657,713	20,981,821	19,444,447
Current liabilities	2,357,035	1,909,440	298,694	307,329	2,655,729	2,216,769
Long-term liabilities	2,118,739	1,619,205	405,263	368,017	2,524,002	1,987,222
Total liabilities	4,475,774	3,528,645	703,957	675,346	5,179,731	4,203,991
Net assets						
Invested in capital assets, net of related debt	7,187,781	7,830,967	955,999	892,515	8,143,780	8,723,482
Restricted	5,301,338	4,075,363	1,561,273	1,506,856	6,862,611	5,582,219
Unrestricted	171,430	351,759	624,269	582,996	795,699	934,755
Total net assets	\$ 12,660,549	\$ 12,258,089	\$ 3,141,541	\$ 2,982,367	\$15,802,090	\$ 15,240,456
Percent change in total net assets from prior year		3.3%		5.3%		3.7%

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

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

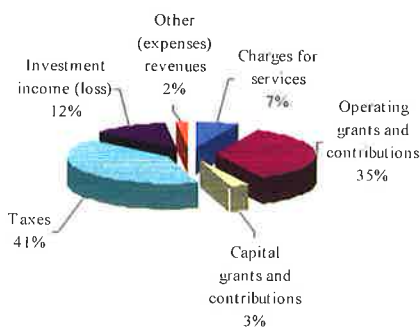
There was an increase of \$1,226 million in restricted net assets in connection with the State's governmental activities. Approximately \$850 million of the increase was a result of increased contributions of royalties and income from land grants net of the increased distributions recognized by the Land Grant Permanent Fund. During 2004 the Highway and Transportation Fund received approximately \$1,138 million in debenture bond proceeds with approximately \$740 million that had not been spent by the end of the fiscal year that was restricted. The Severance Tax Permanent Fund also experienced an increase of approximately \$309 million in restricted assets from the severance tax revenues that exceeded the debt service requirements for fiscal year 2004.

The government's net assets increased by \$561 million during the current fiscal year. The net increase is due to the above documented increase in restricted net assets and the approximate decrease of \$580 million in net assets invested in capital assets, net of related debt.

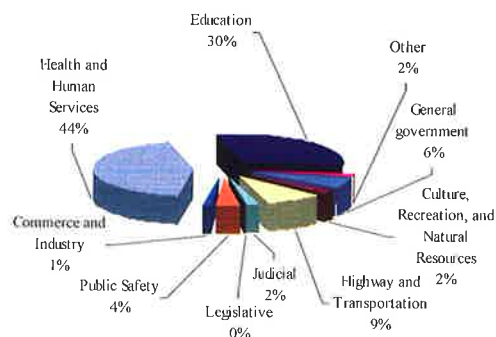
Condensed Statement of Activities

Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased by \$402 million or 3.3 percent, and the net assets of the business-type activities increased by \$159 million or 5.3 percent. Table 3 below presents the State's condensed Statement of Activities for the fiscal year ended June 30, 2004, as derived from the government-wide Statement of Activities. Key elements of this increase are as follows in Table 3 and graphs below.

Total Revenues - FY 2004



Total Expenses - FY 2004



**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

**Table 3: Condensed Statement of Activities
As of June 30, 2004 & 2003
(in thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2004	2003	2004	2003	2004	2003	2003 to 2004
Revenues							
Program revenues:							
Charges for services	\$ 640,028	503,908	1,265,229	1,053,341	1,905,257	1,557,249	22.3%
Operating grants and contributions	3,182,126	2,765,888	460,203	581,150	3,642,329	3,347,038	8.82
Capital grants and contributions	292,847	324,588	20,699	13,080	313,546	337,668	(7.14)
Total program revenues	<u>4,115,001</u>	<u>3,594,384</u>	<u>1,746,131</u>	<u>1,647,571</u>	<u>5,861,132</u>	<u>5,241,955</u>	11.81
General revenues:							
Individual income tax	1,090,733	980,326	-	-	1,090,733	980,326	11.26
Corporate income tax	131,897	102,846	-	-	131,897	102,846	28.25
Sales and use tax	327,878	275,873	-	-	327,878	275,873	18.85
Business privilege tax	1,821,396	1,684,150	-	-	1,821,396	1,684,150	8.15
Other taxes	360,940	301,555	-	-	360,940	301,555	19.69
Investment income (loss)	1,071,990	639,731	134,001	77,334	1,205,991	717,065	68.18
Other (expenses) revenues	181,707	139,060	186,383	160,058	368,090	299,118	23.06
Total general revenues	<u>4,986,541</u>	<u>4,123,541</u>	<u>320,384</u>	<u>237,392</u>	<u>5,306,925</u>	<u>4,360,933</u>	21.69
Total revenues	<u>9,101,542</u>	<u>7,717,925</u>	<u>2,066,515</u>	<u>1,884,963</u>	<u>11,168,057</u>	<u>9,602,888</u>	16.30
Program Expenses:							
General government	537,442	279,041	-	-	537,442	279,041	92.60
Culture, Recreation, and Natural Resources	183,074	203,607	-	-	183,074	203,607	(10.08)
Highway and Transportation	785,042	585,187	-	-	785,042	585,187	34.15
Judicial	168,013	158,362	-	-	168,013	158,362	6.09
Legislative	12,036	22,424	-	-	12,036	22,424	(46.33)
Public Safety	345,779	338,676	-	-	345,779	338,676	2.10
Regulation, license, etc.	81,551	75,894	-	-	81,551	75,894	7.45
Health and Human Services	3,732,015	3,424,129	-	-	3,732,015	3,424,129	8.99
Education	2,611,476	2,381,521	-	-	2,611,476	2,381,521	9.66
Unemployment Compensation	-	-	159,954	174,705	159,954	174,705	(8.44)
Colleges and Universities	-	-	1,876,567	1,801,107	1,876,567	1,801,107	4.19
Other	132,440	246,340	374,388	344,429	506,828	590,769	(14.21)
Total program expenses	<u>8,588,868</u>	<u>7,715,181</u>	<u>2,410,909</u>	<u>2,320,241</u>	<u>10,999,777</u>	<u>10,035,422</u>	9.61
Deficiency before transfers	512,674	2,744	(344,394)	(435,278)	168,280	(432,534)	
Transfers	(481,507)	(473,007)	481,507	473,007	-	-	
Change in net assets	31,167	(470,263)	137,113	37,729	168,280	(432,534)	
Beginning net assets, restated	12,629,382	12,728,352	3,004,428	2,944,638	15,633,810	15,672,990	
Ending net assets	<u>\$12,660,549</u>	<u>12,258,089</u>	<u>3,141,541</u>	<u>2,982,367</u>	<u>15,802,090</u>	<u>15,240,456</u>	3.69

Changes in Net Assets. This year the State received 33.4 percent of its revenues from state taxes and 35.4 percent of its revenues from grants and contributions, mostly from federal sources. In the prior year, state taxes accounted for 34.8 percent, and grants and contributions were 38.4 percent of total revenues. Charges for services such as licenses, permits, state parks, and court fees, combined with other miscellaneous collections, comprised of 17.1 and 16.2 percent of total revenues for fiscal year 2004 and 2003, respectively

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Governmental Activities

The State's total governmental revenues from all sources increased \$1,383 million or 17.9 percent.

- The collection of taxes increased by approximately \$388 million or 11.6 percent.
- The State's investment income increased approximately \$432 million or 67.6 percent due to a strong performance in the various markets the State has placed its investments.
- The operating grants and contributions increased by approximately \$416 million due to the increased efforts of the Health and Human Services fund to improve participation in financial assistance programs for eligible populations where the funding is provided by the federal government which resulted in an increase of 6.0 percent for the year or approximately \$290 million. The Health and Human Services fund also resolved a project funding issue by successfully negotiating with federal funding agencies to obtain funds for the SSALSA project. The Education fund also recognized approximately an additional \$100 million in federal funds during the year.
- The expenses for program highway and transportation increase approximately \$200 million as a result of an additional \$100 million of depreciation expenses on capital assets and the other \$100 million resulted from normal road and transportation activities during the year.
- The education program expense increased by approximately \$230 million. This was a result of increased compensation to public school employees, enrollment growth, and increased fixed costs and insurance.

Program Expenses and Revenues for Governmental Activities

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

**Table 4: Program Expenses and Revenues for Governmental Activities
As of June 30, 2004
(in thousands)**

	Program Expenses 2004	Program Revenues 2004	Net Program Costs		Program Revenues to Program Expenses	
			2004	2003	2004	2003
State Programs						
General Government	\$ 537,442	899,136	361,694	493,344	167.3%	276.8%
Culture, Recreation, and Natural Resources	183,074	91,510	(91,564)	(128,469)	50.0	36.9
Highway and Transportation	785,042	325,951	(459,091)	(258,725)	41.5	55.8
Judicial	168,013	48,083	(119,930)	(116,810)	28.6	26.2
Legislature	12,036	-	(12,036)	(22,424)		
Public Safety	345,779	75,649	(270,130)	(275,119)	21.9	18.8
Regulation, license, etc.	81,551	33,441	(48,110)	(49,565)	41.0	34.7
Health and Human Services	3,732,015	2,259,286	(1,472,729)	(1,463,564)	60.5	57.3
Education	2,611,476	381,945	(2,229,531)	(2,053,125)	14.6	13.8
Interest	132,440	-	(132,440)	(246,340)		
Totals	\$8,588,868	4,115,001	(4,473,867)	(4,120,797)	47.9%	46.6%

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Business-type Activities

Revenues from the State's business-type activities increased by \$182 million or 9.6 percent from the prior year.

- Charges for services for business-type activities increased by \$212 million or 20.1 percent from the prior year. The about half of the increase was due to University of New Mexico experiencing approximately \$90 million in higher fees for clinical operations, additional enrollment and higher tuition rates. Another reason for the increase is a result of the Public Schools Insurance Authority having a revenue surplus of \$10 million as a result of original medical claims projections that were higher than actual. In addition to the above the Lottery Authority also had higher product sales by approximately \$9 million.
- Investment earnings increase by \$57 million or 73.3 percent. This was due to a strong performance in the various markets the State has placed its investments. This also encouraged the State to move excess funds from bank accounts to these investments.
- The expenses for the colleges and universities increased by \$75 million or 4.2 percent as a result of the increase in revenues from the clinical operations and increased enrollment.

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

**Table 5: Program Expenses and Revenues for Business-type Activities
As of June 30, 2004
(in thousands)**

	Program Expenses	Program Revenues	Net Program Costs		Program Revenues to Program Expenses	
	2004	2004	2004	2003	2004	2003
State Programs						
Unemployment Insurance Trust Fund	\$ 159,954	106,906	(53,048)	(47,823)	66.8%	72.6%
Educational Institutions	1,876,567	1,219,047	(657,520)	(652,897)	65.0	63.8
Other	374,388	420,178	45,790	28,050	112.2	108.1
Totals	\$ 2,410,909	1,746,131	(664,778)	(672,670)	72.4	71.0

STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Fund Analysis

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

At June 30, 2004, the State's governmental funds reported combined ending fund balances of \$6,908 million. Of this amount \$5,591 million or 80.9 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 \$889 million or 12.9 percent of total fund balance has been segregated through internally imposed limitations on uses of certain funds. Note 1.S. contains more details about reserved and segregated fund balances at June 30, 2004. The remaining \$428 million or 6.2 percent of fund balance is available for appropriation for the general purpose of the funds.

General Fund. Fund balance at June 30, 2004 totaled \$614 million, an increase of \$211 million during the fiscal year. This increase was due to revenues exceeding expenditures. See additional analysis below. The General Fund ended the fiscal year 2004 with a "surplus" from unreserved and undesignated sources of \$251 million. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance.

Total General Fund revenues increased \$840 or 18.9 percent. The increase is the result of tax revenue of approximately \$582 million which was a result of the State changing its revenue recognition policy. Prior to fiscal year 2004, the State's policy on earned revenue was revenues collected within 30 days after fiscal year end, this was changed to 60 days. Approximately half of the increased tax collection is attributable to the additional 30 days. In addition to the above increase, charges for services also increased by approximately \$98 million.

The General Fund expenditures increased \$45 million or 2.5 percent of which 69.4 percent of the change is from capital outlay.

Education. Fund balance at June 30, 2004 totaled \$457 million, an increase of \$17 million or 57.5 percent. The Public School Facilities Authority reported a restatement of \$150,000 for a change in accounting principle that required the recognition of bond proceeds as revenue when the bonds are issued rather than as the proceeds are spent. The remaining increase is from the Department of Education's unspent bond proceeds appropriation of \$53 million. Total revenues increased by \$104 million or 31.3 percent. This was a result of additional federal funding received during the fiscal year. Total expenditures also increased by \$288 million or 12.5 percent. There were additional expenditures of \$63 million relating to the Public School Facilities Authority for fiscal year 2004.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Health & Human Services. Fund balance at June 30, 2004 totaled \$84 million, an increase of \$5 million or 6.5 percent during the fiscal year. This was a result of additional federal funding received and expended during the fiscal year. Total revenues increased by \$197 million or 10.0 percent, with total expenditures increasing proportionately with total revenues.

Highway & Transportation. Fund balance at June 30, 2004 totaled \$1,029 million, an increase of \$779 million or 311.3 percent. The increase relates to the proceeds the Fund received from the New Mexico State Transportation Refunding Revenue Bonds Series 2004, which were issued through the New Mexico Finance Authority in May 2004. The proceeds were not spent until fiscal year 2005.

Severance Tax Permanent Fund. Fund balance at June 30, 2004 totaled \$3,632 million, due to an increase of \$309 or 9.3 percent. The increase relates to unrealized gains on investments, which is consistent with the overall success that the State had with all other investments. During fiscal year 2004, the fund did not experience any significant fluctuation from the prior fiscal year.

Land Grant Permanent Fund. Fund balance at June 30, 2004 totaled \$521 million, due to an increase of \$58 million. The increase is a result of the investment income and unrealized gains on investments, which is consistent with the overall success that the State had with all other investments. During fiscal year 2004, the fund did not experience any significant fluctuation from the prior fiscal year.

Proprietary Funds

The State's proprietary funds reported net assets of \$3,176 million this includes an increase of \$101 million or 4.0 percent. The above net assets include \$3,142 million for enterprise funds and \$34 million for internal service funds.

Unemployment Compensation. Net assets at June 30, 2004 totaled \$551 million, a decrease of \$18 million during the fiscal year. More than half of the decrease primarily relates a reduction in federal revenue in the amount of \$11 million. The reduction in federal revenue came in January 2004 when a new agency was created to oversee the Workforce Investment Act (WIA) grant.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Educational Institutions. Net assets at June 30, 2004 totaled \$2,311 million. Current period activity increased the net assets of the State's educational institutions by \$151 million or 6.0 percent. For the fiscal 2004 the State transferred \$517 million to the State's educational institutions from the General Fund, an increase of \$13 million or 2.6 percent from fiscal year 2003.

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

Discretely Presented Component Units

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

The State's discretely presented major component units are:

- New Mexico Finance Authority
- New Mexico Mortgage Finance Authority

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

Budget Variances in the General Fund

The Legislature adopted the initial fiscal year 2004 budget during the 2003 General Session. The original General Fund budgeted revenues at the start of fiscal year 2004 was 8.6 percent lower than the final fiscal year 2003 budget basis revenues. However, during the year the actual revenue was 8.1 percent lower than final approved budget, with the most significant change coming from investment earnings. The budgeted expenditures for fiscal year 2004 were 0.7 percent lower than the final fiscal year 2003 budget basis expenditures. After budget amendments, the actual charges (expenditures) in the General Fund were \$162 million below the final budgeted amounts. This is mainly the result of lower than expected operating expenditures. On the other hand, resources available for appropriation were \$13 million below the final budgeted amount. This is primarily due to less tax revenues than anticipated even though collections were higher as documented in the analysis on previous pages. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At June 30, 2004, the State reported \$8,282 million in capital assets net of accumulated depreciation for governmental activities and \$1,270 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 2.6 percent for governmental activities and an increase of 7.4 percent for business-type activities.

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

- The General Services Agency had approximately \$23 million in additions that included a new building for the Regulation and Licensing Department
- The Transportation and Highway Department had 15 active projects with contracts of \$10 million or more.
- The Transportation and Highway Department has spent \$10 million of a budget of \$15 million on pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc.
- The New Mexico Institute of Mining and Technology is in the construction phase of Magdalena Ridge Observatory with an estimated total cost of \$45 million.
- The Corrections Department had \$26 million of projects to upgrade existing facilities throughout the State and to construct a 104-bed mental health treatment center. All of these projects were completed during fiscal year 2004.

At June 30, 2004, the State had \$307 million in commitments for building projects in the Highway and Transportation department and in the state universities. Funding for the commitments will come from existing resources from bond proceeds in these funds.

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

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

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

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 the funds that receive legally restricted revenues. During the past year, the State continued to maintain a high bond rating from Moody's Investors Services and Standard & Poor's Corporation, on all State bonds. The State had the following bond ratings at June 30, 2004:

	Moody's	Standard & Poor's
General Obligation Bonds	Aa1	AA+
Severance Tax Bonds	Aa2	AA
Supplemental Severance Tax Bonds	Aa3	A+
Enhanced 911 Revenue Bonds	Aa3	AA

Table 6 represents the outstanding bond debt:

**Table 6: Net Outstanding Debt
As of June 30, 2004
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>Percentage</u> <u>Change</u> <u>2003 to 2004</u>
General Obligations Bonds	\$ 249,150	290,700	-	-	249,150	290,700	(14.29)%
Severance Tax Bonds	486,840	473,405	-	-	486,840	473,405	2.8
Revenue Bonds	<u>1,637,999</u>	<u>841,781</u>	<u>354,639</u>	<u>341,259</u>	<u>1,992,638</u>	<u>1,183,040</u>	68.4
Total Bonds Payable	<u>\$2,373,989</u>	<u>1,605,886</u>	<u>354,639</u>	<u>341,259</u>	<u>2,728,628</u>	<u>1,947,145</u>	40.1%

During the year, the State did not issue any general obligation bonds. The governmental activities issued the Severance Tax Bonds Series 2004A Refunding for \$76 million and the 2003B Supplemental Series bonds for \$10 million. Also, during the year the New Mexico State Transportation Refunding Revenue Bonds Series 2004 in the amount of \$1,138 million were issued.

The business-type activities issued Revenue Bonds Series 2003 and 2004A for \$28 million and \$6 million, respectively for the renovation of the Pan American Center and Corbett Center of New Mexico State University. Also issued by the University of New Mexico were the Subordinate Lien System Revenue Bonds (Taxable) Series 2003B and Subordinate Lien System Revenue Bonds Series 2003C for \$5 million and \$6 million, respectively.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Refer to Notes 1.R., 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 New Mexico economy continues to outpace the nation. The State's unemployment rate dropped to 5.2 percent in October 2004. This compares favorable with the national unemployment rate is increased slightly to 5.5 percent in October 2004. Employment in New Mexico increased by 2.0 percent or 15,900 (not in thousands) jobs on an annualized basis through October 2004. Job growth is geographically and industrially diverse. Two-thirds of all jobs were created in Albuquerque, Las Cruces, and Santa Fe, with the remaining third in the State's rural areas. All sectors except Information expanded during the year, with the greatest gains in Education and Health Services, Government, Construction, and Professional and Business Services. More importantly, the State's manufacturing sector, which lost 6,000 (not in thousands) jobs since 2000, is beginning to turn a corner adding 200 (not in thousands) jobs since last October 2003.

Beginning in fiscal year 2005 the State also changing their budgetary basis. The budgets will be prepared on a modified accrual basis and may include encumbrances only for multiple year appropriations in fund expenditures (commitments for the expenditure of monies relating to unperformed contracts of orders for goods and services).

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the official 2000 United States Census was 1,819. In the 1990's, the State was the 12th fastest growing state, as the population increased 20.1 percent from the 1990 population of 1,515. Over the same period of time, the national population grew 13.2 percent.

Contact the State's Financial Management

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

Bureau of Accounting
Department of Finance and Administration
Financial Control Division/Office of the State Controller
Bataan Memorial Building Room 320
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2004
(IN THOUSANDS)

Primary Government

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 838,993	782,816	1,621,809
Investments	709,458	416,081	1,125,539
Deferred charges and other assets	62,988	20,204	83,192
Intergovernmental receivables	1,539,701	14,876	1,554,577
Due from other funds	(15,933)	15,933	-
Due from other fiduciary funds	920,644	-	920,644
Inventories	26,806	20,336	47,142
Loans receivable, current	-	23,972	23,972
Receivables, net of allowance for uncollectible	294,844	223,019	517,863
Total current assets	4,377,501	1,517,237	5,894,738
Non Current Assets			
Restricted cash and cash equivalents	77,941	25,349	103,290
Capital assets, not being depreciated	492,692	224,251	716,943
Capital assets, net of depreciation	7,789,689	1,045,683	8,835,372
Loans receivable, long-term	-	121,987	121,987
Restricted investments	4,224,018	905,274	5,129,292
Other non-current assets	-	-	-
Total noncurrent assets	12,584,340	2,322,544	14,906,884
Total assets	\$ 16,961,841	3,839,781	20,801,622
LIABILITIES			
Current Liabilities			
Accounts payables	\$ 483,830	65,291	549,121
Accrued liabilities	36,016	102,024	138,040
Claims payable	153,914	-	153,914
Unearned revenue	151,441	69,583	221,024
Due from other fiduciary funds	174,310	-	174,310
Intergovernmental payables	78,113	-	78,113
Security lending payable	574,156	-	574,156
Funds held for others	11,429	6,650	18,079
Other obligations	56,609	18,168	74,777
Bonds payable, current	398,319	22,368	420,687
Other long-term liabilities, current	64,416	8,893	73,309
Total current liabilities	2,182,553	292,977	2,475,530
Noncurrent Liabilities			
Bonds payable, long-term	2,034,274	332,271	2,366,545
Other liabilities, long-term	84,465	72,992	157,457
Total noncurrent liabilities	2,118,739	405,263	2,524,002
Total liabilities	4,301,292	698,240	4,999,532
NET ASSETS			
Investment in capital assets, net of related debt	7,187,781	955,999	8,143,780
Restricted for			
Capital projects	124,603	12,208	136,811
Debt service	938,930	11,271	950,201
Unemployment compensation	-	550,628	550,628
Other purposes	13,787	81,892	95,679
Permanent trusts			
Expendable	-	16,266	16,266
Nonexpendable	4,224,018	889,008	5,113,026
Unrestricted Net Assets	171,430	624,269	795,699
Total net assets	12,660,549	3,141,541	15,802,090
Total net assets and liabilities	\$ 16,961,841	3,839,781	20,801,622

See Notes to Financial Statements.

Component Units		
New Mexico Finance Authority	New Mexico Mortgage Finance Authority	Total
\$ 127,378	23,244	150,622
13,784	31,413	45,197
8,884	623	9,507
379	-	379
-	-	-
-	-	-
-	-	-
9,377	5,744	15,121
<u>159,802</u>	<u>61,024</u>	<u>220,826</u>
136,723	396,805	533,528
-	-	-
69	2,452	2,521
312,878	934,019	1,246,897
-	9,942	9,942
<u>449,670</u>	<u>1,343,218</u>	<u>1,792,888</u>
\$ 609,472	1,404,242	2,013,714
\$ 1,239	1,374	2,613
1,822	8,870	10,692
-	-	-
-	-	-
623	-	623
-	-	-
62,975	-	62,975
-	-	-
32,419	249,306	281,725
23,651	469	24,120
<u>122,729</u>	<u>260,019</u>	<u>382,748</u>
366,640	995,216	1,361,856
2,000	11,502	13,502
<u>368,640</u>	<u>1,006,718</u>	<u>1,375,358</u>
491,369	1,266,737	1,758,106
69	(124)	(55)
-	-	-
10,123	51,082	61,205
-	-	-
107,132	-	107,132
-	-	-
-	-	-
779	86,547	87,326
<u>118,103</u>	<u>137,505</u>	<u>255,608</u>
\$ 609,472	1,404,242	2,013,714

STATE OF NEW MEXICO
STATEMENT OF ACTIVITIES
JUNE 30, 2004
(IN THOUSANDS)

Primary Government	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 537,442	426,919	472,217	-	361,694
Culture, recreation, natural resources	183,074	53,766	37,744	-	(91,564)
Highway and transportation	785,042	13,268	19,836	292,847	(459,091)
Judicial	168,013	2,949	45,134	-	(119,930)
Legislative	12,036	-	-	-	(12,036)
Public safety	345,779	26,828	48,821	-	(270,130)
Regulation, license, etc.	81,551	33,441	-	-	(48,110)
Health and human services	3,732,015	39,025	2,220,261	-	(1,472,729)
Education	2,611,476	43,832	338,113	-	(2,229,531)
Interest	132,440	-	-	-	(132,440)
Total governmental activities	\$ 8,588,868	640,028	3,182,126	292,847	(4,473,867)
Business-type Activities					
Unemployment insurance trust fund	\$ 159,954	80,706	26,200	-	(53,048)
Educational institutions	1,876,567	778,643	419,705	20,699	(657,520)
Nonmajor enterprise funds	374,388	405,880	14,298	-	45,790
Total business-type activities	\$ 2,410,909	1,265,229	460,203	20,699	(664,778)
Discretely Presented Component Units					
New Mexico Finance Authority	\$ 88,998	15,109	5,623	-	(68,266)
New Mexico Mortgage Finance Authority	97,457	6,550	30,936	-	(59,971)
Total component unit activities	\$ 186,455	21,659	36,559	-	(128,237)

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF ACTIVITIES (CONTINUED)
JUNE 30, 2004
(IN THOUSANDS)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	New Mexico Finance Authority	New Mexico Mortgage Finance Authority
Changes in Net Assets					
Net (expense) revenue	\$ (4,473,867)	(664,778)	(5,138,645)	(68,266)	(59,971)
General Revenues					
Taxes					
Individual income tax	\$ 1,090,733	-	1,090,733	-	-
Corporate income tax	131,897	-	131,897	-	-
Sales and use tax	327,878	-	327,878	34,868	-
Business privilege	1,821,396	-	1,821,396	-	-
Other taxes	360,940	-	360,940	-	-
Investment income	1,071,990	134,001	1,205,991	3,249	55,013
Other revenue	181,707	186,383	368,090	965	-
Transfers, net	(481,507)	481,507	-	-	-
Total net general revenues and transfers	4,505,034	801,891	5,306,925	39,082	55,013
Change in net assets	31,167	137,113	168,280	(29,184)	(4,958)
Net assets at beginning of year, as restated	12,629,382	3,004,428	15,633,810	147,287	142,463
Net assets at end of year	\$ 12,660,549	3,141,541	15,802,090	118,103	137,505

See Notes to Financial Statements.

STATE OF NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004
(IN THOUSANDS)

	General Fund	Education	Health and Human Services	Highway & Transportation
ASSETS				
Cash and cash equivalents	\$ 16,021	121,227	65,606	160,302
Deferred charges and other assets	609	-	-	52,016
Intergovernmental receivables	547,105	82,396	169,791	737,181
Due from other funds	330,627	363,791	71,698	154,591
Inventories	9,825	43	316	15,861
Investments, at fair value	70,689	-	25,036	-
Receivables, net	97,110	16,928	15,528	29,657
Total assets	\$ 1,071,986	584,385	347,975	1,149,608
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 140,091	57,988	197,430	53,070
Accrued liabilities	26,637	763	1,544	4,339
Deferred revenue	52,107	2,265	38,512	12,999
Due to other funds	225,972	11,380	15,033	49,717
Intergovernmental payable	6,479	55,168	148	-
Securities lending payable	-	-	-	-
Funds held for others	5,720	-	5,622	-
Other obligations	720	-	5,389	-
Total liabilities	457,726	127,564	263,678	120,125
Fund Balances				
Fund balances reserved for				
Capital projects	-	-	-	-
Inventories	9,825	43	316	15,861
Encumbrances	136,769	70,921	31,156	281,254
Subsequent years' expenditures	37,690	407	31,908	2,468
Special projects	2,371	222,421	5,739	-
Fund balances segregated for				
Debt service funds	-	-	-	42,347
Pool participants	-	-	-	-
Unreserved - special revenue (deficit)	-	72,252	14,923	(52,742)
Unreserved - debt service	-	-	-	737,765
Unreserved - capital projects	-	90,777	255	2,530
Unreserved - general revenues	427,605	-	-	-
Total fund balances	614,260	456,821	84,297	1,029,483
Total liabilities and fund balances	\$ 1,071,986	584,385	347,975	1,149,608

See Notes to Financial Statements.

	Severance Tax Permanent Fund	Land Grant Permanent Fund	Nonmajor Governmental Funds	Totals
\$	81,843	12,279	294,455	751,733
	-	-	40	52,665
	-	-	3,228	1,539,701
	18,126	246	138,994	1,078,073
	-	-	88	26,133
	3,985,414	577,576	274,761	4,933,476
	79,387	11,404	32,709	282,723
<u>\$</u>	<u>4,164,770</u>	<u>601,505</u>	<u>744,275</u>	<u>8,664,504</u>

\$	-	-	23,176	471,755
	17	-	1,094	34,394
	-	-	75,756	181,639
	-	-	46,641	348,743
	-	-	16,318	78,113
	488,770	74,223	11,163	574,156
	-	-	87	11,429
	43,660	6,270	47	56,086
<u>\$</u>	<u>532,447</u>	<u>80,493</u>	<u>174,282</u>	<u>1,756,315</u>

	-	-	19,452	19,452
	-	-	88	26,133
	-	-	154,623	674,723
	-	-	62,188	134,661
	-	-	10,962	241,493
	-	-	7,279	49,626
	3,632,323	521,012	70,683	4,224,018
	-	-	81,590	116,023
	-	-	151,539	889,304
	-	-	11,589	105,151
	-	-	-	427,605
<u>\$</u>	<u>3,632,323</u>	<u>521,012</u>	<u>569,993</u>	<u>6,908,189</u>

<u>\$</u>	<u>4,164,770</u>	<u>601,505</u>	<u>744,275</u>	<u>8,664,504</u>
-----------	------------------	----------------	----------------	------------------

STATE OF NEW MEXICO
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004
 (IN THOUSANDS)

Total fund balances - governmental funds \$ 6,908,189

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

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

Capital Assets	\$ 17,117,497	
Accumulated depreciation	<u>(8,863,514)</u>	8,253,983

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. 34,999

Capitalized issuance costs not recorded in the governmental funds as an asset, net of amortization 10,320

Internal service funds are used to report activities that provide goods and services to other funds or agencies within the State. Therefore, the excess of assets over liabilities of the internal service funds are included as governmental activities on the Statement of Net Assets. Includes \$28,398 in capital assets, net 34,532

Long-term liabilities are not due and payable in the current period and therefore not reported in the funds. (148,881)

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

Bonds, current portion, net	(398,319)	
Bonds, long-term portion, net	<u>(2,034,274)</u>	<u>(2,432,593)</u>

Total net assets-governmental activities **\$ 12,660,549**

See Notes to Financial Statements.

This Page Intentionally Left Blank

STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)

	General Fund	Education	Health and Human Services	Highway & Transportation
Revenues				
Federal funds	\$ 559,942	390,175	2,120,818	292,847
General and selective taxes	2,345,860	-	19,249	338,240
Income taxes	1,222,630	-	-	-
Interest and other investment income	491,044	2,539	26	3,083
Rentals and royalties	368,732	-	-	-
Other	37,741	41,697	43,468	5,817
Charges for services	179,904	-	1,858	-
Licenses, fees and permits	51,239	60	10,287	-
Assessments	9,282	-	282	-
Other state funds	5,703	-	-	-
Total revenues	5,272,077	434,471	2,195,988	639,987
Expenditures				
Current				
General Control	172,847	-	-	-
Culture, Recreation, Natural Resources	149,169	-	-	-
Highways and Transportation	-	-	-	291,302
Judicial	123,123	-	-	-
Legislative	11,935	-	-	-
Public Safety	316,328	-	-	-
Regulation, Licensing, Etc.	58,571	-	-	-
Health and Human Services	955,524	-	2,683,916	-
Education	22,754	2,587,790	-	-
Debt Service				
Interest	5,813	-	-	40,955
Principal	93	-	-	63,976
Bond issuance costs	-	-	-	10,597
Advance refunding escrow	-	-	-	7,286
Capital outlay	26,133	315	265	259,634
Total expenditures	1,842,290	2,588,105	2,684,181	673,750
Excess (deficiency) of revenues over expenditures	3,429,787	(2,153,634)	(488,193)	(33,763)
Other Financing Sources (Uses)				
Bonds issued	-	242,760	18,843	726,666
Bond premium	-	-	-	59,904
Refunding bond issue	-	-	-	437,950
Payment to refunded bond escrow agent	-	-	-	(408,856)
Transfers in	1,383,516	1,972,742	539,256	119,797
Transfers out	(4,562,792)	(45,231)	(65,626)	(122,495)
Total other financing sources (uses)	(3,179,276)	2,170,271	492,473	812,966
Net change in fund balances	250,511	16,637	4,280	779,203
Fund balances - beginning, as restated	363,749	440,184	80,017	250,280
Fund balances - ending	\$ 614,260	456,821	84,297	1,029,483

See Notes to Financial Statements.

	Severance Tax Permanent Fund	Land Grant Permanent Fund	Non-Major Funds	Total
\$	-	-	101,353	3,465,135
	-	-	31,311	2,734,660
	-	-	-	1,222,630
	471,517	66,941	34,037	1,069,187
	-	-	1,282	370,014
	-	16,067	18,946	163,736
	-	-	9,183	190,945
	-	-	17,483	79,069
	-	-	-	9,564
	-	-	3,884	9,587
	471,517	83,008	217,479	9,314,527
	6,458	24,844	138,887	343,036
	-	-	24,286	173,455
	-	-	-	291,302
	-	-	41,396	164,519
	-	-	-	11,935
	-	-	9,359	325,687
	-	-	20,946	79,517
	-	-	-	3,639,440
	-	-	-	2,610,544
	-	-	86,972	133,740
	-	-	300,391	364,460
	-	-	-	10,597
	-	-	-	7,286
	-	-	77,766	364,113
	6,458	24,844	700,003	8,519,631
	465,059	58,164	(482,524)	794,896
	-	-	115,200	1,103,469 ^B
	-	-	-	59,904 ^A
	-	-	-	437,950 ^B
	-	-	-	(408,856)
	16,318	-	665,749	4,697,378
	(172,434)	-	(211,679)	(5,180,257)
	(156,116)	-	569,270	709,588
	308,943	58,164	86,746	1,504,484
	3,323,380	462,848	483,247	5,403,705
\$	3,632,323	521,012	569,993	6,908,189

STATE OF NEW MEXICO
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
YEAR ENDED JUNE 30, 2004
 (IN THOUSANDS)

Net change in fund balances-total governmental funds \$ 1,504,484

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

Internal service funds are used by management to charge the costs of goods or services to other funds and agencies within the State. The net revenue (expenses) of the internal services funds is reported with governmental activities, net of transfers (35,764)

Revenues recognized in the Statement of Activities that do not provide current financial resources and are not recognized as revenues in the governmental funds, i.e., deferred revenues. (224,446)

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

Depreciation expense	\$	(552,552)	
Capital outlay		343,367	
Excess of depreciation expense over capital outlay		(209,185)	(209,185)

Some expenses reported in the Statement of Activities do not require the use of current government financial resources and, therefore, are not reported as expenditures in governmental funds: (234,347)

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

· Proceeds		(1,541,419) ^B	
Bond premiums - net of amortization of \$1,300		(58,604) ^{VA}	
Bond issuance costs - net of amortization of \$277		10,320	
Principal payments on debt		820,128	(769,575)

Change in net assets of governmental activities \$ 31,167

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004
(IN THOUSANDS)

	Enterprise Funds				Internal Service Fund
	Unemployment Insurance	Educational Institutions	Nonmajor Enterprise Funds	Total	
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 541,214	88,202	153,400	782,816	165,201
Deferred charges and other assets	-	17,169	3,035	20,204	3
Intergovernmental receivables	-	14,589	287	14,876	-
Due from other funds	-	16,423	5,227	21,650	1,120
Inventories	-	18,314	2,022	20,336	673
Loans receivable, current	-	17,799	6,173	23,972	-
Receivables, net of allowance for uncollectible	20,708	193,623	8,688	223,019	12,121
Total current assets	561,922	366,119	178,832	1,106,873	179,118
Noncurrent Assets					
Restricted cash & cash equivalents	-	25,349	-	25,349	-
Capital assets, not being depreciated	-	224,251	-	224,251	-
Capital assets, net of depreciation	-	1,001,653	44,030	1,045,683	28,398
Loans receivable, long-term	-	21,102	100,885	121,987	-
Investments, long-term	-	1,293,093	28,262	1,321,355	-
Total noncurrent assets	-	2,565,448	173,177	2,738,625	28,398
Total assets	\$ 561,922	2,931,567	352,009	3,845,498	207,516
LIABILITIES					
Current Liabilities					
Accounts payable	\$ -	58,251	7,040	65,291	12,075
Accrued liabilities	684	45,710	55,630	102,024	1,622
Claims payable	-	-	-	-	153,914
Unearned revenues	7,949	59,751	1,883	69,583	4,801
Due to other funds	-	162	5,555	5,717	49
Other obligations	2,661	15,507	-	18,168	523
Funds held for others	-	6,650	-	6,650	-
Bonds payable, current	-	21,993	375	22,368	-
Other liabilities, current	-	8,295	598	8,893	-
Total current liabilities	11,294	216,319	71,081	298,694	172,984
Noncurrent Liabilities					
Bonds payable, long-term	-	331,238	1,033	332,271	-
Other liabilities, long term	-	72,992	-	72,992	-
Total noncurrent liabilities	-	404,230	1,033	405,263	-
Total liabilities	11,294	620,549	72,114	703,957	172,984
NET ASSETS					
Investment in capital assets, net of related debt	-	913,003	42,996	955,999	28,398
Restricted for					
Capital projects	-	12,208	-	12,208	-
Debt service	-	10,533	738	11,271	-
Unemployment compensation	550,628	-	-	550,628	-
Other purposes	-	55,826	26,066	81,892	13,787
Permanent trusts					
Expendable	-	16,266	-	16,266	-
Nonexpendable, Land Grant Permanent Fund	-	787,842	-	787,842	-
Nonexpendable, Other	-	101,166	-	101,166	-
Unrestricted net assets	-	414,174	210,095	624,269	(7,653)
Total net assets	550,628	2,311,018	279,895	3,141,541	34,532
Total net assets and liabilities	\$ 561,922	2,931,567	352,009	3,845,498	207,516

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004
(IN THOUSANDS)

	Enterprise Funds				Internal Service Fund
	Unemployment Insurance	Educational Institutions	Nonmajor Enterprise Funds	Total	
Operating Revenues					
Charges for services	\$ -	139,086	244,415	383,501	253,762
Sales income	-	-	142,317	142,317	-
Employers taxes	80,706	-	-	80,706	-
Federal funds	26,200	278,681	14,298	319,179	251
Interest and other investment income	34,969	84,904	14,128	134,001	2,803
Licenses, fees and permits	-	-	4,720	4,720	-
Net student tuition & fees	-	142,760	-	142,760	-
Other operating revenues	-	50,705	765	51,470	8,407
Patient services/clinical operations	-	348,897	13,663	362,560	-
Total operating revenues	141,875	1,045,033	434,306	1,621,214	265,223
Operating Expenses					
Benefits, claims and premiums	-	-	21,377	21,377	-
Depreciation expense	-	100,841	3,395	104,236	7,806
Game expense	-	-	101,358	101,358	-
General and administrative	-	19,639	20,323	39,962	-
Losses	-	-	184,745	184,745	-
Other operating expenses	-	1,731,973	43,190	1,775,163	294,539
Unemployment benefits-federal	23,937	-	-	23,937	-
Unemployment benefits-state	136,017	-	-	136,017	-
Total operating expenses	159,954	1,852,453	374,388	2,386,795	302,345
Operating (loss) income	(18,079)	(807,420)	59,918	(765,581)	(37,122)
Non-operating revenues (expenses)					
Capital appropriations	-	32,515	-	32,515	-
Capital grants & gifts	-	20,699	-	20,699	-
Clinical operations-non-op	-	80,371	-	80,371	-
Private grants, gifts & non-exchange grants	-	56,733	-	56,733	-
Gov't grants & contracts	-	181,486	-	181,486	-
Interest and other expenses on cap asset related debt	-	(13,656)	-	(13,656)	-
Land grant & permanent fund revenue	-	33,459	-	33,459	-
Gain (loss) on disposal of capital assets	-	1,442	-	1,442	(14)
Other nonoperating expenses	-	(10,458)	-	(10,458)	-
Other nonoperating revenues	-	36,250	2,346	38,596	-
Total nonoperating revenues (expenses)					
income before transfers	-	418,841	2,346	421,187	(14)
Transfers in	-	517,316	-	517,316	3,323
Transfers out	-	-	(35,809)	(35,809)	(1,951)
Change in net assets	(18,079)	128,737	26,455	137,113	(35,764)
Net assets at beginning of year as restated	568,707	2,182,281	253,440	3,004,428	70,296
Net assets at end of year	\$ 550,628	2,311,018	279,895	3,141,541	34,532

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
June 30, 2004
(IN THOUSANDS)

	Enterprise Funds				Internal Service Fund
	Unemployment Insurance Trust Fund	Educational Institutions	Nonmajor Enterprise Funds	Total	
Cash Flows From Operating Activities					
Amounts paid to third party administrators and other vendors	\$ -	-	(16,847)	(16,847)	-
Auxiliary sales and services	-	8,419	-	8,419	-
Cash paid for unemployment benefits	(160,702)	-	-	(160,702)	-
Cash paid to suppliers and employees	-	(1,548,230)	(42,566)	(1,590,796)	(257,980)
Cash payments made to borrowers	-	-	(19,711)	(19,711)	-
Cash received from employers	84,123	-	-	84,123	-
Cash received from other governments	21,382	-	-	21,382	-
Cash received from trust fund earnings	34,969	-	-	34,969	-
Cash received on interest from loans	-	-	2,400	2,400	-
Collection of loans to students	-	8,186	-	8,186	-
Disbursement of net aid to students	-	(44,922)	-	(44,922)	-
Fees received	-	153,125	-	153,125	250,782
From MUSL	-	-	(16,996)	(16,996)	-
From retailers - sales net of commissions	-	-	133,009	133,009	-
Grants and contracts received	-	554,329	-	554,329	-
Instruction and general sales and services	-	94,514	-	94,514	-
Insurance and patients	-	358,741	-	358,741	-
Interest payments received from banks	-	-	6,413	6,413	-
Loans issued to students	-	(11,185)	-	(11,185)	-
Losses and loss adjustment expenses paid	-	-	(177,200)	(177,200)	-
Other income	-	38,516	349	38,865	10,775
Other receipts/(payments)	-	16,896	-	16,896	-
Participant premiums collected	-	-	223,323	223,323	-
Payments for benefits	-	(104,311)	-	(104,311)	-
Payments for scholarships & fellowships	-	(39,680)	-	(39,680)	-
Payments for travel	-	(11,673)	-	(11,673)	-
Payments for utilities	-	(19,627)	-	(19,627)	-
Premiums paid to health maintenance organizations	-	-	(21,256)	(21,256)	-
Receipts from customers	-	-	33,004	33,004	-
Receipts from sales and services	-	30,401	-	30,401	-
Reimbursement for losses from excess insurers and rebates	-	-	3,245	3,245	-
To prize winners and related taxes	-	-	(63,045)	(63,045)	-
Net cash (used) provided by operating activities	(20,228)	(516,501)	44,122	(492,607)	3,577
Cash Flows From Investing Activities					
Additions to permanent endowments	-	856	-	856	-
Amount received/(paid) on note/loan receivable	-	4,114	-	4,114	-
Interest, dividends, gains & losses, net, on investment	-	11,341	4,765	16,106	-
Purchase of equities and bonds	-	(576,207)	(35,279)	(611,486)	-
Realized loss on investments	-	4,048	-	4,048	-
Receipts of rent	-	-	113	113	-
Sales of equities and bonds	-	490,515	34,398	524,913	-
State investment income	-	12,806	-	12,806	-
Other	-	-	798	798	-
Net cash (used) by investing activities	-	(52,527)	4,795	(47,732)	-
Cash Flows From Non-Capital Financing Activities					
Agency payments	-	(1,336)	-	(1,336)	-
Agency receipts	-	8,094	-	8,094	-
Appropriation from/reversion to state general fund	-	-	2,127	2,127	708
Bernalillo County mill levy	-	62,473	-	62,473	-
State appropriation	-	515,680	-	515,680	-
Gifts for other than capital purposes	-	27,587	-	27,587	-
Interest paid on borrowing	-	-	(43)	(43)	-
William D. Ford direct lending receipts	-	64,599	-	64,599	-
William D. Ford direct lending disbursements	-	(64,599)	-	(64,599)	-
Local appropriation	-	5,432	-	5,432	-
Other nonoperating expenses	-	15,942	-	15,942	-
Principal payments on bank borrowing	-	-	(350)	(350)	-
Private gifts for endowment	-	1,618	-	1,618	-
Transfers	-	-	(36,220)	(36,220)	757
Net cash provided (used) by non-capital financing	-	635,490	(34,486)	601,004	1,465

STATE OF NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (CONTINUED)
June 30, 2004
(IN THOUSANDS)

	Enterprise Funds				Internal Service Funds
	Unemployment Insurance Trust Fund	Educational Institutions	Nonmajor Enterprise Funds	Total	
Cash Flows From Capital and Related Financing Activities					
Building fees received from students	\$ -	4,645	-	4,645	-
Capital appropriations	-	10,860	-	10,860	-
Capital expenditures	-	(192,203)	(2,480)	(194,683)	(7,387)
Capital gifts, grants & contracts	-	19,448	13,599	33,047	-
Grant expenditures	-	-	(1)	(1)	-
Interest and fees paid on capital debt and leases	-	(15,782)	(48)	(15,830)	-
Other receipts/(payments)	-	3,024	-	3,024	-
Principal paid on capital debt and leases	-	(29,686)	(42)	(29,728)	-
Principal paid on revenue bonds	-	-	(350)	(350)	-
Proceeds from capital debt	-	18,308	2,501	20,809	-
Proceeds from contributed capital	-	-	796	796	-
Proceeds from sale of property, land and equipment	-	29,050	6	29,056	-
Net cash (used) provided by capital and related financing activities	-	(152,336)	13,981	(138,355)	(7,387)
Net (decrease) increase in cash	(20,228)	(85,874)	28,412	(77,690)	(2,345)
Cash and cash equivalents at beginning of year	561,442	199,425	124,988	885,855	167,546
Cash and cash equivalents at end of year	\$ 541,214	113,551	153,400	808,165	165,201
Cash & cash equivalents	\$ 541,214	88,202	153,400	782,816	165,201
Restricted cash & cash equivalents	-	25,349	-	25,349	-
Cash and cash equivalents at end of year	\$ 541,214	113,551	153,400	808,165	165,201
Reconciliation of operating (loss) income to net cash (used) provided by operating activities					
Operating (loss) income	\$ (18,079)	(807,420)	59,918	(765,581)	(37,122)
Adjustments to reconcile operating income to net cash provided by operating activities					
Accounts payable and accrued liabilities	-	19,482	103	19,585	(346)
Accrued capital purchases	-	-	(57)	(57)	-
Bad debt expense	-	89,754	1,323	91,077	-
Cash deficit or overdraft	(5,350)	(229)	-	(5,579)	-
Compensated absences	-	199	25	224	573
Construction loans in process	-	-	(16,536)	(16,536)	-
Deferred revenues	(4,817)	13,851	120	9,154	-
Deposits held for others	-	(510)	128	(382)	-
Depreciation	-	100,841	3,395	104,236	7,827
Due from component units	-	(12,175)	-	(12,175)	-
Due from other funds	3,017	-	46	3,063	(3,984)
Due to insurance carriers for claims paid	-	-	118	118	29,571
Due to other funds	(1,915)	-	(7)	(1,922)	7,277
Grants contracts and receivables	-	(903)	-	(903)	-
Inventories	-	(1,210)	227	(983)	(221)
Loans receivable	-	(411)	2,778	2,367	-
Notes receivables	-	3,364	-	3,364	-
Other assets	-	(2,374)	-	(2,374)	2
Other liabilities	-	273	-	273	-
Other noncurrent	-	55	-	55	-
Other receivables	-	(4,630)	(13,895)	(18,525)	-
Patient receivables	-	(59,627)	-	(59,627)	-
Prepaid expenses and deposits	-	(837)	21	(816)	-
Prize payables	-	-	(1,165)	(1,165)	-
Receivables from excess insurers	-	-	(68)	(68)	-
Receivables from participants	-	-	(655)	(655)	-
Receivables, net	6,916	146,033	851	153,800	-
Reserves for losses and loss adjustment expenses	-	-	7,544	7,544	-
Student deposits	-	(27)	-	(27)	-
Unexpired subscriptions	-	-	(92)	(92)	-
Net cash (used) provided by operating activities	\$ (20,228)	(516,501)	44,122	(492,607)	3,577

See Notes to Financial Statements.

This Page Intentionally Left Blank

STATE OF NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004
(IN THOUSANDS)

	Agency Funds	Pension Trust Funds	External Investment Trust Funds
ASSETS			
Cash and cash equivalents	\$ 861,443	808,789	38,454
Due from other funds	157,108	14,203	-
Intergovernmental receivables	3,451	348	-
Investments at fair value	31,106	17,583,441	4,277,075
Other assets	9	6,957	-
Receivables, net of allowance	641,703	1,041,983	11,307
Security deposits	385,739	-	-
Total assets	\$ 2,080,559	19,455,721	4,326,836
LIABILITIES			
Deposits held in trust	\$ 398,792	-	-
Distributions payable due to beneficiaries	-	-	-
Payable to beneficiary	106,407	-	-
Payable to brokers	-	1,457,634	2,238
Securities lending payable	-	-	51,498
Due to other funds	919,591	1,053	-
Intergovernmental payables	408,391	62	-
Funds held for others	79,229	-	284
Other liabilities	61,288	34,771	-
Payables	106,861	15,646	-
Security lending liability	-	1,486,030	-
Total liabilities	2,080,559	2,995,196	54,020
NET ASSETS			
Net assets held in trust for pension	-	16,460,525	-
Net assets held in trust for pool participants	-	-	4,272,816
Reserved for other beneficiaries	-	-	-
Net assets	\$ -	16,460,525	4,272,816

See Notes to Financial Statements.

	Private Purpose Trust Funds	Totals
\$	152,001	1,860,687
	2,999	174,310
	-	3,799
	7,045,494	28,937,116
	-	6,966
	139,111	1,834,104
	-	385,739
\$	<u>7,339,605</u>	<u>33,202,721</u>

\$	-	398,792
	24,734	24,734
	-	106,407
	51,746	1,511,618
	-	51,498
	-	920,644
	-	408,453
	-	79,513
	-	96,059
	-	122,507
	905,401	2,391,431
	<u>981,881</u>	<u>6,111,656</u>

	-	16,460,525
	6,357,670	10,630,486
	54	54
\$	<u>6,357,724</u>	<u>27,091,065</u>

**STATE OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)**

	Pension Trust Funds	External Investment Trust Funds
ADDITIONS		
Employee contributions	\$ 432,989	-
Employer contributions	416,588	-
Deposits	-	362,018
Other operating revenues	20,259	-
Nonoperating revenues	1,149	-
Transfer in	3,291	-
Interest and other investment income		
Interest and other investment income	2,240,708	178,735
Investment expense	(41,631)	-
Net investment earnings	2,199,077	178,735
Total additions	3,073,353	540,753
DEDUCTIONS		
Benefits and claims	935,514	-
Distribution	-	44,589
Expenses and management fees	-	852
General and admin	13,241	-
Refunds	50,005	-
Transfer out	3,291	-
Total deductions	1,002,051	45,441
Change in net assets	2,071,302	495,312
Net assets, beginning as restated	14,389,223	3,777,504
Net assets, ending	\$ 16,460,525	4,272,816

See Notes to Financial Statements.

	Private Purpose Trust Funds	Total
\$	-	432,989
	-	416,588
	195,995	558,013
	-	20,259
	-	1,149
	-	3,291
	816,569	3,236,012
	-	(41,631)
	<u>816,569</u>	<u>3,194,381</u>
	<u>1,012,564</u>	<u>4,626,670</u>
	-	935,514
	292,347	336,936
	10,710	11,562
	-	13,241
	-	50,005
	-	3,291
	<u>303,057</u>	<u>1,350,549</u>
	709,507	3,276,121
	<u>5,648,217</u>	<u>23,814,944</u>
\$	<u><u>6,357,724</u></u>	<u><u>27,091,065</u></u>

This Page Intentionally Left Blank

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2004

INDEX TO NOTES

Note 1. Summary of Significant Accounting Policies:

A. Reporting Entity.....	37
B. Government-Wide and Fund Financial Statements.....	39
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.....	39
D. Cash and Cash Equivalents.....	44
E. Cash Flow Information.....	45
F. Deferred Charges and Other Assets.....	46
G. Due from Other Funds.....	46
H. Investments.....	46
I. Intergovernmental Receivables.....	48
J. Inventories.....	48
K. Receivables and Loans Receivable.....	48
L. Capital Assets.....	49
M. Compensated Absences.....	49
N. Interfund Transactions.....	50
O. Accrued Liabilities.....	51
P. Unearned/Deferred Revenue.....	51
Q. Payables.....	51
R. Long-term Debt and Obligations.....	52
S. Net Assets and Fund Equity.....	52
T. Use of Estimates.....	54
U. Indirect Expenses.....	54
V. Restatements.....	54

Note 2. Detailed Notes on all Funds:

A. Cash and Investments.....	55
B. Receivables.....	61
C. Interfund and Interagency Receivables, Payables, and Transfers.....	63
D. Capital Assets.....	65
E. Bonds Payable.....	69
F. Changes in Long-term Liabilities.....	87
G. Tax and Revenue Anticipation Notes.....	88

Notes 3. Other Information:

A. Risk Management.....	89
B. Employee Retirement Systems and Pension Plans.....	90
C. Post-Employment Benefits Other Than Pensions.....	95

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2004

INDEX TO NOTES (CONTINUED)

Notes 3. Other Information (Continued):

D. Deferred Compensation Plan	96
E. Arbitrage on Tax-exempt Bonds.....	97
F. Commitments and Contingencies	99
G. Deficit Fund Balance	99
H. Land Grant Permanent Fund.....	100
I. Segment Information	102

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The more significant of the State's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the State's financial reporting entity includes the primary government (i.e., legislative agencies, departments and agencies, commissions, the Governor and Cabinet, boards of the Executive Branch, various offices relating to the Judicial Branch, the educational institutions created by the State Constitution, Articles XII, Section 11), and its component units. The States component units are legally separate organizations for which the State's elected officials are financially accountable. Entities such as the local school districts, community colleges and local authorities of various kinds that may only partially meet the criteria for inclusion in this report have not been included.

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either: 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 the 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 the relationship is such that it would be misleading to exclude it.

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.

With the enactment of the New Mexico Lottery Act (Act) on July 1, 1995, the New Mexico Lottery Authority (Lottery) was created as a public body, politic and corporate, separate and apart from the State of New Mexico and constituting a governmental instrumentality of the state. The Lottery was created and organized for the purpose of establishing and conducting the Lottery to provide revenues for the public purposes designated by the Act. The New Mexico Lottery was organized as an independent business enterprise separate from state government, self-sustaining and self-funded, without need for state revenues or resources and subject to oversight, audit, and accountability by public officials and agencies. However, since there is a

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

financial benefit to the State's institutions of higher education, which are part of the State, the Lottery is considered a blended presented component unit of the State of New Mexico.

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

- **New Mexico Finance Authority**

The New Mexico Finance Authority (NMFA) was created by the Laws of 1992, Chapter 61, as amended. The purpose of the New Mexico Authority Act (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.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. With the exception of the State General Fund, the State generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For this purpose, the State General Fund considers tax revenues to be available if they are collected within 60 days after the end of the fiscal year; reversions, if collected within 90 days of the end of the current fiscal period; and all other revenues to be available if collected prior to completion of the State General Fund's financial statements, which is usually the December 15th following the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

For fiscal year 2003 and prior, the States General Fund's policy had been as follows: revenue earned in a fiscal year was considered available to pay expenditures of that fiscal year, if the revenue was collected within 30 days after the end of that fiscal year. The State General Fund changed the policy to 60 days. This change in policy resulted in the State General Fund recognizing an additional \$310,700 million dollars of revenue in its Governmental Funds' Statement of Revenues, Expenditures and Changes in Fund Balances. The change did not have an impact on the Government-wide Financial Statement's Statement of Activities. Although the change in policy is expected to also impact the amount in revenue recognized in the Statement of Revenue, Expenditures and Changes in Fund Balances in future years, the impact is expected to be minimal. Management made the change in order to more accurately match revenues to expenditures in its Governmental Funds Financial Statements, thus reflecting more accurately the results of the State General Fund's operations and its fund balances.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

The State reports the following major funds:

Major Governmental Funds

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Major Business Type Funds

Unemployment Insurance Fund - The Unemployment Insurance Fund accounts for funds used for unemployment compensation. This Fund does not account for funds other than unemployment compensation (i.e., workers' compensation, employment security labor market statistics, administration of the employment compensation program, etc.).

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

Additionally, the State reports the following governmental fund types:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Proprietary Fund Types

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary Fund Types

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

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

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

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

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, other than state agencies, in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds.

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

D. Cash and Cash Equivalents

Cash and cash equivalents represent petty cash, cash on deposit with banks, and cash invested in short-term securities. Cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less.

The State is required by statute to deposit any money received into the State Treasury. 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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents (Continued)

collateral pledged to secure these deposits, categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the State. All repurchase agreements are collateralized by U.S. Treasury Securities held by the State Treasurer's custodian bank.

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

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

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

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

In addition to the overnight repurchase agreements at the State Treasury, the Educational Retirement Board (Board) invests in the Short-term Investment Funds (STIF) at Northern Trust Company. The STIF is used to facilitate more efficient trade procedures with the Board's external money managers. Net cash balances in each internal and external investment manager's portfolios are swept into the STIF at the end of each day. Overnight investments of \$121,964, for the year ended June 30, 2004, are reported as cash equivalents.

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

E. Cash Flow Information

The State considers all short-term investments with a maturity of three months or less to be cash equivalents. This includes amounts on deposit with the State Treasurer's Office (including the overnight investment pool), and the Northern Trust Company short-term investment funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deferred Charges and Other Assets

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

G. Due From Other Funds

Short-term amounts owed between funds are classified as due to/due from other funds in the fund financial statements, and eliminations have been made in the statement of net assets to minimize the grossing-up effect on the assets and liabilities within governmental and business-type activities columns.

H. Investments

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

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

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

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

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

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

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Investments (Continued)

As of June 30, 2004, 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 over weighting or under weighting economic sectors.

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

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

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

The Mid/Small Capitalization Pool was managed by external managers during the year. As of June 30, 2004, it had two core managers with broad diversification, two active managers with a value style, and two growth managers. Overall, the manager mix is intended to capture the returns of the Russell 2500 Index.

Non-U.S. Equity Securities Pools:

The Non-U.S. Developed markets pool is an international equity fund with three active external managers that have complementary management styles. As of June 30, 2004, one manager had a value orientation, one was core managers, and one was a growth manager. This strategy is designed to seek the best investment opportunities around the world, as well as to diversify away from a U.S. only approach. The benchmark is the MSCI EAFE Index.

The 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, 2004, the fund had one active external manager. The Non-U.S. Emerging Markets Pool began operations in March 2002.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Investments (Continued)

Private Equity:

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

The State's educational institutions manage investments given by donors to be used to support programs of the educational institutions. These endowment investments are included as noncurrent assets and are considered nonexpendable restricted net assets. Donor restricted endowment disbursements of the net appropriation of investments are permitted in accordance with Uniform Management of Institutional Funds Act (46-9-1 to 46-9-12, NMSA). Investment income is disbursed by the University in accordance with donor restrictions, with the most common method being a percentage of market value. Net appreciation of the donor investment is 19,683.

I. Intergovernmental Receivables

Intergovernmental receivables represent amounts owed to the State to reimburse it for expenditures incurred pursuant to federally funded programs and other programs.

J. Inventories

Proprietary funds inventories are valued at the lower of cost or market. Cost evaluation methods include first-in-first-out (FIFO), last-in-first-out (LIFO), average cost, weighted average, weighted moving average, and retail inventory method.

Governmental fund inventories are recorded as expenditures when purchased.

K. Receivables and Loans Receivable

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

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

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

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

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

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.

<u>Capital Asset Category</u>	<u>Reporting Capitalization Threshold Audit Act (12-6-10 NMSA 1978) (Not in Thousands)</u>	<u>Estimated Useful Life (in Years)</u>
Infrastructure	1,000	25-40
Non-depreciable infrastructure	1,000	-
Land improvements	1,000	10-30
Furniture and equipment	1,000	3-20
Vehicles	1,000	3-12
Buildings & improvements	1,000	10-40
Construction in progress	1,000	-
Land	1,000	-

M. Compensated Absences

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 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,

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences (Continued)

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 a maximum of 400 hours.

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

Compensated absences additions for the year are calculated as follows: salaries expense (including required taxes), multiplied by an average of 2.5 weeks per employee, divided by 52 weeks.

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.

N. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. All other interfund transactions except interfund services provided and used interfund reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as interfund transfers. All other interfund transfers are reported as "interfund transfers".

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Interfund Transactions (Continued)

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

O. Accrued Liabilities

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

P. Unearned/Deferred Revenue

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. Advances from federal agencies for various grants, is recognized when funds are expended.

For governmental funds the deferred revenue reported at June 30, 2004 is a result of amounts received under federal and state grants which has not yet been expended. At June 30, 2004 this is approximately \$100,000. The State General Fund reported \$35,000 in deferred income taxes due to these resources not being available. The Office of Cultural Affairs and the Department of Finance and Administration receive special appropriations for various projects. The funds are received entirely in the year of the appropriation, but the capital projects may take several years to complete. Unearned special appropriations, in the amount of \$18,894 and \$26,147, respectively, at June 30, 2004, represent those capital project appropriations that have not yet been spent on capital outlay.

For the educational institution proprietary funds the revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2004, are shown as deferred income in the accompanying financial statements since the session was not completed at June 30, 2004. Deferred revenues also include amounts received from grant and contract sponsors that have not been earned. The total amount of deferred revenue for the educational institutions was \$59,751 at June 30, 2004, of this amount approximately \$46,000 relates to amounts received from grant and contract sponsors that have not been earned, with the remaining balance of \$13,751 from prepaid tuition and fees.

Q. Payables

Payables represent unpaid claims against the State for goods and services received by the State prior to June 30, 2004.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Long-term Debt and Obligations

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

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, 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. 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.

S. 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 Unemployment Compensation. This category presents net assets restricted for unemployment benefits.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Reserved for Subsequent Years' Expenditures. This reserve was created to restrict the use of all resources contributed to or earned by Special Revenue and Capital Projects Funds as required by the following years' budget.

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

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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.

U. Indirect Expenses

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

V. Restatements

The governmental and business-type activities' net assets were increased \$371,293 and \$22,061, respectively, due to errors made in certain accruals and deferrals of income and expenses and capital asset adjustments.

The New Mexico Finance Authority's net assets were restated by \$1,555 to correct an overstatement of tax revenue in the Equipment Loan Fund in the 2003 financial statements. An additional adjustment was made for the reclassification of the State Building Fund Program from an enterprise fund to a debt service fund in the amount of \$502.

Restatements in the primary government activities are primarily the result of errors made in certain accruals and deferrals of income and liabilities. The most significant increase relates to an adjustment of \$150,000 to beginning fund balance for a change in accounting principle to recognize bond proceeds as revenue when bonds are issued rather than as the proceeds are spent in the Public Schools Facility Authority. The State General Fund also adjusted beginning fund balance to correct an error, which resulted in an overstatement of revenues in 2003. The overstatement resulted from not accruing an estimate for Final Settlements and Refunds related to personal income tax and Oil and Gas Advance Payments at June 30, 2003. The total adjustment was to reduce beginning fund balance by \$41,719. The following schedule reconciles June 30, 2004, fund balances previously reported to beginning fund balances, as restated.

	General Fund	Education	Health and Human Services	Land Grant Permanent Fund	Non-Major Funds
Fund balances - beginning, as previously reported	\$ 403,021	290,137	79,161	463,344	487,622
Restatements	(39,272)	150,047	856	(496)	(4,375)
Fund balances - beginning, as restated	\$ 363,749	440,184	80,017	462,848	483,247

**STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Restatements (Continued)

Restatements in the primary business-type and fiduciary activities are primarily the result of errors made in certain accruals and deferrals of income and liabilities. The educational institutions adjusted beginning fund balance to correct errors capitalization of donated capital assets, depreciation and prepaid items. The following schedule reconciles June 30, 2004, fund balance previously reported to beginning net assets, as restated.

	Enterprise Funds			Internal Service Fund	Private Purpose Trust Fund
	Educational Institutions	Nonmajor Enterprise Funds	Total		
Fund balances - beginning, as previously reported	\$ 2,160,352	253,308	2,413,660	72,899	5,643,483
Restatements	21,929	132	22,061	(2,603)	4,734
Fund balances - beginning, as restated	\$ 2,182,281	253,440	2,435,721	70,296	5,648,217

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

By law, all deposits and investments are under the control of the 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: obligation of or guaranteed by the United States; obligations of the State of New Mexico and its political subdivisions; stocks and bonds; and repurchase agreements.

Cash

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

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

Primary Government. As of June 30, 2004, the carrying amount of the primary Government's total cash and cash equivalents was \$3,110,536. Cash and cash equivalents in bank accounts for the primary government was \$424,476. The remaining balances were at the State Treasurer.

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

Cash at State Treasurer's Office	\$ 2,553,469
Cash at U.S. Treasury Department	631,703
Bank accounts	<u>400,614</u>
	<u>\$ 3,585,786</u>
Governmental Activities	\$ 916,934
Business-Type Activities	808,165
Fiduciary Funds	<u>1,860,687</u>
	<u>\$ 3,585,786</u>

The State's deposits are categorized to give an indication of the level of risk assumed by the State at year-end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name. Category 3 represents deposits that are required by state statutes to be collateralized at a minimum level of 50 percent.

	Category			Bank Balance	Book Balance
	1	2	3		
Bank accounts	<u>\$ 9,903</u>	<u>57,857</u>	<u>356,716</u>	424,476	<u>400,614</u>

The State is responsible to ensure that all accounts held by any bank for all State governmental entities have collateral at the required level for amounts in excess of FDIC coverage.

Investments

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, 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

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. The investments are valued at fair value based on quoted market prices as of the valuation date.

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

Custodial Credit Risk Categorization

Custodial credit risk refers to the risk that the State may not be able to obtain possession of its investments in the event of default by a counterparty. The three types of custodial credit risk are:

- Category 1, which includes investments that are insured or registered or for which securities are held by the State or its agent in the State's name;
- Category 2, which includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the State's name; and
- Category 3, which includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent, but not in the State's name.

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

The categories of the State's investments at were as follows:

	Category			Carrying Amount and Fair Value
	1	2	3	
<u>Investments Categorized:</u>				
Certificates of deposit	\$ 255,318	-	-	255,318
Government sponsored enterprise and agency issues	2,822,499	1,474,039	-	4,296,538
Corporate equity securities	13,762,050	364,501	-	14,126,551
Corporate obligations	3,378,561	-	-	3,378,561
International securities	1,584,615	-	-	1,584,615
Securities lending collateral	1,643,814	-	-	1,643,814
Conventional mortgage pass-through Certificates	447	-	-	447
U.S. Government mortgage backed Securities	18,165	-	-	18,165
Total Categorized	\$ 23,465,469	1,838,540	-	25,304,009
<u>Investments Not Categorized:</u>				
Investment pools				1,161,747
Investment in building				15,500
International securities				1,797,119
Corporate equity securities				876,908
Corporate obligations				107,137
Corporate obligations – securities Lending				866,865
Government sponsored enterprise and agency issues				760,430
Common stock				19,332
Private equity				373,489
Mortgage loans				32,151
Money market/mutual funds				32,413
Investment pool – SIC				396,592
Repurchase agreements				3,066,603
Miscellaneous				88,789
Permanent fund				292,863
				\$ 35,191,947

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment by funds at June 30, were as follows:

Governmental Activities	\$ 4,933,476
Business-Type Activities	1,321,355
Fiduciary Funds	<u>28,937,116</u>
	<u>\$ 35,191,947</u>

Securities Loan Program

Through a safekeeping agent, the State lends securities for a fee from its investment portfolios on a collateralized basis to third parties, primarily financial institutions and/or brokerage houses. The market value of the required collateral must meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. Securities loaned and securities taken as collateral are all book-entry securities which are substantially similar in type, rate, and maturity for each transaction. Under this program, the State may demand return within twenty-four (24) hours of any security previously loaned.

Discretely Presented Component Units

New Mexico Finance Authority (NMFA). Funds held for others and short-term investments are held at various trustees in the name of NMFA. The following is a reconciliation of cash and cash equivalents and restricted cash and cash equivalents to the financial statements.

Cash and cash equivalents and restricted cash and cash equivalents

Cash at State Treasurer's Office	\$ 140,587
Money market accounts	116,735
Repurchase agreements	6,548
Bank accounts	<u>231</u>
	<u>\$ 264,101</u>

NMFA's deposits are categorized to give an indication of the level of risk assumed by NMFA at year-end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 represents deposits that are required by state statutes to be collateralized at a minimum level of 50 percent. All of the Authority's bank accounts are invested in repurchase agreements. Deposits with the State Treasurer are not required to be categorized.

	<u>Category</u>			Bank	Book
	1	2	3	Balance	Balance
Bank accounts	\$ -	237	-	<u>237</u>	<u>231</u>

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

NMFA's investments are categorized to give an indication of the level of risk assumed by NMFA at year end. Category 1 includes investments that are registered, or for which the securities are held by NMFA or its agent in NMFA's name. Category 2 includes uninsured or unregistered investments, or for which securities are held by the counter party's trust department or agent in NMFA's name. NMFA does not have any Category 1 or Category 2 investments. Category 3 represents uninsured or unregistered investments, not held in NMFA's name. NMFA does not have Category 3 investments.

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

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

New Mexico Mortgage Finance Authority (NMMFA). NMMFA's cash deposits are categorized below to give an indication of the level of risk assumed by NMMFA.

Cash and Cash Equivalents

	Category			Bank	Book
	1	2	3	Balance	Balance
Bank accounts	\$ 605	-	15,479	16,084	16,084
Cash equivalents not considered deposits					
Money market accounts					20,154
Repurchase agreements					6,939
Investment agreements					376,872
					\$ 420,049

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investments

NMMFA's investments are categorized to give an indication of the level of risk assumed by NMMFA.

	Category			Carrying Amount
	1	2	3	
Securitized mortgage loans, net	\$ 785,468	-	-	785,468
U.S. government and government agency securities	\$ 23,388	-	-	23,388
Noncategorized				
Money market accounts				20,154
Repurchase agreements				6,939
Investment agreements				384,897
				435,378
Items considered cash equivalents				(403,965)
Total restricted investments and reserve funds				\$ 31,413

B. Receivables

Receivables at June 30, 2004, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities

	Loans	Interest	Taxes	Other	Accounts Receivable	Total Receivables	Allowances	Total Receivables Net
General	\$ 3,574	111	35,178	424	58,995	98,282	(1,172)	97,110
Educational	19,114	-	-	-	-	19,114	(2,186)	16,928
Health and Human Services	-	-	7,217	-	15,528	22,745	(7,217)	15,528
Highway & Transportation	-	617	27,703	-	3,159	31,479	(1,822)	29,657
Severance Tax Permanent Fund	-	14,523	-	-	64,864	79,387	-	79,387
Land Grant Permanent Fund	-	11,404	-	-	-	11,404	-	11,404
Nonmajor Governmental Funds	9,855	4,407	9,154	-	17,290	40,706	(7,997)	32,709
Internal Service Fund	-	230	-	-	11,891	12,121	-	12,121
Total	\$ 32,543	31,292	79,252	424	171,727	315,238	(20,394)	294,844

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

Business-Type Activities

	Unemployment Insurance	Educational Institutions	Nonmajor Enterprise Funds	Total
Taxes	\$ 28,108	-	-	28,108
Accounts	1,879	217,186	20,844	239,909
Overpayments	20,458	-	-	20,458
Total receivables	50,445	217,186	20,844	288,475
Allowances	(29,737)	(23,563)	(12,156)	(65,456)
Total receivables, net	\$ 20,708	193,623	8,688	223,019

Fiduciary Funds

	Agency Funds	External Investment Trust Funds	Pension Trust Funds	Private Purpose Trust Funds	Totals
Tax Assessments	\$ 1,478,756	-	-	-	1,478,756
Accounts	39,874	11,307	1,034,769	134,779	1,220,729
Royalties	33,640	-	-	-	33,640
Interest and dividends	5,366	-	7,214	4,332	16,912
Total receivables	1,557,636	11,307	1,041,983	139,111	2,750,037
Allowances	(915,933)	-	-	-	(915,933)
Total receivables, net	\$ 641,703	11,307	1,041,983	139,111	1,834,104

Discretely Presented Component Units

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

Loans receivable	\$ 313,737
Allowance of loan losses	(859)
Loans, net	<u>\$ 312,878</u>

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

Balance, beginning of year	\$ (859)
Provision for loan losses	-
Balance, end of year	<u>\$ (859)</u>

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

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

Mortgage loans receivable	\$ 935,424
Allowance for mortgage loan losses	(609)
Deferred origination and commitment fees	(796)
Mortgage loans, net	<u>\$ 934,019</u>

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

Balance, beginning of year	\$ 615
Provision (recovery) for loan losses	47
Loans written off, net of recoveries	<u>(53)</u>
Balance, end of year	<u>\$ 609</u>

C. Interfund and Interagency Receivables, Payables, and Transfers

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

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

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund and Interagency Receivables, Payables, and Transfers (Continued)

The composition of interfund balances as of June 30, 2004, is as follows:

	Due From	Due To	Transfers In	Transfers Out
Governmental Activities				
General Fund	\$ 330,627	225,972	1,383,516	4,562,792
Education	363,791	11,380	1,972,742	45,231
Health & Human Services	71,698	15,033	539,256	65,626
Highway & Transportation	154,591	49,717	119,797	122,495
Severance Tax Permanent Fund	18,126	-	16,318	172,434
Land Grant Permanent Fund	246	-	-	-
Nonmajor Governmental Funds	138,994	46,641	665,749	211,679
Internal Service Fund	1,120	49	3,323	1,951
	<u>1,079,193</u>	<u>348,792</u>	<u>4,700,701</u>	<u>5,182,208</u>
Business-Type Activities				
Unemployment Insurance	-	-	-	-
Colleges & Universities	16,423	162	517,316	-
Nonmajor Proprietary Funds	5,227	5,555	-	35,809
	<u>21,650</u>	<u>5,717</u>	<u>517,316</u>	<u>35,809</u>
Fiduciary Funds				
Agency Funds	174,310	920,644	-	-
Pension Trust Funds	-	-	3,291	3,291
	<u>174,310</u>	<u>920,644</u>	<u>3,291</u>	<u>3,291</u>
Totals	<u>\$ 1,275,153</u>	<u>1,275,153</u>	<u>5,221,308</u>	<u>5,221,308</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity was as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Net Adjustments and Reclassification	Ending Balance
Capital assets, not being depreciated					
Land and land improvements	\$ 80,182	2,280	(17)	(22,515)	59,930
Construction in progress	135,852	25,451	(1,333)	(106,577)	53,393
Infrastructure – right of way land	361,074	1,841	-	(3,364)	359,551
Mineral rights	19,818	-	-	-	19,818
Total capital assets, not being depreciated	596,926	29,572	(1,350)	(132,456)	492,692
Capital assets, being depreciated					
Land improvements	15,517	1,452	(236)	18,596	35,329
Equipment and machinery	167,560	16,677	(7,546)	(3,462)	173,229
Buildings and improvements	856,017	45,008	(9,601)	105,657	997,081
Furniture and fixtures	50,813	2,072	(802)	(34,517)	17,566
Data processing equipment & software	71,264	12,650	(3,701)	14,193	94,406
Vehicles	199,471	22,025	(10,344)	3,982	215,134
Library books and other	8,228	1,982	-	(231)	9,979
Infrastructure	15,178,784	240,167	(308,472)	-	15,110,479
Total capital assets, being depreciated	16,547,654	342,033	(340,702)	104,218	16,653,203
Less accumulated depreciation for					
Land improvements	(5,922)	(427)	-	1	(6,348)
Equipment and machinery	(85,888)	(16,244)	7,088	3,609	(91,435)
Buildings and improvements	(525,416)	(27,477)	3,320	1,669	(547,904)
Furniture and fixtures	(6,279)	(1,144)	680	(2,617)	(9,360)
Data processing equipment & software	(39,862)	(10,905)	3,820	(11,768)	(58,715)
Library books and other	(1,780)	(865)	14	(560)	(3,191)
Vehicles	(116,257)	(17,366)	8,938	(680)	(125,365)
Infrastructure	(7,851,544)	(478,124)	308,472	-	(8,021,196)
Total accumulated depreciation	(8,632,948)	(552,552)	332,332	(10,346)	(8,863,514)
Total capital assets, being depreciated, net	7,914,706	(210,519)	(8,370)	93,872	7,789,689
Governmental activity capital assets, net	\$ 8,511,632	(180,947)	(9,720)	(38,584)	8,282,381

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Business - type Activities:	Beginning Balance	Additions	Deletions	Net Adjustments and Reclassification	Ending Balance
Capital assets, not being depreciated					
Land and land improvements	\$ 47,919	1,314	3,778	4,905	57,916
Construction on progress	52,559	64,566	(12,874)	62,084	166,335
Total capital assets, not being depreciated	100,478	65,880	(9,096)	66,989	224,251
Capital Assets, being depreciated					
Land improvements	72,308	4,662	-	416	77,386
Equipment and machinery	674,532	53,265	(26,667)	(216,894)	484,236
Buildings and improvements	1,300,615	42,005	(16,305)	20,290	1,346,605
Furniture and fixtures	73,978	8,507	(2,162)	(10,819)	69,504
Data processing equipment & Software	5,435	782	(279)	1,866	7,804
Library books and other	176,160	8,429	(372)	14,614	198,831
Vehicles	6,129	608	(486)	(2,197)	4,054
Infrastructure	59,037	10,545	-	23,515	93,097
Total capital assets, being depreciated	2,368,194	128,803	(46,271)	(169,209)	2,281,517
Less accumulated depreciation for					
Land improvements	(71,742)	(4,835)	42	(434)	(76,969)
Equipment and machinery	(403,372)	(36,111)	23,569	132,414	(283,500)
Buildings and improvements	(580,544)	(41,999)	1,565	(13,554)	(634,532)
Furniture and fixtures	(52,068)	(6,164)	1,804	10,071	(46,357)
Data processing equipment & Software	(5,688)	(739)	420	(445)	(6,452)
Library books and other	(147,272)	(9,837)	223	-	(156,886)
Vehicles	(893)	(190)	130	(500)	(1,453)
Infrastructure	(24,685)	(4,361)	-	(639)	(29,685)
Total accumulated depreciation	(1,286,264)	(104,236)	27,753	126,913	(1,235,834)
Total capital assets, being depreciated, net	1,081,930	24,567	(18,518)	(42,296)	1,045,683
Business - type activities capital assets, net	\$ 1,182,408	90,447	(27,614)	24,693	1,269,934

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

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

General	\$ 14,156
Culture, Recreation, Natural Resources	9,619
Highways and Transportation	493,463
Judicial	3,494
Legislative	101
Public Safety	20,092
Regulation, Licensing, Etc.	2,034
Health and Human Services	8,661
Education	<u>932</u>
	<u>\$ 552,552</u>

Discretely Presented Component Units

Activity for the New Mexico Finance Authority was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, being depreciated				
Furniture, fixtures and equipment	\$ 255	82	-	337
Accumulated depreciation	<u>(225)</u>	<u>(43)</u>	-	<u>(268)</u>
Capital assets, net	<u>\$ 30</u>	<u>39</u>	-	<u>69</u>

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 512	-	-	512
Capital assets, being depreciated				
Buildings and improvements	3,041	-	-	3,041
Furniture, equipment and vehicles	1,457	89	(138)	1,408
Total capital assets, being depreciated	<u>5,010</u>	<u>89</u>	<u>(138)</u>	<u>4,961</u>
Accumulated depreciation for				
Buildings and improvements	(1,091)	(78)	109	(1,060)
Equipment and machinery	(1,298)	(151)	-	(1,449)
Accumulated depreciation	<u>(2,389)</u>	<u>(229)</u>	<u>109</u>	<u>(2,509)</u>
Total capital assets, being depreciated, net	<u>2,109</u>	<u>(140)</u>	<u>(29)</u>	<u>1,940</u>
Capital assets, net	<u>\$ 2,621</u>	<u>(140)</u>	<u>(29)</u>	<u>2,452</u>

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Construction Commitments

The State has active construction projects as of June 30, 2004. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction are as follows:

Project Commitment

Highway construction	\$ 89,827
University infrastructure	130,243
University facilities construction and renovation	87,416
Total	<u>\$ 307,486</u>

Operating Leases

The State leases building and office facilities and other equipment under noncancelable operating leases. Total cost for such leases were \$49,429 for the year ended June 30, 2004. The future minimum lease payments for these leases are as follows:

	<u>Amount</u>
2005	\$ 55,693
2006	42,225
2007	34,407
2008	30,608
2009	26,893
2010-2014	52,906
2015-2019	19,093
2020-2024	5,187
Total	<u>\$ 267,012</u>

Capital Leases

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2004:

Year Ending June 30:

2005	\$ 3,130
2006	2,358
2007	1,967
2008	1,366
2009	360
2010 to 2014	<u>770</u>
Total	9,951
Amount representing interest	<u>1,441</u>
Total	<u><u>\$ 8,510</u></u>

Capital leases by funds are as follows:

Governmental Activities	\$ 5,628
Business-Type Activities	<u>2,882</u>
	<u><u>\$ 8,510</u></u>

E. Bonds Payable

General Obligation Bonds

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. There were no general obligation bonds issued during the fiscal year ended June 30, 2004.

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.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

General Obligation Bonds (Continued)

General obligation bonds currently outstanding are as follows:

	Amount	Interest Rate	Final Maturity
<i>Capital Projects Series 1999</i>	\$ 8,945	4.00 – 5.00	2005
<i>Capital Projects Series 2001</i>	47,000	4.00 – 5.00	2011
<i>Enhanced 911 Revenue Bonds - Series 2000</i>	2,775	4.35 – 5.90	2005
<i>Refunding Series 2001 - A</i>	9,005	5.00	2008
<i>2001 - B Refunding</i>	23,830	5.00	2007
<i>Capital Projects Series 2003</i>	120,320	2.00 - 5.00	2013
<i>2003 - B Refunding</i>	37,275	3.00 - 5.00	2009
	<u>\$ 249,150</u>		

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

Year ending June 30,	Principal	Interest	Total
2005	\$ 45,628	8,153	53,781
2006	36,968	6,606	43,574
2007	37,012	6,614	43,626
2008	29,701	5,307	35,008
2009	29,171	5,212	34,383
2010 to 2014	70,670	11,013	81,683
Total	<u>\$ 249,150</u>	<u>42,905</u>	<u>292,055</u>

Severance Tax Bonds

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

The following severance tax bonds were issued during the fiscal year ended June 30, 2004:

Severance Tax Bonds Supplemental Series 2003 B. On November 22, 2003 the State Board of Finance issued bonds with a principal amount of \$10,000 to finance public education facilities projects. Interest rates range from 2.00 percent to 3.70 percent with principal payments due through 2013.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Severance Tax Bonds (Continued)

Severance Tax Bonds Series 2004A Refunding. On June 15, 2004 the State Board of Finance issued bonds with a principal amount of \$76,430 to finance public capital projects authorized by the State Legislature, as well as to provide for the redemption of Severance Tax Bonds, Series 1999B. Interest rates range from 5 percent with principal payments due through 2014.

Severance tax bonds currently outstanding are as follows:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<i>Series 1999 - A Supplemental</i>	5,655	4.25 – 5.50	2008
<i>Series 1999 - B</i>	5,185	5.00	2005
<i>Series 2000</i>	32,035	5.00	2007
<i>Series 2000 - C Supplemental</i>	7,480	4.50 – 5.00	2008
<i>Series 2001 - A Refunding</i>	103,530	1.85 – 3.60	2013
<i>Series 2002 - A</i>	61,675	4.00 – 5.00	2013
<i>Series 2002 - A Supplemental</i>	53,765	4.00 – 5.00	2012
<i>Series 2002 - B Supplemental</i>	41,425	2.00 – 5.00	2012
<i>Series 2003 - A</i>	89,660	2.50 – 5.00	2013
<i>Series 2003 - B Supplemental</i>	10,000	2.00 – 3.70	2013
<i>Series 2004 - A Refunding</i>	76,430	5.00	2014
	<u>\$ 486,840</u>		

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 72,130	15,218	87,348
2006	73,431	14,245	87,676
2007	66,027	12,608	78,635
2008	58,618	10,030	68,648
2009	51,788	12,572	64,360
2010 to 2014	164,846	25,315	190,161
Total	<u>\$ 486,840</u>	<u>89,988</u>	<u>576,828</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds

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

Revenue bonds outstanding at year-end are as follows:

Governmental Activities	Amount	Interest Rate	Final Maturity
<i>Energy and Minerals Series 1995 – A & B</i>	\$ 207	3.00 – 6.00	2015
<i>Energy and Minerals Series 1996 – A & B</i>	261	3.00 – 6.00	2016
<i>Energy and Minerals Series 1997 – A & B</i>	3,542	3.00 – 6.00	2017
<i>Energy and Minerals Series 1998 – A & B</i>	3,947	6.00 – 8.00	2018
<i>Energy and Minerals Series 2001</i>	4,142	4.70	2020
<i>Energy and Minerals Series 1995A & 1996A</i>	4,874	4.47	2016
<i>Energy and Minerals Series 2003</i>	7,188	3.82	2023
<i>Office of State Engineer Series 1998 – A</i>	938	6.175	2008
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 1998</i>	21,960	4.50 – 5.125	2010
<i>Subordinate Lien Tax Revenue Highway Bonds (WIPP) – Series 1998B</i>	37,220	3.70 – 5.125	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 1999</i>	44,985	4.75 – 6.00	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2000</i>	76,605	5.00 – 6.00	2015
<i>Enhanced 911 – Series 2000</i>	2,130	4.50 – 6.75	2007
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2001</i>	153,475	4.00 – 5.25	2013
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2002</i>	58,720	4.50 – 5.50	2014
<i>Subordinate Lien Tax Revenue Highway Bonds (WIPP) – Series 2002</i>	41,140	3.25 – 5.00	2011
<i>Highway Infrastructure Fund Revenue Highway Bonds (HIF) – Series 2002C</i>	32,945	3.25 – 5.283	2017
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2002 - D</i>	5,770	2.25 - 5.00	2014
<i>Senior Lien Transportation Revenue Bonds – Series 2004 A</i>	700,000	3.80 – 5.25	2024
<i>Subordinate Lien Transportation Refunding Revenue Bonds – Series 2004B</i>	237,950	2.00 – 5.00	2014
<i>Subordinate Lien Transportation Refunding Revenue Bonds – Series 2004C</i>	200,000	2.00 – 5.00	2014
	<u>\$ 1,637,999</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Business-Type Activities

	Amount	Interest Rate	Final Maturity
<i>Refunding and Improvement</i>	775	5.90 – 6.00%	2006
<i>Refunding and Improvement – Series 2002</i>	14,085	2.00 – 5.00	2022
<i>Refunding and Improvement – Series 2003</i>	27,620	2.00 – 5.00	2023
<i>Refunding Revenue – Series 2004A</i>	6,020	4.00	2006
<i>Lease Revenue – Series 1995</i>	100	4.30 – 5.00	2005
<i>Refunding and Improvement – Series 1998</i>	9,785	3.95 – 5.00	2020
<i>Refunding and Improvement – Series 2001</i>	8,215	3.95 – 5.00	2021
<i>Refunding and Improvement – Series 1993</i>	1,925	3.40 – 4.95	2006
<i>System Revenue Bonds – Series 1998</i>	3,285	3.55 – 4.40	2013
<i>General Obligation Building – Series 1999</i>	625	3.65 – 5.10	2005
<i>System Refunding – Series 1998</i>	5,930	4.25 – 4.70	2011
<i>Refunding – Series 1998-A</i>	2,875	3.00 – 4.00	2008
<i>System – Series 1994</i>	790	5.00 – 6.00	2006
<i>Refunding – Series 2001</i>	8,630	3.25 – 5.00	2013
<i>Improvements – Series 1997</i>	5,015	3.90 – 5.75	2019
<i>Subordinate Lien System Improvement – Series 2001</i>	50,555	Variable	2026
<i>System Revenue – Series 2000</i>	13,897	5.00 – 6.35	2029
<i>Subordinate Lien System Improvement – Series 1996</i>	2,995	5.00 – 5.50	2026
<i>Subordinate Lien Adjustable – Series 1996</i>	6,895	5.10	2006
<i>System Revenue Refunding – Series 1992-A</i>	29,875	5.75 – 6.25	2021
<i>Subordinate Lien Systems Refunding Series 2003 – A</i>	20,870	2.00 - 5.25	2018
<i>Subordinate Lien System Refunding and improvement - Series 2002 – A</i>	57,335	2.50 - 5.25	2032
<i>Subordinate Lien System Refunding - Series 2002 – B</i>	25,475	3.83	2026
<i>Subordinate Lien System Refunding - Series 2002 – C</i>	36,940	3.94	2030
<i>Subordinate Lien System Revenue (taxable) - Series 2003 – B</i>	5,585	1.35 – 5.625	2024
<i>Subordinate Lien System Revenue (taxable) - Series 2003 – B</i>	6,040	4.50 – 4.60	2033
	<u>352,137</u>		
<i>Bond premium and discounts, net</i>	<u>2,502</u>		
	<u>\$ 354,639</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

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

Year ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 276,285	76,233	352,518	\$ 21,825	15,832	37,657
2006	83,381	69,664	153,045	19,445	15,744	35,189
2007	77,633	65,600	143,233	15,517	14,890	30,407
2008	71,899	61,738	133,637	16,293	13,366	29,659
2009	75,284	58,086	133,370	14,812	12,332	27,144
2010 to 2014	346,775	233,827	580,602	77,555	54,814	132,369
2015 to 2019	382,209	145,256	527,465	72,560	39,102	111,662
2020 to 2024	324,533	39,070	363,603	58,205	19,535	77,740
2025 to 2029	-	-	-	55,925	9,466	65,391
Total	\$ 1,637,999	749,474	2,387,473	\$ 352,137	195,081	547,218

Advance and current refundings:

Governmental Activities

The State issued \$700,000 through the New Mexico Finance Authority's (NMFA) State Transportation Revenue Bonds (Senior Lien), Series 2004A in May 2004. The gross proceeds to the State were \$738,788, including \$43,557 of an original issue premium. The cost of issuance including underwriter fees was \$4,769. The bonds are special, limited obligations of the State, together with additional bonds hereafter issued, solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required by law to be paid into the Highway Infrastructure Fund. The Series 2004A Bonds were issued to provide funds for certain transportation projects authorized by the State Legislature and that the State has determined to be necessary or desirable.

The State is responsible for the NMFA issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable on June 15th. Interest with rates ranging from 3.8% to 5.25% per annum, is payable semi-annually on June 15th and December 15th through the year 2024.

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

The State issued \$237,950 and \$200,000 of bonds through the New Mexico Finance Authority's (NMFA) State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2004B and Series 2004C in May 2004. The gross proceeds to the State for both issuances were \$450,068 including \$16,347 of an original issue premium. The cost of issuance including underwriter fees was \$4,229. Following is the detail of the Series 2004B and Series 2004C bonds issued.

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

The State is responsible for the NMFA issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance which will be approximately \$600 for fiscal year 2005. Principal of the bonds is payable on June 15th. Interest with rates ranging from 2% to 5% per annum, is payable semi-annually on June 15th and December 15th through the year 2014.

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

The State issued the 2004B and 2004C Bonds to advance refund various older debt issues. The net proceeds of \$408,856 plus and additional \$7,286 were used to purchase U.S. governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt are considered to be defeased and the liability for those bonds have been removed from the State's long-term obligations. On June 30, 2004, \$381,835 of bonds outstanding are considered defeased.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Based on the cash flow analysis at the time of the refunding of the old debt service compared to the new debt service for the 2004B and 2004C issues (which included \$41,212 of the proceeds of the bonds to be transferred to a debt service fund) using the interest rates on the bonds at the time of issuance is as follows:

<u>Cash Flow Difference</u>	
New debt service cash flows	\$ 661,688
Plus: State funds from prior issued debt service funds	<u>7,286</u>
	668,974
Old debt service cash flows	<u>(481,637)</u>
Additional debt service requirements	<u>\$ 187,337</u>

The calculation of the economic loss based on using a 3.62% yield at the time of the refunding to determine the present values of the debt service payments of the old and new debt service is as follows:

Present Value - Old Debt Service Cash Flows	\$ 408,856
Less:	
Present Value - New Debt Service Cash Flows	(437,324)
Department contribution from prior issues debt service fund	(7,286)
Plus:	
Use of funds - new bond sinking fund	<u>41,212</u>
Economic Gain	<u>\$ 5,458</u>

The deferred amount on the refunding of \$34,307 recorded as a reduction of the State's long-term obligation is the difference between the reacquisition price (funds required to refund the old debt including call provisions) and the net carrying amount of the old debt including unamortized old bond issuance costs. The deferred amount on the refunding is recorded to the government-wide financial statements and is required to be amortized as additional interest expense over the remaining life of the old debt or the life of the new debt, which ever is shorter.

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

The State is responsible for the NMFA issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance which will be \$500 a year through 2022 and \$339,063 during 2023. Principal of the bonds is payable on June 15th with interest payable semi-annually on June 15th and December 15th through the year 2023. Interest is based on interest rate swap agreements as disclosed below.

Interest Rate Swaps:

Objective of the interest rate swaps. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in May 2004 the State through the NMFA entered into interest rate swap agreements in connection with its \$200 million 2004 Series C variable-rate revenue bonds. The intention of the swap was to effectively change the State's variable interest rate on the bonds to a synthetic fixed rate.

The State through the NMFA entered into forward-starting interest rate exchange agreements totaling \$220,000. These agreements were entered into for the purpose of hedging the exposure of the State against interest rate fluctuations arising from the variable rates borne by variable rate bonds to be issued in the future.

Under the Forward Starting Swap Agreements, the State through the NMFA will be the fixed rate payor, paying the relevant Forward-Starting Counterparty a fixed rate of 5.072% per annum on the relevant notional amount beginning on December 15, 2006, and the Forward-Starting counterparties amount beginning on December 15, 2006. There can be no assurance that the variable rate bond will be issue in the future, that such bonds will be in a principal amount equal to the aggregate notional amount of the Forward-Starting Swap Agreements or that the actual rate payable on such bonds will be the same as that payable by the relevant Forward-Starting Counterparty on the Forward-Starting Swap Agreements. If the actual rate payable on such bonds is less than that payable by the relevant Forward-Starting Couterparty, the State will need to use more Pledged Revenues to make the relevant payment than it would had it not entered into the relevant Forward-Starting Swap Agreement. The stated termination date under each Forward-Starting Swap Agreements will decline over the terms of the Forward-Starting Swap Agreements though December 15, 2026.

Terms. The bonds and the \$200 million swap agreements mature on June 15, 2024, and the swaps' notional amount of \$200 million matches the \$200 million variable-rate bonds. The swaps were entered at the same time the bonds were issued. Starting in fiscal year 2023, the notional value of the swaps and the principal amount of the associated debt will decline. Under

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

the swap, the State pays the counterparties a fixed payment of 3.934% and receives 100% of the Municipal Swap Index (BMA) until June 15, 2006 and the variable payment computed as 68% of the London Interbank Offered Rate (LIBOR) until June 15, 2024. Conversely, the bond's variable-rate coupons are based on The Bond Market Association Municipal Swap Index (BMA).

Fair value. Because interest rates have declined since execution of the swaps, the swaps including the Forward-Starting interest rate swap agreements had a negative fair value of approximately \$12,786 as of June 30, 2004, which is recorded in the accompanying financial statements. The swaps' negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds creating a lower synthetic interest rate. Because the interest rate on the State's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk. As of June 30, 2004 the State was not exposed to credit risk because the swaps have a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the State would be exposed to credit risk in the amount of the derivatives' fair value. The swap counterparties were rated not less than Aa3 from Moody's Investor Service and not less than AA- from Standard & Poor's (S&P) as of June 30, 2004. To mitigate the potential for credit risk, if the counterparties credit quality falls below BBB- from S & P or Baa3 from Moody's Investor Services, the fair value of the swaps will be fully collateralized by the counterparties with U.S. government securities. Collateral would be posted with a third-party custodian.

Basis risk. The swaps exposes the State to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the 2004C bonds after June 15, 2006. There is no difference in basis between the intended synthetic rate of 3.934% and the actual synthetic rate as of June 30, 2004. If a change occurs in the future that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2004, the BMA rate was 1.05%, and the LIBOR was 1.6%.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Termination risk. The State or the counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. The swaps may be terminated by the State if the counterparty's credit quality rating falls below "BBB-1" from S&P or "Baa3" as issued by Moody's Investors Service. If the swaps are terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swaps have a negative fair value, the State would be liable to the counterparties for a payment equal to the swaps' fair value.

Swap payments and associated debt. Using rates as of June 30, 2004, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates at June 30, 2004 remain the same* for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

The State Board of Finance defeased certain general obligation and severance tax bonds by placing the proceeds of new bonds in an irrevocable trust to provide for the refunded portion of all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the financial statements.

Component Units

The following advance and current refundings occurred during the year ended June 30, 2004:

On June 15, 2004 the State Board of Finance issued Severance Tax Bonds Series 2004A with a principal amount of \$76,430 to finance public capital projects by the State Legislature, as well as to provide for the refunding of Severance Tax Bonds Series 1999B. The difference in cash flows required between the prior debt service requirements and new funding debt service requirements resulted in cash flow savings of \$157. The economic gain or present value savings was \$162.

Certain bonds payable in the Governmental Activities were for construction of capital assets not owned by the State and not included in the calculation of investments in capital assets, net of related debt.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Units

New Mexico Finance Authority bonds payable as of June 30, 2004, consist of:

	Amount	Interest Rate	Final Maturity
<i>Public Project Revolving Fund - 1997A</i>	\$ 6,270	4.25 – 4.90	2017
<i>Public Project Revolving Fund - Series 1999A, B, C, and D</i>	16,215	3.30 – 6.30	2018
<i>Public Project Revolving Fund - Series 2000A</i>	2,755	4.10 – 5.30	2009
<i>Public Project Revolving Fund - Series 2000B and C</i>	16,475	4.75 – 5.50	2030
<i>Public Project Revolving Fund - Series 2002A</i>	40,750	2.00 – 5.00	2026
<i>Public Project Revolving Fund - Series 2003A</i>	36,312	2.00 – 4.75	2032
<i>Public Project Revolving Fund - Series 2003B</i>	41,540	2.00 – 4.00	2021
<i>Public Project Revolving Fund – Series 2004 A</i>	42,105	2.25 – 5.85	2022
<i>Public Project Revolving Fund – Series 2004 B</i>	49,540	3.00 – 5.13	2022
<i>State Office Building Financing Fund</i>	54,685	4.00 – 5.00	2021
<i>Special Cigarette Tax Revenue Bonds</i>	1,200	4.80 – 5.25	2006
<i>Workers Compensation Financing Fund</i>	3,310	5.00 – 5.60	2016
<i>UNM Health Sciences</i>	39,035	5.00 – 5.60	2016
<i>State Capitol Improvement Financing Fund</i>	7,455	7.00	2015
<i>Metro Court Financing Fund</i>	31,435	1.65 – 6.25	2025
<i>Equipment Loan Fund</i>	2,058	4.50 – 6.30	Various
	<u>391,140</u>		
<i>Bond premium and discount</i>	7,919		
	<u>\$ 399,059</u>		

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

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2005	\$ 32,419	17,129	49,548
2006	26,373	16,340	42,713
2007	25,939	15,423	41,362
2008	24,642	14,391	39,033
2009 -2013	117,511	57,786	175,297
2014 to 2018	95,152	32,655	127,807
2019 to 2023	56,555	13,272	69,827
2024 to 2028	18,101	2,599	20,700
2029 to 2032	2,326	397	2,723
2033	41	2	43
Total	\$ 399,059	169,994	569,053

Bonds payable activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 397,368	135,928	(134,237)	399,059	32,419

Public Project Revolving Fund – Series 2004A. On January 28, 2004 the New Mexico Finance Authority (NMFA) issued \$43,400 of Public Projects Revolving Fund series 2004A Revenue bonds. The series 2004A were issued to (i) reimburse the Public Projects Revolving Fund for loans made by the NMFA to certain governmental entities for the purpose of financing public projects, and (ii) finance the costs of issuance of the Series 2005A bonds.

Public Project Revolving Fund – Series 2004B. On June 9, 2004 the NMFA issued \$49,540 of Public Projects Revolving Fund series 2004B Revenue bonds. The series 2004B were issued to (i) reimburse the Public Projects Revolving Fund for loans made by the NMFA to certain governmental entities for the purpose of financing public projects, and (ii) finance the costs of issuance of the Series 2005B bonds.

Cigarette Tax series 2004A Revenue Bonds. On April 1, 2004 the NMFA issued \$39,035 of Cigarette Tax series 2004A Revenue bonds (University of New Mexico Health Services Center Project). The series 2004A were issued to (i) finance a portion of the costs of the design, construction, equipping and furnishing of additions and improvements to the University of New Mexico Hospital and the Cancer Research and Treatment Center, both at the University of New Mexico Health Sciences Center in Albuquerque, New Mexico, and (ii) finance the costs of issuance of the series 2004A bonds.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

New Mexico Mortgage Finance Authority bonds outstanding consist of:

	Amount	Interest Rate	Final Maturity
Single Family Mortgage Programs			
<i>1985 Series A</i>	\$ 4,030	9.40	2017
<i>1994 Series A</i>	2,260	6.88	2025
<i>1994 Series B</i>	2,245	6.75	2025
<i>1994 Series C</i>	2,460	6.50	2025
<i>1994 Series D</i>	2,385	6.80	2026
<i>1994 Series E</i>	3,340	6.95	2026
<i>1994 Series F</i>	2,880	6.85 – 7.00	2026
<i>1994 Series G</i>	2,545	6.65 – 7.25	2026
<i>1994 Series H</i>	3,925	6.00 – 6.65	2026
<i>1995 Series A</i>	5,190	5.90 – 6.65	2026
<i>1995 Series B</i>	2,560	5.50	2028
<i>1995 Series C</i>	8,435	5.35 – 6.25	2026
<i>1995 Series D</i>	4,840	5.40 – 6.50	2026
<i>1995 Series E</i>	7,590	5.25 – 6.40	2027
<i>1995 Series F</i>	10,790	5.25 – 6.15	2027
<i>1995 Series G</i>	11,375	4.85 – 5.70	2027
<i>1995 Series H</i>	7,470	5.35 – 6.25	2027
<i>1996 Series C</i>	7,775	5.38 – 6.25	2027
<i>1996 Series D</i>	6,815	5.60 – 6.38	2027
<i>1996 Series E</i>	7,800	5.50 – 6.35	2028
<i>1996 Series G</i>	9,230	5.40 – 6.20	2028
<i>1997 Series A</i>	7,415	5.40 – 6.20	2028
<i>1997 Series B</i>	7,295	5.50 – 6.30	2028
<i>1997 Series C</i>	8,735	5.25 – 7.43	2029
<i>1997 Series E</i>	10,580	4.90 – 6.65	2029
<i>1997 Series F</i>	13,535	4.85 – 6.65	2029
<i>1997 Series G</i>	17,020	4.75 – 6.30	2029
<i>1998 Series A</i>	18,300	4.85 – 6.00	2029
<i>1998 Series B</i>	15,670	5.00 – 6.10	2030
<i>1998 Series C</i>	16,605	4.80 – 6.00	2029
<i>1998 Series D</i>	16,910	4.55 – 6.10	2030
<i>1998 Series E</i>	18,085	4.35 – 6.25	2030
<i>1999 Series A</i>	16,540	4.10 – 6.25	2030
<i>1999 Series B</i>	20,695	4.25 – 6.25	2030
<i>1999 Series C</i>	2,813	5.13	2029
<i>1999 Series D</i>	14,260	4.88 – 6.88	2030
<i>1999 Series E</i>	17,395	4.90 – 6.80	2031

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Single Family Mortgage Programs (Continued)

	Amount	Interest Rate	Final Maturity
<i>1999 Series F</i>	\$ 12,055	4.90 – 7.07	2031
<i>2000 Series A</i>	9,930	5.05 – 7.76	2031
<i>2000 Series B</i>	11,330	5.25 – 7.55	2032
<i>2000 Series C</i>	10,020	5.30 – 7.82	2032
<i>2000 Series D</i>	14,000	4.75 – 8.34	2032
<i>2000 Series E</i>	15,670	5.40 – 7.39	2032
<i>2000 Second Mortgage Series</i>	553	6.50	2018
<i>2001 Series A</i>	17,615	4.60 – 6.13	2032
<i>2001 Series B</i>	16,215	4.20 – 5.85	2033
<i>2001 Series C</i>	16,750	4.00 – 6.00	2033
<i>2001 Series D</i>	16,985	3.10 – 5.40	2033
<i>2002 Series A</i>	18,185	2.70 – 6.45	2033
<i>2002 Series B</i>	19,635	3.00 – 5.40	2033
<i>2002 Series C</i>	20,750	3.30 – 5.45	2034
<i>2002 Series D</i>	20,120	2.65 – 5.35	2034
<i>2002 Series E</i>	21,060	2.20 – 5.20	2034
<i>2002 Series F</i>	21,955	2.30 – 5.00	2034
<i>2003 Series A</i>	23,945	1.45 – 5.25	2034
<i>2003 Series B</i>	24,045	1.65 – 5.45	2034
<i>2003 Series C</i>	26,980	1.50 – 4.70	2034
<i>2003 Series D</i>	29,600	1.95 – 6.13	2034
<i>2003 Series E</i>	29,805	1.50 – 4.85	2034
<i>2004 Series A</i>	25,000	1.60 – 4.80	2034
<i>2004 Issue 1 & 2</i>	91,754	(a)	2005
<i>2004 Series B</i>	30,000	1.70 – 4.75	2035
<i>2004 Series C</i>	30,000	2.30 – 5.65	2035
<i>2004 Short Term Issue</i>	176,269	(b)	2005
<i>2004 Series D</i>	35,000	2.40 – 6.15	2035
	<u>\$ 1,123,019</u>		
Rental Housing Programs			
<i>1987 Series A & B</i>	\$ 9,900	7.25	2011
<i>1995 Multi-Family Risk-Sharing – La Villa Alegre</i>	3,864	5.504	2037
<i>1997 Multi-Family Risk-Sharing – Las Brisas</i>	3,365	6.45	2032
<i>1997 Multi-Family Housing Revenue – Rio Volcan II</i>	3,920	4.35 – 5.65	2018

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

	Amount	Interest Rate	Final Maturity
<i>1998 Series A & B Multi-Family Housing Revenue – The Bluffs at Tierra Contenta</i>	\$ 9,055	5.20 – 6.03	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series A</i>	2,755	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series B</i>	7,565	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series C</i>	5,910	5.00	2031
<i>2001 Multi-Family Housing Refunding Revenue – Series D</i>	2,785	5.00	2031
<i>2001 Series E and F Multi-Family Housing Revenue – Manzano Mesa</i>	10,000	5.55 – 7.05	2034
<i>2002 Series A & B Multi-Family Risk Sharing - Sandpiper</i>	10,010	5.40 – 6.75	2038
<i>2003 Series A & B Multi-Family Risk Sharing - Aztec</i>	9,560	5.10 – 5.35	2038
<i>2004 Series A & B Multi-Family Risk Sharing NM5</i>	10,370	4.625 – 5.20	2039
<i>2004 Series C & D Multi-Family Risk Sharing- Alta Vista</i>	12,760	5.25 – 6.00	2039
	<u>101,819</u>		
General			
<i>General Revenue Office Building Fund – Series 2000</i>	\$ 2,595	5.10 – 6.00	2026
	<u>1,227,433</u>		
<i>Unamortized premium, net of underwriter's Discount</i>	34,197		
	<u>\$ 1,261,630</u>		

- a) Variable interest rate equal to 100.6 percent of London Inter Bank Rate (LIBOR).
b) Variable interest rate equal to 99.7 percent of London Inter Bank Rate (LIBOR).

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2005	\$ 249,306	62,273	311,579
2006	12,954	59,010	71,964
2007	12,913	58,406	71,319
2008	14,030	57,771	71,801
2009	16,051	57,060	73,111
2010 to 2014	102,823	248,741	351,564
2015 to 2019	135,683	216,382	352,065
2020 to 2024	183,885	171,455	355,340
2025 to 2029	296,504	101,109	397,613
2030 to 2034	183,746	28,528	212,274
2035 to 2039	19,540	2,229	21,769
Total	<u>\$ 1,227,433</u>	<u>1,062,964</u>	<u>2,290,397</u>

Bonds payable activity for the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	<u>\$ 1,195,039</u>	<u>705,560</u>	<u>(656,077)</u>	<u>1,244,522</u>	<u>249,306</u>

Certain Mortgage Purchase Program bonds were legally defeased in 1992 and, therefore, are not reflected in the accompanying Statement of Net Assets. The outstanding balance of these bonds totaled approximately \$38,815.

The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, mortgage loans, MBS's and other assets in the funds and accounts established by the respective bond resolutions.

The single-family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal year 2004 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

In March 2004, the Authority authorized the \$300,000 Single Family Mortgage Program Bonds, Draw Down Issue 2004, made up of Draw Down Issue 2004-1 and Draw Down Issue 2004-2. These bonds will be refunded by the issuance of bonds under separate indentures, the proceeds of which will be used to purchase securitized mortgage loans under the respective indentures. Cumulative draw downs were \$91,754 through fiscal year-end September 30, 2004. As of September 30, 2004, approximately \$91,754 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 value bearing variable interest at 100.6 percent of LIBOR, as determined two business days prior to each monthly accrual period, 1.67 percent at September 30, 2004. Due to the short-term nature of Draw Down Issue 2004, there is no economic gain or loss from refundings on this issue.

In September 2004, the Authority authorized the \$300,000 Single Family Mortgage Program Bonds, Draw Down Issue 2004. These bonds will be refunded by the issuance of bonds under separate indentures, the proceeds of which will be used to purchase securitized mortgage loans under the respective indentures. Cumulative draw downs were \$176,269 through fiscal year-end September 30, 2004. As of September 30, 2004, approximately \$176,269 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 value bearing variable interest at 99.7 percent of LIBOR, as determined one business day prior to each monthly accrual period. 1.63 percent at September 30, 2004.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 290,700	-	(41,550)	249,150	45,628
Severance tax bonds	473,405	86,430	(72,995)	486,840	72,130
Revenue bonds	841,781	1,454,989	(658,771)	1,637,999	276,285
Net unamortized premium	-	59,904	(1,300)	58,604	4,276
Total bonds payable	1,605,886	1,601,323	(774,616)	2,432,593	398,319
Other payables					
Capital leases	7,895	158	(2,425)	5,628	2,181
Other	108,165	1,095	(108,170)	1,090	6
Claims and judgments	36,555	10,045	(9,600)	37,000	9,500
Reserve for losses	43,613	172,444	(164,900)	51,157	19,636
Compensated absences	51,968	50,605	(48,567)	54,006	33,093
	248,196	234,347	(333,662)	148,881	64,416
Governmental activity long-term liabilities	\$ 1,854,082	1,835,670	(1,108,278)	2,581,474	462,735
Business-type activities					
Bonds payable					
Revenue bonds	\$ 341,236	52,501	(41,600)	352,137	21,825
Bond premiums and discounts	23	2,502	(23)	2,502	543
Total bonds payable	341,259	55,003	(41,623)	354,639	22,368
Notes and loans payable	2,860	23	(350)	2,533	924
Capital leases	3,433	139	(690)	2,882	702
Compensated absences	42,699	18,993	(13,533)	48,159	6,379
Other	49,119	1,383	(22,191)	28,311	888
	98,111	20,538	(36,764)	81,885	8,893
Business-type activity long-term liabilities	\$ 439,370	75,541	(80,587)	436,524	31,261

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Tax and Revenue Anticipation Notes

The following notes were issued by the State of New Mexico during fiscal year 2004 and matured June 30, 2004:

- A. 2003 - 2004 Tax and Revenue Anticipation Notes, Series 2003, \$400.0 million.
- B. 2003 - 2004 Tax and Revenue Anticipation Notes, Series 2003A, \$300.0 million.

These notes were issued by the State of New Mexico under the authority of the Short-Term Cash Management Act, Section 6-12A-1, NMSA 1978. The notes were issued to fund a portion of the State's cash flow needs for the State General Fund during its fiscal year 2004.

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, 2004, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ -	700,000	(700,000)	-

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

The Office of the State Treasurer deposited the net proceeds from the sale of the notes, \$709,646, to its anticipation notes fund (Central Accounting System fund number 323). The Office of the State Treasurer subsequently transferred the entire amount of the proceeds to the appropriation account fund (Central Accounting System fund number 853).

To pay the notes, the State General Fund transferred \$713,366 from the appropriation account fund to the state treasurer anticipation notes debt service fund (Central Accounting System fund number 393). From the debt service fund, the Office of the State Treasurer then paid the note principal and interest due at maturity.

Subsequent to June 30, 2004, the State of New Mexico issued the following Tax and Revenue Anticipation notes: 04 - 05 Tax and Revenue Anticipation Notes, Series 2004, \$400.0 million.

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 3. OTHER INFORMATION

A. Risk Management

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

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

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

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

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

Total insurance claims payable at June 30, 2004 were \$153,913. Insurance claims payable of \$135,635 represents amounts expected to be paid by the ISF for covered claims incurred but not reported with the Department through June 30, 2004. The amount of the liability was determined by an independent actuarial consultant to the ISF. The liability is shown in the accompanying financial statements net of interest, computed at 1.9575 percent, expected to be earned between June 30, 2004, and the date the claims are ultimately paid. Outstanding claims of \$18,277 have been accrued based upon an independent actuarial report.

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

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 3. OTHER INFORMATION (CONTINUED)

A. Risk Management (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.

	Balance June 30, 2003 (as Restated)	Incurred	Payments	Balance June 30, 2004
Surety Bond	31	334	-	365
Public Property Reserve	1,083	2,762	2,103	1,742
Workers Compensation	15,954	12,157	10,000	18,111
Public Liability	87,299	26,957	2,997	111,259
State Unemployment	2,970	4,478	3,989	3,459
Local Public Body	627	852	780	699
Total	\$ 107,964	47,540	19,869	135,635

	Balance June 30, 2002 (as Restated)	Incurred (as Restated)	Payments	Balance June 30, 2003 (as Restated)
Surety Bond	10	75	54	31
Public Property Reserve	1,172	2,322	2,411	1,083
Workers Compensation	18,710	3,618	6,374	15,954
Public Liability	76,999	21,534	11,234	87,299
State Unemployment	2,972	4,505	4,507	2,970
Local Public Body	635	899	907	627
Total	\$ 100,498	32,953	25,487	107,964

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

B. Employee Retirement Systems and Pension Plans

Plan Descriptions

The State maintains five cost-sharing multiple-employer public employees' retirement 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 systems, including the Public Employees Retirement System, (PERS) the Judicial Retirement System, (JRS) the Magistrate Retirement System, (MRS), and the Volunteer Firefighters Retirement Fund (VFRF), (collectively, the "Systems" offering an array of retirement benefit plans to state,

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

county, and municipal employees, police, firefighters, judges, magistrates, and legislators). ERB is the administrator of the Educational Employees Retirement System (EERS). The laws governing the administration of the Systems are set forth in Chapter 10 of the New Mexico Statutes Annotated 1978 (NMSA 1978) and applicable Replacement Pamphlets. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502.

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

Each plan provides retirement, death, and disability benefits to State employees, employees of counties, municipalities, public schools, universities, colleges, special schools, and certain other political subdivisions. Each system is independent. Assets may not be transferred from one system to another or used for any purpose other than to benefit each system's participants.

The number of participating government employers, the number of members, and payroll amounts for each system for the year ended June 30, 2004 were:

	PERS	JRS	MRS	VFRS	EERS
Number of employers					
State Agencies	119	-	-	-	14
Cities	77	-	-	-	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	6
Charter Schools	-	-	-	-	32
Other	53	15	18	373	-
Retirees and beneficiaries receiving benefits	20,858	88	44	272	24,947
Terminated plan members not yet receiving	3,333	15	12	-	23,627
Active plan members	45,256	104	50	5,274	62,901

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies

Public Employees Retirement System (PERS) - is a cost sharing, multiple employer defined benefit pension plan which has six divisions of members: State General, State Police/Hazardous Duty, Municipal General, Municipal Police, Municipal Fire, and Legislative, and offers 18 different coverage plans. The majority of the state and municipal employees, excluding those covered under the separate Educational Retirement Act, participate in a System under Section 10-11-1 through 10-11-140, NMSA 1978, the "Public Employees Retirement Act."

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.

Members' contributions for all divisions, except Legislative, are based upon a percentage of salary and range from 4.78 percent to 16.30 percent, depending upon the division. Employer's contributions, also a percentage of salaries paid, range from 7 percent to 25.72 percent. Contribution rates are established by State statute.

Retirement benefits for all divisions, except Legislative, are computed based upon the member's "final average salary", length of service and a pension factor. Monthly benefits vary depending upon the division to which the member belongs and range from 2 percent to 3.5 percent of the member's "final average salary".

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

Judicial Retirement System (JRS) - Persons who serve or have served in the office of Judge or Justice may be entitled to retirement benefits under Section 10-12B-1 through 10-12B-17, NMSA 1978, the "Judicial Retirement Act." Benefits are available at age 64 or older to anyone having served not less than five years. Early retirement at age 60 is available to anyone having served at least 15 years. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5 percent of their salaries and the members' court contributes 9 percent of the member's salary. Additionally, the district court contributes \$38 for each civil case docket fee paid. Contribution rates are established by State statute.

Magistrate Retirement System (MRS) - Persons who serve or have served in the office of Magistrate may be entitled to retirement benefits under Section 10-12C-1 through 10-12C-16, NMSA 1978, the "Magistrate Retirement Act". Benefits are available at age 64 or older to any Magistrate having ceased to hold office by reason of expiration of his term or voluntary resignation. Early retirement at age 60 is available to any magistrate or former magistrate having

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

served at least 15 years or at any age with 24 or more years of service credit. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5 percent of their salaries and the State, through the Administrative Office of the Courts, contributed 9 percent of the member's salary. Additionally, the magistrate or metropolitan court contributed \$25 for each civil case docket fee paid and \$10 for each civil jury fee paid. Contribution rates are established by State statute.

Volunteer Firefighters Retirement System (VFRS) - Persons who serve or have served as volunteer non-salaried firefighters may be entitled to retirement benefits under Section 10-11A-1 through 10-11A-7, NMSA 1978, the "Volunteer Firefighters Retirement Act". Benefits are available at age 55 or older to any member having served as a volunteer firefighter for not less than 10 years. The plan also provides for survivors' allowances. Benefits range from \$100 to \$200 per month based on length of service.

State statutes require that the State Treasurer transfer \$750 from the Fire Protection Fund to the "Volunteer Firefighters Retirement Fund.

The Educational Employees' Retirement System (EERS) - This 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.

The benefits are computed using the final average compensation and years of service. Plan options may be selected by retiring members requiring actuarial reductions based on attained age, age of spouse and similar actuarial factors. A brief summary of coverage plan provisions are as follows:

(1) Normal retirement eligibility conditions applicable to all members:

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

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 of each year of contributory employment needed, plus 3 percent compounded interest from July 1, 1957 to the date of payment.

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

When a member has completed five or more years of "earned service credit" and has made contributions for at least five years, the member may terminate employment, leave his/her contributions in the retirement fund and retire (1) when the member's age and years of "earned service credit" (covered employment in New Mexico) add up to the sum of 75 or more, or (2) the member may retire at age 65, if he/she has at least five years of "earned service credit."

- (2) Normal Retirement Pension Amount - The benefit for retirement at age 60, or after 25 years of service before age 60, is an annual sum equal to the "final average compensation" multiplied by the total number of years of service credited times 2.35 percent.
- (3) Normal and Optional Forms of Payment - The normal form of Payment is for life. Optional contingent survivor beneficiary forms of payment are available on an actuarial equivalent basis.
- (4) Disability Retirement - A member may be eligible for disability benefits after the member has completed ten years of earned service credit and is totally disabled to continue in employment and is unable to gain or retain other employment commensurate with his education, background and experience.

In order to receive benefits, the disabled member must have terminated employment because of their disability and must file application with the Educational Retirement Board.

The member must also submit to an examination by medical examiners appointed by the Board. The annual disability benefit generally shall be the final average compensation multiplied by number of years of service times 2.0 percent. If this amount is less than one-third of the final average compensation or the product of the final average compensation times 2.0 percent times the sum of the member's service credit and 60 minus member's age, whichever is less.

When a disabled member becomes age 60, the member is deemed to have retired, and thereafter, his/her disability benefit becomes a retirement benefit, subject to the reduction if the member elects an option. The member is no longer subject to removal from status due to an improvement of condition.

- (5) Cost of Living Increases - Pensions are increased each July 1 in accordance with 1/2 of the percent change in the Cost of Living of the preceding calendar year or 4 percent, whichever is less. The annual adjustment shall be no less than 2 percent. The first adjustment to the annuity will be made on July of the year in which the retirement member attains age 65 or on July 1 of the following year in which the member retires, whichever is later.

As a condition of participation in the EERS, both employees and employers are required to contribute 7.60 and 8.65 percent of salaries and wages, respectively.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Members may withdraw their contributions only when they terminate covered employment in New Mexico and certification of termination has been provided by the former employers. Interest paid to members when they withdraw their contributions, following termination of employment, is 75 percent of the average earnings rate of the fund during the five fiscal years preceding the year of withdrawal. Interest is not earned on contributions credited to accounts prior to July 1, 1971, and contributions on deposit for less than one year earned no interest. The total actuarial present value of the statutory obligations, also known as the actuarial present value of total projected benefits, is intended to help users assess systems funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons between public employee retirement systems. This calculation includes all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of the statutory obligations as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus invested earnings will provide sufficient assets to pay total projected benefits when due. Actuarial valuation and funding progress is further detailed in the other required supplementary information section of the financial statements.

C. Post-Employment Benefits Other than Pensions

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. 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.

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

Eligible retirees 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 Retiree Health Care Act on the person's behalf unless that person retires on or before July 1, 1995, in which event the time period required for employee and employer

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3. OTHER INFORMATION (CONTINUED)

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

contributions shall become the period of time between July 1, 1990, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium of \$97.60/\$72.65 (ERB/PERA) for the basic single plan and an additional participation fee of \$5.00 if the eligible participant retired prior to July 1, 1990, and made no contributions to the plan. Participants may also enroll in optional plans of coverage.

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

The post employment benefit expenses for the year ended June 30, 2004, consisted of premiums and claims paid in the amount of \$97,581. Participant contributions were \$120,797. Therefore, the net expense for the year was \$23,216. As of June 30, 2004, approximately 22,000 retirees were participating in the plan.

D. Deferred Compensation Plan

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local governments and school district employees whose employers have elected participation in the plan permitting participants to defer a portion of their salary until future years. The deferred compensation is not available to employees 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.

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 Treasury Department. Arbitrage, as defined, is the excess interest earned by a state or local government on proceeds from the sale of its bonds over interest paid to bond holders.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds (Continued)

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

	Bond Year End of First Rebate Computation	First Arbitrage Rebate Due Date	First Computation of Arbitrage Completed
Capital Projects General Obligation Bonds Series 1999	July 2004	August 2004	X
Capital Projects General Obligation Bonds Series 1995	September 2000	November 2000	X
Capital Projects General Obligation Bonds Series 1997	September 2002	November 2002	X
General Obligation Bonds Series 1993	September 1998	November 1998	X
General Obligation Bonds Series 1993 B	September 1998	November 1998	X
General Obligation Bonds Series 2001	July 2005	August 2005	
General Obligation Bonds Refunding Series 2001A	July 2005	August 2005	
Severance Tax Refunding Bonds Series 1997 - A	July 2002	August 2002	X
Severance Tax Refunding Bonds Series 1998 - A	July 2003	August 2003	X
Severance Tax Bonds Series 1993 - B	July 1998	August 1998	X
Severance Tax Bonds Series 1994 - B	July 1999	August 1999	X
Severance Tax Bonds Series 1995 - A	July 2000	August 2000	X
Severance Tax Bonds Series 1995 - B	July 2000	August 2000	X
Severance Tax Bonds Series 1996 - A	July 2001	August 2001	X
Severance Tax Bonds Series 1998 - B	July 2003	August 2003	X
Severance Tax Bonds Series 1999 - B	July 2004	August 2004	X
Severance Tax Bonds Series 1999 - A Supplemental	July 2004	August 2004	
Severance Tax Bonds Series 2000	July 2005	August 2005	
Severance Tax Bonds 2000C Supplemental	July 2006	August 2006	
Enhanced 911 Revenue Bonds Series 2000	July 2005	August 2005	

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds (Continued)

Interest earnings on invested bond proceeds through June 30, 2004, 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.

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 losses to the State not provided for thru its self-insurance funding, if any, are not likely to be material to the State's financial statements.

G. Deficit Fund Balance

The unreserved, undesignated fund balance of the Highway and Transportation, Regulation, Licensing & Etc. Capital Projects, Public Safety Special Revenue funds had a deficit as a result of expenditures in excess of available resources. The unrestricted net assets of the Internal Service, New Mexico Magazine, Lottery Authority and State Fair Commission funds had deficits as a result of general and administrative expenses exceeding current year revenue.

NOTE 3. OTHER INFORMATION (CONTINUED)

H. Land Grant Permanent Fund (LGPF)

The Fergusson Act of 1898 and the Enabling Act of 1910 granted certain lands held by the federal government to the territory of New Mexico. Under the terms of these grants, it was stipulated that such lands, totaling 13.4 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 State Land Office to the Investment Office, 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 November 5, 1996, New Mexico voters approved Constitutional Amendment No. 1 which, among other things, provides that annual distributions from the LGPF shall be one hundred two percent (102 percent) of the amount distributed in the immediately preceding fiscal year until the annual distributions equal four and seven-tenths percent (4.70 percent) of the average of the year-end market values of the fund for the immediately preceding five years. Thereafter, the amount of the annual distributions shall be four and seven-tenths percent (4.70 percent) of the average of the year-end market values of the fund for the immediately preceding five years. The amendment became effective when it was passed by the U.S. Congress and signed by the President of the United States in August 1997.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004

NOTE 3. OTHER INFORMATION (CONTINUED)

H. Land Grant Permanent Fund (Continued)

Beneficiary	Balance June 30, 2003	Earnings from State Lands	Other Decreases in Capital Accounts, net	Balance June 30, 2004	Participation Percentage June 30, 2004
Benefiting the State, included in governmental funds:					
Charitable penal and reform	\$ 56,827	3,997	5,218	66,042	0.83 %
Miner's Colfax Medical Center	75,387	2,824	6,856	85,067	1.11 %
New Mexico Boys School	541	-	48	589	0.01 %
New Mexico State Hospital	16,118	209	1,456	17,783	0.23 %
Improvements to the Rio Grande	22,071	201	1,992	24,264	0.32 %
Water reservoirs	70,369	2,978	6,416	79,763	1.04 %
Penitentiary of New Mexico	140,426	3,290	12,723	156,439	2.04 %
Public Buildings - Capitol	81,604	2,059	7,402	91,065	1.19 %
	<u>463,343</u>	<u>15,558</u>	<u>42,111</u>	<u>521,012</u>	<u>6.77 %</u>
Benefiting the State, included in proprietary funds:					
Eastern New Mexico University	6,953	47	627	7,627	0.10 %
New Mexico Highlands University	2,012	14	181	2,207	0.03 %
New Mexico Institute of Mining and Technology	13,910	214	1,258	15,382	0.20 %
New Mexico Military Institute	241,358	7,623	21,922	270,903	3.53 %
New Mexico School for the Deaf	144,793	3,918	13,130	161,841	2.11 %
New Mexico School for the Visually Handicapped	144,395	3,918	13,094	161,407	2.12 %
New Mexico State University	30,442	1,019	2,766	34,227	0.45 %
Northern New Mexico Community College	1,441	13	131	1,585	0.02 %
The University of New Mexico	115,737	3,021	10,508	129,266	1.70 %
The University of New Mexico Saline Lands	535	-	49	584	0.01 %
Western New Mexico University	2,028	13	183	2,224	0.03 %
	<u>703,604</u>	<u>19,800</u>	<u>63,849</u>	<u>787,253</u>	<u>10.30 %</u>
Not considered to benefit the State, included in fiduciary funds:					
Public schools	5,641,251	200,918	513,321	6,355,490	82.93 %
Total net assets held in trust for pool participants	<u>\$ 6,808,198</u>	<u>236,276</u>	<u>619,281</u>	<u>7,663,755</u>	<u>100.00 %</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3. OTHER INFORMATION (CONTINUED)

I. Segment Information

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

	Educational Institutions							
	State Fair	NM State	Eastern NM	Highlands	Military Inst	NM Tech	Western	UNM
Condensed Statement of Net Assets								
Current assets	\$ 1,396	69,478	19,141	17,190	5,882	41,142	9,609	328,536
Capital assets, net	29,936	291,435	72,964	42,984	42,450	99,248	23,766	619,745
Other assets	-	144,768	23,161	4,054	279,189	61,926	2,824	350,325
Total assets	\$ 31,332	505,681	115,266	64,228	327,521	202,316	36,199	1,298,606
Current liabilities	\$ 1,880	40,061	9,512	7,136	3,751	13,980	3,861	149,843
Long-term liabilities	734	80,789	13,098	7,257	8,569	19,266	4,764	256,059
Total liabilities	\$ 2,614	120,850	22,610	14,393	12,320	33,246	8,625	405,902
Invested in Capital assets, net of related debt	\$ 29,150	232,657	62,604	37,054	32,877	96,373	18,751	399,374
Restricted	738	75,415	10,213	7,687	279,478	49,984	6,514	253,871
Unrestricted	(1,170)	76,759	19,839	5,094	2,846	22,713	2,309	239,459
Total net assets	\$ 28,718	384,831	92,656	49,835	315,201	169,070	27,574	892,704
Condensed Statement of Activities								
Operating Revenues:								
Sales/Services	\$ 9,278	27,927	9,233	2,474	4,689	3,585	1,854	88,052
Investment income	-	-	-	153	-	1,328	156	-
Licenses and fees	4,720	-	-	-	-	-	-	-
Net student tuition and fees	-	36,142	6,989	6,140	2,090	3,932	3,155	70,982
Patient income	-	-	-	-	-	-	-	96,800
Other	-	24,750	2,487	706	920	11,751	1,769	256,596
Total operating revenues	13,998	88,819	18,709	9,473	7,699	20,596	6,934	512,430
Operating Expenses:								
Operating expense	-	94,518	17,489	28,889	6,203	59,714	8,624	429,470
Depreciation	1,697	24,158	5,780	3,993	1,949	7,548	3,032	40,286
General and Administrative	14,194	282,547	60,380	19,673	13,437	29,373	21,004	657,626
Total operating expenses	15,891	401,223	83,649	52,555	21,589	96,635	32,660	1,127,382
Operating income (loss)	(1,893)	(312,404)	(64,940)	(43,082)	(13,890)	(76,039)	(25,726)	(614,952)
Nonoperating revenue (expense)								
Grants and contracts	-	146,457	28,093	23,973	2,167	52,249	8,071	260,969
Net investment income	6	3,184	970	225	41,957	892	23	43,999
Other revenue	714	3,659	-	-	-	327	-	103,255
Interest expense	-	(2,762)	(659)	-	(453)	(140)	-	(9,638)
Other expense	-	(10,458)	2,212	-	-	-	-	(535)
Total nonoperating income	720	140,080	30,616	24,198	43,671	53,328	8,094	398,050
Other	-	31,683	2,760	6,763	2,503	12,269	1,153	17,079
Net transfers	-	157,216	35,849	24,510	-	22,871	15,515	247,547
Change in net assets	(1,173)	16,575	4,285	12,389	32,284	12,429	(964)	47,724
Net assets at beginning of year as restated	29,891	368,256	88,371	37,446	282,917	156,641	28,538	844,980
Net assets at end of year	\$ 28,718	384,831	92,656	49,835	315,201	169,070	27,574	892,704

**STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 3. OTHER INFORMATION (CONTINUED)

I. Segment Information (Continued)

	State Fair	NM State	Eastern NM	Highlands	Educational Institutions Military Inst.	NM Tech	Western	UNM
Condensed Statement of Cash Flows								
Net cash provided (used) by:								
Operating activities	\$ (177)	(125,919)	(31,760)	(15,661)	(9,669)	(12,052)	(15,278)	(275,527)
Noncapital financing activities	(393)	153,058	37,773	31,274	4	26,858	15,514	351,766
Capital and related financing activities	(885)	(13,634)	(7,039)	(10,799)	(4,491)	(6,753)	(121)	(120,627)
Investing activities	6	(59,717)	204	(235)	12,804	(672)	23	(3,340)
Cash and cash equivalents at beginning of year	2,675	52,793	12,761	4,424	4,984	11,339	5,546	101,241
Cash and cash equivalents at end of year	\$ 1,226	6,581	11,939	9,003	3,632	18,720	5,684	53,513

This Page Intentionally Left Blank



**OTHER REQUIRED
SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR FUND - GENERAL FUND
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)

General Fund				
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Direct revenues				
Licenses and fees	\$ 90,273	98,679	97,990	(689)
Taxes	580	282	307	25
Miscellaneous	12,058	14,009	11,950	(2,059)
Interest	30,034	35,411	31,018	(4,393)
Grants	563,189	635,723	498,044	(137,679)
Other	68,145	80,459	80,839	380
Prior year funds rebudgeted	24,586	28,397	3,508	(24,889)
Other state funds	30,103	33,425	33,600	175
	<u>818,968</u>	<u>926,385</u>	<u>757,256</u>	<u>(169,129)</u>
Indirect revenues				
Transfers	11,505	11,505	8,040	(3,465)
Appropriations*	1,097,678	1,104,580	1,117,577	12,997
Other financing sources	23,685	31,740	23,890	(7,850)
	<u>1,132,868</u>	<u>1,147,825</u>	<u>1,149,507</u>	<u>1,682</u>
Total revenues	\$ 1,951,836	2,074,210	1,906,763	(167,447)
Expenditures				
Personnel services and benefits	\$ 906,386	920,037	900,631	19,406
Supplies	57	78	55	23
Contractual services	401,533	411,408	326,624	84,784
Operating costs	5,773	8,951	6,687	2,264
Other costs	520,047	584,378	545,364	39,014
Capital outlay	497	1,568	1,253	315
Other uses	75,143	99,865	83,420	16,445
Total expenditures	\$ 1,909,436	2,026,285	1,864,034	162,251

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR FUND - EDUCATION
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)

Education				
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Direct revenues				
Fees and charges	\$ -	-	-	-
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Grants	270,664	319,527	324,892	5,365
Other	-	-	-	-
Other state funds	75,169	75,169	83,714	8,545
Prior year funds rebudgeted	-	-	-	-
	<u>345,833</u>	<u>394,696</u>	<u>408,606</u>	<u>13,910</u>
Indirect revenues				
Transfers	-	-	-	-
Appropriations*	1,826,713	1,826,713	1,826,713	-
Other financing sources	324	324	259	(65)
	<u>1,827,037</u>	<u>1,827,037</u>	<u>1,826,972</u>	<u>(65)</u>
Total revenues	<u>\$ 2,172,870</u>	<u>2,221,733</u>	<u>2,235,578</u>	<u>13,845</u>
Expenditures				
Personnel services and benefits	\$ 20,098	21,296	20,712	584
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	7,533	14,568	13,238	1,330
Operating costs	-	-	-	-
Other costs	97,187	97,688	94,555	3,133
Capital outlay	-	-	-	-
Other uses	2,048,376	2,091,681	2,087,331	4,350
Total expenditures	<u>\$ 2,173,194</u>	<u>2,225,233</u>	<u>2,215,836</u>	<u>9,397</u>

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR FUND - HEALTH AND HUMAN SERVICES
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)

Health and Human Services				
	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Direct revenues				
Fees and charges	\$ 153	153	301	148
Licenses	2,279	2,279	3,513	1,234
Taxes	-	-	-	-
Miscellaneous	-	-	-	-
Interest	4	4	-	(4)
Grants	1,837,576	2,214,024	2,053,046	(160,978)
Other	51,055	47,678	60,289	12,611
Other state funds	1,146	1,216	1,190	(26)
Prior year funds rebudgeted	-	1,218	-	(1,218)
	<u>1,892,213</u>	<u>2,266,572</u>	<u>2,118,339</u>	<u>(148,233)</u>
Indirect revenues				
Transfers	-	-	-	-
Appropriations*	439,911	439,876	439,948	72
Other financing sources	7,954	7,954	29,579	21,625
	<u>447,865</u>	<u>447,830</u>	<u>469,527</u>	<u>21,697</u>
Total revenues	<u>\$ 2,340,078</u>	<u>2,714,402</u>	<u>2,587,866</u>	<u>(126,536)</u>
Expenditures				
Personnel services and benefits	\$ 1,095	2,220	1,507	713
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	92	92	91	1
Contractual services	22,205	46,182	27,741	18,441
Operating costs	384	484	389	95
Other costs	2,324,751	2,672,014	2,572,370	99,644
Capital outlay	-	-	-	-
Other uses	5,896	6,988	5,887	1,101
Total expenditures	<u>\$ 2,354,423</u>	<u>2,727,980</u>	<u>2,607,985</u>	<u>119,995</u>

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR FUND - HIGHWAY AND TRANSPORTATION
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)

Highway and Transportation				
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Direct revenues				
Fees and charges	\$ -	-	-	-
Licenses	-	-	-	-
Taxes	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	737,189	737,189	-
Grants	303,268	310,095	292,847	(17,248)
Other	-	-	-	-
Other state funds	318,485	331,848	346,957	15,109
Prior year funds rebudgeted	13,578	13,866	-	(13,866)
	<u>635,331</u>	<u>1,392,998</u>	<u>1,376,993</u>	<u>(16,005)</u>
Indirect revenues				
Transfers	-	-	-	-
Appropriations*	-	-	4,631	4,631
Other financing sources	-	-	-	-
	<u>-</u>	<u>-</u>	<u>4,631</u>	<u>4,631</u>
Total revenues	\$ 635,331	1,392,998	1,381,624	(11,374)
Expenditures				
Personnel services and benefits	\$ 115,285	114,377	107,237	7,140
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	324,211	337,768	281,155	56,613
Operating costs	-	-	-	-
Other costs	129,083	137,339	127,031	10,308
Capital outlay	-	-	-	-
Other uses	116,425	854,414	117,225	737,189
Total expenditures	\$ 685,004	1,443,898	632,648	811,250

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
GENERAL FUNDS AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)

	General	Education	Health and Human Services	Highway & Transpiration
REVENUES				
Budgetary basis revenues	\$ 1,906,763	2,235,578	2,587,866	1,381,624
Change in accounts receivable	4,899	-	108	-
Change in deferred revenue	(186)	-	-	-
Change in due from	6,895	-	(15,539)	-
Change in other financing sources	(136,142)	75	171	(737,189)
Prior cash budgeted	(11,512)	-	-	-
Revenue not budgeted	3,458,733	42,723	-	-
Reclassifications and other	42,627	(1,843,905)	74,623	(4,448)
Budgeted transfers	-	-	(451,241)	-
GAAP basis revenues	<u>\$ 5,272,077</u>	<u>434,471</u>	<u>2,195,988</u>	<u>639,987</u>
EXPENDITURES				
Budgetary basis expenditures	\$ 1,864,034	2,215,836	2,607,985	632,648
Change in accounts payable	9,953	-	(1,360)	-
Change in other accruals	25,231	-	(5)	-
Change in valid encumbrances	26,417	24,974	(809)	144,271
Change in due to	19	-	340	-
Change in other financing uses	8,126	(16,956)	33,669	26,832
Other	(91,490)	364,251	44,361	278,855
GAAP basis expenditures	<u>\$ 1,842,290</u>	<u>2,588,105</u>	<u>2,684,181</u>	<u>1,082,606</u>

**STATE OF NEW MEXICO
NOTE A – BUDGETARY REPORTING
JUNE 30, 2004**

A. Budgetary Data

Budget Process

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:

An operating budget is submitted annually for approval to the Budget division of the Department of Finance and Administration and reviewed by the Legislative Finance Committee, State of New Mexico. A modified cash basis of accounting is used for budgetary purposes and differs from accounting principles generally accepted in the United States of America (GAAP). The budget is prepared on the modified cash basis whereby revenues are recorded when received and expenses are recorded when paid. Current year outstanding encumbrances are a budgetary expense. Certain GAAP expenses, such as depreciation expense, and adjustments to the reserve for losses are not recorded as budgetary expenditures. Budget amendments must be reviewed by the Department of Finance and Administration. Administrative line item expenditures may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed approved budget category amounts.

Budgetary Basis of Accounting

The budgetary basis of accounting required by State law differs materially from the basis used to report revenues and expenditures in accordance with accounting principles generally accepted in the United States of America (GAAP). Appropriations are made from funds that are prescribed by law.

Budgetary basis revenues are essentially reported on the modified accrual basis and include amounts classified by GAAP as other financing sources. Budgetary basis expenditures include all payments made during the fiscal year against the current budget, and encumbrances of the current year budget at the end of the fiscal period, that the Department of Finance and Administration has approved and carried forward. The budgetary basis expenditures exclude any payments made during the fiscal year against prior year encumbrances (budgets).

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

Budget to GAAP Reconciliation

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE EDUCATIONAL RETIREMENT SYSTEM (EERS)
For The Last Seven Years Ending June 30, 2004
(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, 2004	\$ 7,488,000	\$ 9,927,100	\$ 2,439,100	75%	\$ 2,142,400	114%
June 30, 2003	7,518,200	9,266,600	1,748,400	81%	2,032,500	86%
June 30, 2002	7,595,100	8,748,000	1,152,900	87%	1,978,500	58%
June 30, 2001	7,418,300	8,070,300	652,000	92%	1,819,600	36%
June 30, 2000	6,835,800	7,460,600	624,800	92%	1,795,700	35%
June 30, 1999	5,988,500	6,971,700	983,200	86%	1,637,500	60%
June 30, 1998	5,169,500	6,398,800	1,229,300	81%	1,542,800	80%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2004	\$ 203,937	92.8%
2003	179,132	100.0%
2002	173,863	100.0%
2001	161,524	100.0%
2000	153,260	100.0%
1999	145,521	100.0%
1998	136,190	100.0%

Additional Information

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

Valuation date	June 30, 2004
Actuarial cost method	Entry Age Normal
Amortization method	Level Payment, open
Remaining amortization period	Infinite
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return*	8%
Projected salary increases*	4.50% to 13%
*Includes inflation at	3%
Cost of living adjustments (when applicable)'	2%

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Seven Years Ending June 30, 2004
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded Actuarial Accrued Liability (Excess) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2004	\$ 9,275,676	\$ 9,973,755	\$ 698,079	93%	\$ 1,499,069	47%
June 30, 2003	8,976,908	9,223,602	246,696	97%	1,437,357	17%
June 30, 2002	8,769,234	8,505,931	(263,304)	103%	1,396,209	0%
June 30, 2001	8,308,210	7,883,447	(424,763)	105%	1,318,275	0%
June 30, 2000	7,527,280	7,118,975	(408,305)	106%	1,253,305	0%
June 30, 1999	6,494,487	6,554,553	60,066	99%	1,200,505	5%
June 30, 1998	5,487,475	6,000,439	512,964	91%	1,146,991	45%

Schedule of Employer Contributions

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

Additional Information

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

Valuation date	June 30, 2004
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	21 years
Asset valuation method	Smoothed market 4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	4.5%
Post retirement benefit increases	3.0%
Projected salary increases*	5.0% - 15.5%**

* Includes inflation

** Projected salary increases, attributable to seniority/merit, vary from 0.00% to 3.8% based on age of employee and division in which employed.

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE JUDICIAL RETIREMENT SYSTEM (JRS)
For The Last Seven Years Ending June 30, 2004
(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, 2004	\$ 66,209	\$ 87,620	\$ 21,411	76%	\$ 9,074	236%
June 30, 2003	65,223	85,952	20,728	76%	8,575	242%
June 30, 2002	61,686	75,958	14,272	81%	7,507	190%
June 30, 2001	59,523	70,604	11,081	84%	7,060	157%
June 30, 2000	54,726	63,316	8,590	86%	6,754	127%
June 30, 1999	47,776	58,189	10,413	82%	7,071	147%
June 30, 1998	41,974	56,176	14,202	75%	6,644	256%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2004	\$ 3,721	69.7%
2003	2,813	75.3%
2002	2,737	74.9%
2001	2,342	92.2%
2000	2,682	79.0%
1999	2,374	86.2%
1998	2,540	80.4%

Additional Information

The additional information presented in 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, 2004
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years
Asset valuation method	Smoothed market
	4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)
For The Last Seven Years Ending June 30, 2004
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2004	\$ 30,072	\$ 30,195	\$ 123	100%	\$ 3,002	4%
June 30, 2003	29,630	29,078	(551)	102%	3,082	0%
June 30, 2002	32,040	28,959	(3,080)	111%	3,997	0%
June 30, 2001	30,258	26,685	(3,573)	113%	3,651	0%
June 30, 2000	27,097	23,738	(3,359)	114%	3,485	0%
June 30, 1999	23,369	21,645	(1,724)	108%	3,427	0%
June 30, 1998	19,988	20,388	400	98%	2,471	16%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2004	\$ 911	117.6%
2003	881	129.7%
2002	779	147.1%
2001	730	175.5%
2000	750	101.5%
1999	803	134.2%
1998	911	117.6%

Additional Information

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

Valuation date	June 30, 2004
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years
Asset valuation method	Smoothed market
	4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)
For The Last Seven Years Ending June 30, 2004
(IN THOUSANDS)

Pension Trust Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL) --Entry Age	Unfunded (Excess) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2004	\$ 33,000	\$ 17,778	\$ (15,222)	186%	N/A*	N/A
June 30, 2003	31,222	17,058	(14,163)	183%	N/A*	N/A
June 30, 2002	29,784	16,128	(13,656)	185%	N/A*	N/A
June 30, 2001	27,992	15,807	(12,185)	177%	N/A*	N/A
June 30, 2000	24,641	17,303	(7,338)	0%	N/A*	N/A
June 30, 1999	20,246	16,161	(4,085)	125%	N/A*	N/A
June 30, 1998	16,248	14,897	(1,351)	109%	N/A*	N/A

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2004	0 - 680	110.3%
2003	0 - 653	114.9%
2002	51 - 953	52.5%
2001	1,788 - 3,385	29.5%
2000	1,867 - 3,346	37.4%
1999	1,907 - 3,266	30.6%
1998	1,940 - 3,197	31.3%

Additional Information

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

Valuation date	June 30, 2004
Actuarial cost method	Unit credit cost
Amortization method	Level percent open
Amortization period	30 years #
Asset valuation method	Smoothed market 4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	N/A+
Projected salary increases*	N/A+

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

STATE OF NEW MEXICO
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 REVENUES AND EXPENSES BY TYPE
 THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)
 For The Last Nine Years Ending June 30, 2004
 (IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2004	\$ 162,119	\$ 189,325	\$ 919,402	\$ 4,201	\$ 1,275,047
2003	154,427	179,010	160,929	4,344	498,710
2002	151,378	173,863	(582,713)	3,450	(254,022)
2001	150,068	161,524	(807,706)	3,689	(492,425)
2000	139,180	153,260	853,378	3,485	1,149,303
1999	130,644	145,522	688,313	2,849	967,328
1998	122,499	136,191	199,961	4,283	462,934
1997	115,616	130,033	220,812	2,219	468,680
1996	112,350	126,594	294,029	2,279	535,252

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2004	\$ 422,418	\$ 2,583	\$ 21,859	\$ -	\$ 446,860
2003	396,082	4,013	28,338	274	428,707
2002	367,495	3,622	28,508	-	399,625
2001	340,595	3,518	36,634	-	380,747
2000	311,814	2,544	35,153	-	349,511
1999	274,836	4,207	29,955	-	308,998
1998	254,407	2,489	28,246	-	285,142
1997	231,602	2,377	24,683	-	258,662
1996	210,621	2,369	22,969	-	235,959

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
REVENUES AND EXPENSES BY TYPE
THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Nine Years Ending June 30, 2004
(IN THOUSANDS)

REVENUES BY SOURCE

Fiscal Year Ended June 30	Member	Employer	Investment	Other	Total
	Contributions	Contributions	Income	Income	
2004	\$ 151,568	\$ 223,060	\$ 1,258,274	\$ 9,448	\$ 1,642,350
2003	149,814	213,713	278,314	198	642,039
2002	143,833	204,734	(175,299)	157	173,425
2001	135,594	196,544	(166,425)	3,055	168,768
2000	125,929	182,000	834,762	4,654	1,147,345
1999	119,377	174,325	929,248	4,517	1,227,467
1998	113,693	165,249	908,326	4,143	1,191,411
1997	109,624	162,496	873,646	9,150	1,154,916
1996	105,256	158,086	742,082	3,493	1,008,917

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefit	Administrative	Refunds to	Other	Total
	Payments	Expenses	Terminated Employees	Expenses	
2004	\$ 387,308	\$ 8,257	\$ 28,146	\$ -	\$ 423,711
2003	349,178	6,756	25,986	-	381,920
2002	318,441	3,815	25,625	-	347,881
2001	291,118	3,993	27,358	-	322,469
2000	264,480	3,273	26,812	-	294,565
1999	237,555	4,876	25,612	-	268,043
1998	212,130	12,913	25,000	-	250,043
1997	182,217	12,611	21,487	-	216,315
1996	161,927	11,082	19,317	-	192,326

STATE OF NEW MEXICO
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 REVENUES AND EXPENSES BY TYPE
 THE JUDICIAL RETIREMENT SYSTEM (JRS)
 For The Last Nine Years Ending June 30, 2004
 (IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2004	\$ 454	\$ 2,674	\$ 8,531	\$ 3,291	\$ 14,950
2003	372	2,118	1,837	-	4,327
2002	378	2,051	(1,288)	-	1,141
2001	359	2,159	(1,206)	-	1,312
2000	343	2,120	6,099	22	8,584
1999	323	2,046	6,866	-	9,235
1998	346	2,043	1,978	-	4,367
1997	310	2,286	6,827	242	9,665
1996	301	1,919	4,370	5	6,595

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2004	\$ 4,481	\$ 12	\$ -	\$ -	\$ 4,493
2003	4,030	12	-	-	4,042
2002	3,499	9	-	-	3,508
2001	3,427	8	1	-	3,436
2000	3,185	8	9	-	3,202
1999	2,945	8	-	-	2,953
1998	2,794	13	-	-	2,807
1997	2,461	12	-	-	2,473
1996	2,173	14	38	-	2,225

STATE OF NEW MEXICO
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 REVENUES AND EXPENSES BY TYPE
 THE MAGISTRATE RETIREMENT SYSTEM (MRS)
 For The Last Nine Years Ending June 30, 2004
 (IN THOUSANDS)

REVENUES BY SOURCE

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2004	\$ 149	\$ 779	\$ 4,560	\$ -	\$ 5,488
2003	205	1,143	1,020	-	2,368
2002	193	1,146	(611)	-	728
2001	180	1,282	(532)	15	945
2000	175	940	2,877	9	4,001
1999	160	1,077	3,256	1	4,494
1998	164	1,072	858	-	2,094
1997	167	1,086	3,323	-	4,576
1996	164	1,219	2,027	-	3,410

EXPENSES BY TYPE

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2004	\$ 1,591	\$ 48	\$ -	\$ 3,291	\$ 4,930
2003	1,462	10	-	-	1,472
2002	1,197	7	2	-	1,206
2001	1,122	6	14	-	1,142
2000	1,065	6	-	-	1,071
1999	895	6	40	-	941
1998	712	8	24	-	744
1997	654	7	-	-	661
1996	551	10	-	-	561

STATE OF NEW MEXICO
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 REVENUES AND EXPENSES BY TYPE
 THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)
 For The Last Nine Years Ending June 30, 2004
 (IN THOUSANDS)

REVENUES BY SOURCE

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2004	\$ -	\$ 750	\$ 4,465	\$ -	\$ 5,215
2003	-	750	1,014	-	1,764
2002	-	500	(587)	-	(87)
2001	-	1,000	(557)	-	443
2000	-	1,250	2,660	-	3,910
1999	-	1,000	2,950	-	3,950
1998	-	1,000	744	-	1,744
1997	-	750	2,793	-	3,543
1996	-	500	1,720	-	2,220

EXPENSES BY TYPE

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2004	\$ 307	\$ -	\$ -	\$ -	\$ 307
2003	271	-	-	-	271
2002	247	-	-	-	247
2001	233	-	-	-	233
2000	212	-	-	-	212
1999	172	-	-	-	172
1998	147	2	-	-	149
1997	119	1	-	-	120
1996	79	6	-	-	85

This Page Intentionally Left Blank



**OTHER
SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET - BY FUND TYPE
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004
 (IN THOUSANDS)

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
ASSETS					
Cash and cash equivalents	\$ 196,027	5,531	91,258	1,639	294,455
Deferred charges and other assets	40	-	-	-	40
Intergovernmental receivables	2,947	-	281	-	3,228
Due from other funds	91,569	16,075	31,350	-	138,994
Inventories	88	-	-	-	88
Investments, at fair value	42,565	153,550	-	78,646	274,761
Receivables, net	11,788	181	1,725	19,015	32,709
Total assets	\$ 345,024	175,337	124,614	99,300	744,275
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payables	\$ 16,166	116	6,894	-	23,176
Accrued liabilities	999	85	10	-	1,094
Deferred revenue	48,726	-	27,030	-	75,756
Due to other funds	23,944	-	5,243	17,454	46,641
Intergovernmental payables	-	16,318	-	-	16,318
Securities lending payable	-	-	-	11,163	11,163
Funds held for others	87	-	-	-	87
Other obligations	47	-	-	-	47
Total liabilities	89,969	16,519	39,177	28,617	174,282
Fund Balances					
Fund balances reserved for					
Capital projects	-	-	19,452	-	19,452
Inventories	88	-	-	-	88
Encumbrances	100,227	-	54,396	-	154,623
Subsequent years' expenditures	62,188	-	-	-	62,188
Special projects	10,962	-	-	-	10,962
Fund balances segregated for					
Debt service	-	7,279	-	-	7,279
Pooled participants	-	-	-	70,683	70,683
Unreserved - special revenue	81,590	-	-	-	81,590
Unreserved - debt service funds	-	151,539	-	-	151,539
Unreserved - capital projects funds	-	-	11,589	-	11,589
Total fund balances	255,055	158,818	85,437	70,683	569,993
Total liabilities and fund balance	\$ 345,024	175,337	124,614	99,300	744,275

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)**

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
Revenues					
Charges for services	\$ 7,450	217	1,516	-	9,183
Federal funds	70,452	-	30,901	-	101,353
Interest and other investment income	8,023	13,807	3,417	8,790	34,037
Licenses, fees and permits	17,483	-	-	-	17,483
Other	5,794	-	13,152	-	18,946
State funds	-	-	3,884	-	3,884
Rentals and royalties	1,282	-	-	-	1,282
Taxes	28,517	2,794	-	-	31,311
Total revenues	139,001	16,818	52,870	8,790	217,479
Expenditures					
Current					
Expenditures					
General Control	134,004	2,820	1,946	117	138,887
Culture, Recreation, Natural Resources	12,125	53	12,108	-	24,286
Judicial	41,390	-	6	-	41,396
Public Safety	9,037	-	322	-	9,359
Regulation, Licensing, Etc,	20,884	-	62	-	20,946
Debt Service					
Interest payment	-	86,972	-	-	86,972
Principal payment	-	300,391	-	-	300,391
Capital outlay	1,405	-	76,361	-	77,766
Total expenditures	218,845	390,236	90,805	117	700,003
Excess (deficiency) of revenues over expenditures	(79,844)	(373,418)	(37,935)	8,673	(482,524)
Other Financing Sources (Uses)					
Face amount of bonds sold	86,459	5,757	22,984	-	115,200
Transfers in	179,409	370,559	60,942	54,839	665,749
Transfers out	(125,675)	(22,417)	(8,748)	(54,839)	(211,679)
Total other financing sources (uses)	140,193	353,899	75,178	-	569,270
Net change in fund balances	60,349	(19,519)	37,243	8,673	86,746
Fund balances - beginning as restated	194,706	178,337	48,194	62,010	483,247
Fund balances - ending	\$ 255,055	158,818	85,437	70,683	569,993

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2004
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control	Judicial
ASSETS			
Cash and cash equivalents	\$ 26,363	100,408	12,350
Deferred charges and other assets	-	-	-
Receivables, net	7,010	4,136	23
Due from other funds	2,982	80,446	897
Intergovernmental receivables	82	1,541	737
Inventories	-	-	-
Investments	17,549	-	-
Total assets	\$ 53,986	186,531	14,007
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payables	\$ 846	10,961	621
Accrued liabilities	114	55	671
Deferred revenue	40	43,383	2,793
Due to other funds	11,694	5,526	887
Funds held for others	-	34	53
Other obligations	47	-	-
Total liabilities	12,741	59,959	5,025
Fund Balance			
Reserved for			
Inventories	-	-	-
Encumbrances	6,087	81,266	2,627
Special projects	5,553	3,358	-
Subsequent years' expenditures	11,062	92	800
Unreserved - special revenue (deficit)	18,543	41,856	5,555
Total fund balances	41,245	126,572	8,982
Total liabilities and fund balance	\$ 53,986	186,531	14,007

	Public Safety	Reg, Lic. Etc.	Total
\$	7,494	49,412	196,027
	-	40	40
	152	467	11,788
	3	7,241	91,569
	344	243	2,947
	-	88	88
	-	25,016	42,565
\$	7,993	82,507	345,024

\$	1,078	2,660	16,166
	23	136	999
	-	2,510	48,726
	5,539	298	23,944
	-	-	87
	-	-	47
	6,640	5,604	89,969

	-	88	88
	1,277	8,970	100,227
	108	1,943	10,962
	2,382	47,852	62,188
	(2,414)	18,050	81,590
	1,353	76,903	255,055
\$	7,993	82,507	345,024

STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control	Judicial
Revenues			
Charges for services	\$ 1,632	3,190	737
Federal funds	713	55,907	8,445
Interest and other investment income	6,674	240	-
Licenses, fees and permits	36	249	158
Other	1,236	1,831	1,066
Rentals and royalties	1,282	-	-
Taxes	3,582	22,474	-
Total revenues	<u>15,155</u>	<u>83,891</u>	<u>10,406</u>
Expenditures			
Current expenditures	12,125	134,004	41,390
Debt Service			
Interest payment	-	-	-
Principal payment	-	-	-
Capital outlay	232	97	883
Total expenditures	<u>12,357</u>	<u>134,101</u>	<u>42,273</u>
Excess (deficiency) of revenues over expenditures	2,798	(50,210)	(31,867)
Other Financing Sources (Uses)			
Face amount of bonds sold	29	86,430	-
Transfers in	22,369	101,068	36,333
Transfers out	(26,276)	(93,069)	(1,635)
Total other financing sources (uses)	<u>(3,878)</u>	<u>94,429</u>	<u>34,698</u>
Net change in fund balances	(1,080)	44,219	2,831
Fund balances - beginning as restated	<u>42,325</u>	<u>82,353</u>	<u>6,151</u>
Fund balances - ending	<u>\$ 41,245</u>	<u>126,572</u>	<u>8,982</u>

	Public Safety	Reg, Lic. Etc.	Total
\$	1,891	-	7,450
	4,807	580	70,452
	-	1,109	8,023
	-	17,040	17,483
	684	977	5,794
	-	-	1,282
	-	2,461	28,517
	<u>7,382</u>	<u>22,167</u>	<u>139,001</u>
	9,037	20,884	217,440
	-	-	-
	-	-	-
	115	78	1,405
	<u>9,152</u>	<u>20,962</u>	<u>218,845</u>
	(1,770)	1,205	(79,844)
	-	-	86,459
	5,788	13,851	179,409
	(3,025)	(1,670)	(125,675)
	<u>2,763</u>	<u>12,181</u>	<u>140,193</u>
	993	13,386	60,349
	360	63,517	194,706
\$	<u>1,353</u>	<u>76,903</u>	<u>255,055</u>

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2004
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control
ASSETS		
Cash and cash equivalents	\$ 57,416	27,803
Receivables, net	1,703	22
Due from other funds	23,916	5,545
Intergovernmental receivables	111	25
Total assets	\$ 83,146	33,395
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payables	\$ 3,378	2,238
Accrued liabilities	10	-
Deferred revenue	18,894	8,061
Due to other funds	435	-
Total liabilities	22,717	10,299
Fund Balance		
Reserved for		
Capital projects	-	19,452
Encumbrances	51,998	1,996
Unreserved - capital projects (deficit)	8,431	1,648
Total fund balances	60,429	23,096
Total liabilities and fund balance	\$ 83,146	33,395

	Judicial	Public Safety	Reg, Lic. Etc.	Total
\$	493	5,260	286	91,258
	-	-	-	1,725
	553	1,191	145	31,350
	-	58	87	281
\$	1,046	6,509	518	124,614

\$	930	51	297	6,894
	-	-	-	10
	-	-	75	27,030
	11	4,797	-	5,243
	941	4,848	372	39,177

	-	-	-	19,452
	-	188	214	54,396
	105	1,473	(68)	11,589
	105	1,661	146	85,437
\$	1,046	6,509	518	124,614

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)**

	Culture Recreation and Natural Resources	General Control
Revenues		
Charges for services	\$ -	704
Federal funds	18,935	-
Interest and other investment income	19	3,395
Other	89	12,437
State funds	-	-
Total revenues	19,043	16,536
Expenditures		
Current expenditures	12,108	1,946
Capital outlay	12,999	27,407
Total expenditures	25,107	29,353
Excess (deficiency) of revenues over expenditures	(6,064)	(12,817)
Other Financing Sources (Uses)		
Face amounts of bonds sold	16,114	6,870
Transfers in	37,347	5,742
Transfers out	(3,829)	(101)
Total other financing sources (uses)	49,632	12,511
Net change in fund balances	43,568	(306)
Fund balances - beginning as restated	16,861	23,402
Fund balances - ending	\$ 60,429	23,096

	Judicial	Public Safety	Reg, Lic. Etc.	Total
\$	-	-	812	1,516
	-	10,797	1,169	30,901
	-	-	3	3,417
	-	270	356	13,152
	-	3,860	24	3,884
	-	14,927	2,364	52,870
	6	322	62	14,444
	17,671	15,973	2,311	76,361
	17,677	16,295	2,373	90,805
	(17,677)	(1,368)	(9)	(37,935)
	-	-	-	22,984
	17,668	185	-	60,942
	(11)	(4,807)	-	(8,748)
	17,657	(4,622)	-	75,178
	(20)	(5,990)	(9)	37,243
	125	7,651	155	48,194
\$	105	1,661	146	85,437

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2004
 (IN THOUSANDS)

	General Control	Culture Recreation and Natural Resources	Total
ASSETS			
Cash and cash equivalents	\$ 1,798	3,733	5,531
Receivables, net	181	-	181
Due from other funds	15,792	283	16,075
Investments	153,550	-	153,550
Total assets	\$ 171,321	4,016	175,337
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	116	116
Accrued liabilities	85	-	85
Intergovernmental payables	16,318	-	16,318
Other liabilities	-	-	-
Total liabilities	16,403	116	16,519
Fund Balance			
Reserved for debt service	4,947	2,332	7,279
Unreserved - designated for arbitrage	149,971	1,568	151,539
Total fund balances	154,918	3,900	158,818
Total liabilities and fund balance	\$ 171,321	4,016	175,337

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)**

	General Control	Culture Recreation and Natural Resources	Total
Revenues			
Taxes	\$ 2,794	-	2,794
Charges for services	-	217	217
Interest and other investment income	13,702	105	13,807
Total revenues	<u>16,496</u>	<u>322</u>	<u>16,818</u>
Expenditures			
Current expenditure	2,820	53	2,873
Debt service			
Interest payment	85,875	1,097	86,972
Principal payment	293,875	6,516	300,391
Total expenditures	<u>382,570</u>	<u>7,666</u>	<u>390,236</u>
Excess (deficiency) of revenues over expenditures	<u>(366,074)</u>	<u>(7,344)</u>	<u>(373,418)</u>
Other Financing Sources (Uses)			
Face amount of bonds sold	-	5,757	5,757
Transfer in	368,195	2,364	370,559
Transfer out	(22,092)	(325)	(22,417)
Total other financing sources (uses)	<u>346,103</u>	<u>7,796</u>	<u>353,899</u>
Net change in fund balances	(19,971)	452	(19,519)
Fund balances - beginning, as restated	<u>174,889</u>	<u>3,448</u>	<u>178,337</u>
Fund balances - ending	<u>\$ 154,918</u>	<u>3,900</u>	<u>158,818</u>

**STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2004**

NONMAJOR PROPRIETARY FUNDS

The Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

Commission for the Blind – The New Mexico Commission for the Blind's mission is to encourage and enable the State's blind citizens to achieve vocational, economic, and social equality. This proprietary fund is used to provide career training and other assistance for New Mexico's blind citizens and includes the operations of the Albuquerque Training Center.

Corrections Industries Revolving Fund – This fund is used to account for certain activities of the Corrections Industries Division. These activities include the manufacture of furniture and textiles, production of agricultural crops, and data entry services.

Environment Department – This fund is used to account for revolving loans for waste water and drinking water facilities.

New Mexico Magazine – New Mexico Magazine is a program of the Department of Tourism. The fund accounts for the publishing and distribution of a monthly magazine.

New Mexico Public Schools Insurance Authority (NMPSIA) – NMPSIA is a self-insurance pool that provides various benefits and risk coverage to participating public schools, school board members and public school employees, plus retired board members and employees. Coverage provided includes property, casualty, workers' compensation, health, life and disability.

New Mexico Lottery Authority – This fund accounts for the operation of lottery games to provide revenues for public purposes as defined by the New Mexico Lottery Act. The New Mexico Lottery Authority is a separate legal entity from the State and therefore, a blended component unit. The New Mexico Lottery Authority was created by New Mexico State Statute - 6-24-5A. A complete financial statement may be obtained from: New Mexico Lottery Authority, 4511 Osuna Road NE, Albuquerque, NM 87109.

State Infrastructure Bank – The State Infrastructure Bank is a proprietary fund administered by the State Highway and Transportation Department. The fund is used to account for loans made for road projects.

Miners' Colfax Medical Center – Miners' Colfax Medical Center is a State-owned medical facility in Raton, New Mexico. The current organization is a result of a merger between the miners' Hospital and Northern Colfax County Hospital. Miners' Colfax operates a 33-bed acute care hospital; a 49 bed extended care facility and various outpatient clinics in Raton, New Mexico. Miners' Colfax has programs that serve both miners and non-miners.

State Fair Commission – This fund administers the operations of the annual New Mexico State Fair.

This Page Intentionally Left Blank

STATE OF NEW MEXICO
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2004
(IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
ASSETS				
Current assets				
Cash and cash equivalents	\$ 9	2,020	75,969	721
Deferred charges and other assets	-	4	-	1
Intergovernmental receivables	-	-	287	-
Due from other funds	-	727	4,500	-
Inventories	329	994	-	218
Receivables, net of allowance for uncollectible	26	162	1,834	255
Loans receivable, current	-	-	5,882	-
Total current assets	364	3,907	88,472	1,195
Non-current assets				
Investments	-	-	-	-
Loans receivable, long-term	-	-	100,885	-
Capital assets, net of depreciation	121	925	-	38
Total noncurrent assets	121	925	100,885	38
Total assets	\$ 485	4,832	189,357	1,233
LIABILITIES				
Current Liabilities				
Accounts payables	\$ 22	170	-	46
Accrued liabilities	97	173	-	92
Deferred revenues	-	25	-	1,264
Due to other funds	-	16	-	-
Other long-term liabilities, current	-	-	-	-
Bonds payable, current	-	-	-	-
Total current liabilities	119	384	-	1,402
Noncurrent Liabilities				
Bonds payable, long-term	-	-	-	-
Total liabilities	119	384	-	1,402
NET ASSETS				
Investment in capital assets, net of related debt	121	925	-	38
Restricted for				
Loans	-	-	-	-
Debt service	-	-	-	-
Future benefits	-	-	-	-
Unrestricted (deficit)	245	3,523	189,357	(207)
Total net assets (deficit)	366	4,448	189,357	(169)
Total net assets and liabilities	\$ 485	4,832	189,357	1,233

	Public Schools Insurance	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	State Fair Commission	Total
\$	37,511	3,049	17,980	14,915	1,226	153,400
	250	2,773	-	-	7	3,035
	-	-	-	-	-	287
	-	-	-	-	-	5,227
	-	17	-	446	18	2,022
	164	1,752	23	1,812	145	6,173
	-	-	2,806	-	-	8,688
	<u>37,925</u>	<u>7,591</u>	<u>20,809</u>	<u>17,173</u>	<u>1,396</u>	<u>178,832</u>
	25,558	-	-	2,704	-	28,262
	-	-	-	-	-	100,885
	576	943	-	11,491	29,936	44,030
	<u>26,134</u>	<u>943</u>	<u>-</u>	<u>14,195</u>	<u>29,936</u>	<u>173,177</u>
\$	<u>64,059</u>	<u>8,534</u>	<u>20,809</u>	<u>31,368</u>	<u>31,332</u>	<u>352,009</u>
\$	3,965	2,304	-	260	273	7,040
	51,157	3,199	-	470	442	55,630
	110	-	-	44	440	1,883
	-	2,733	2,806	-	-	5,555
	-	248	-	-	350	598
	-	-	-	-	375	375
	<u>55,232</u>	<u>8,484</u>	<u>2,806</u>	<u>774</u>	<u>1,880</u>	<u>71,081</u>
	-	-	-	299	734	1,033
	<u>55,232</u>	<u>8,484</u>	<u>2,806</u>	<u>1,073</u>	<u>2,614</u>	<u>72,114</u>
	576	695	-	11,491	29,150	42,996
	-	-	18,003	-	-	18,003
	-	-	-	-	738	738
	8,063	-	-	-	-	8,063
	188	(645)	-	18,804	(1,170)	210,095
	<u>8,827</u>	<u>50</u>	<u>18,003</u>	<u>30,295</u>	<u>28,718</u>	<u>279,895</u>
\$	<u>64,059</u>	<u>8,534</u>	<u>20,809</u>	<u>31,368</u>	<u>31,332</u>	<u>352,009</u>

STATE OF NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2004
 (IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
Operating Revenues				
Charges for services	\$ -	4,298	-	4,217
Sales income	-	-	-	-
Federal funds	152	-	13,886	-
Interest and other investment income	-	23	3,568	-
Licenses, fees and permits	-	-	-	-
Other operating revenues	585	-	69	-
Patient services/clinical operations	-	-	-	-
Total operating revenues	737	4,321	17,523	4,217
Operating Expenses				
Benefits, claims and premiums	-	-	-	-
Game expense	-	-	-	-
Depreciation expense	15	177	-	12
General and administrative	844	-	374	4,021
Losses	-	-	-	-
Other operating expenses	-	4,422	-	-
Total operating expenses	859	4,599	374	4,033
Operating (loss) income	(122)	(278)	17,149	184
Non-operating revenue (expense)				
Other nonoperating revenues	-	-	1,500	-
Total nonoperating revenues (expenses) income before transfers	-	-	1,500	-
Transfers in (out)	127	-	-	-
Change in net assets	5	(278)	18,649	184
Net assets (deficit) at beginning of year, as restated	361	4,726	170,708	(353)
Net assets (deficit) at end of year	\$ 366	4,448	189,357	(169)

	Public Schools Insurance	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	State Fair Commission	Total
\$	226,622	-	-	-	9,278	244,415
	-	142,317	-	-	-	142,317
	-	-	-	260	-	14,298
	5,234	100	200	4,997	6	14,128
	-	-	-	-	4,720	4,720
	-	-	-	111	-	765
	-	-	-	13,663	-	13,663
	231,856	142,417	200	19,031	14,004	434,306
	21,377	-	-	-	-	21,377
	-	101,358	-	-	-	101,358
	31	332	-	1,131	1,697	3,395
	890	-	-	-	14,194	20,323
	184,745	-	-	-	-	184,745
	16,755	4,971	-	17,042	-	43,190
	223,798	106,661	-	18,173	15,891	374,388
	8,058	35,756	200	858	(1,887)	59,918
	-	180	-	(48)	714	2,346
	-	180	-	(48)	714	2,346
	-	(35,936)	-	-	-	(35,809)
	8,058	-	200	810	(1,173)	26,455
	769	50	17,803	29,485	29,891	253,440
\$	8,827	50	18,003	30,295	28,718	279,895

STATE OF NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
Cash Flows from Operating Activities				
Amounts paid to third party administrators and other vendors	\$ -	-	-	-
Cash paid to suppliers and employees	(897)	(4,243)	(367)	(3,990)
Cash payments made to borrowers	-	-	(19,711)	-
Cash received on interest from loans	-	-	2,400	-
From MUSL	-	-	-	-
From retailers - sales net of commissions	-	-	-	-
Interest payments received from banks	-	22	684	-
Losses and loss adjustment expenses paid	-	-	-	-
Other income	152	-	-	-
Participant premiums collected	-	-	-	-
Premiums paid to health maintenance organizations	-	-	-	-
Receipts from customers	1,166	3,797	6,146	4,136
Reimbursement for losses from excess insurers and rebates	-	-	-	-
To prize winners and related taxes	-	-	-	-
Net cash (used) provided by operating activities	421	(424)	(10,848)	146
Cash Flows from Investing Activities				
Interest, dividends, gains & losses, net, on investment	-	-	-	-
Purchase of equities and bonds	-	-	-	-
Deposit reserve	-	-	-	-
Receipts of rent	-	-	-	-
Sales of equities and bonds	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Cash Flows from Non-Capital Financing Activities				
Appropriation from/reversion to state general fund	127	-	2,000	-
Interest paid on borrowing	-	-	-	-
Principal payments on bank borrowing	-	-	-	-
Transfers	-	-	-	-
Net cash provided (used) by non-capital financing	127	-	2,000	-
Cash Flows from Capital and Related Financing Activities				
Grant expenditures	-	-	(1)	-
Grant proceeds - EPA	-	-	13,599	-
Interest and fees paid on capital debt and leases	-	-	-	-
Principal paid on capital debt and leases	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Proceeds from capital debt	-	-	-	-
Proceeds from contributed capital	-	-	-	-
Proceeds from sale of property, land and equipment	-	-	-	-
Purchase of premises and equipment	(4)	(56)	-	(16)
Net cash (used) provided by capital financing activities	(4)	(56)	13,598	(16)
Net (decrease) increase in cash	544	(480)	4,750	130
Cash (deficit) at beginning of year	(535)	2,500	71,219	591
Cash at end of year	\$ 9	2,020	75,969	721

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	State Fair Commission	Total
\$	(16,847)	-	-	-	-	(16,847)
	-	(17,241)	-	(15,651)	(177)	(42,566)
	-	-	-	-	-	(19,711)
	-	-	-	-	-	2,400
	-	(16,996)	-	-	-	(16,996)
	-	133,009	-	-	-	133,009
	5,234	100	202	165	6	6,413
	(177,200)	-	-	-	-	(177,200)
	-	-	-	197	-	349
	223,323	-	-	-	-	223,323
	(21,256)	-	-	-	-	(21,256)
	-	-	-	17,759	-	33,004
	3,245	-	-	-	-	3,245
	-	(63,045)	-	-	-	(63,045)
	16,499	35,827	202	2,470	(171)	44,122
	4,851	29	-	(115)	-	4,765
	(35,171)	-	-	(108)	-	(35,279)
	-	798	-	-	-	798
	-	113	-	-	-	113
	34,345	-	-	53	-	34,398
	4,025	940	-	(170)	-	4,795
	-	-	-	-	-	2,127
	-	-	-	-	(43)	(43)
	-	-	-	-	(350)	(350)
	-	(36,220)	-	-	-	(36,220)
	-	(36,220)	-	-	(393)	(34,486)
	-	-	-	-	-	(1)
	-	-	-	-	-	13,599
	-	-	-	-	(48)	(48)
	-	-	-	(34)	(8)	(42)
	-	-	-	-	(350)	(350)
	-	-	2,501	-	-	2,501
	-	-	-	-	796	796
	-	-	-	6	-	6
	(4)	(350)	-	(775)	(1,275)	(2,480)
	(4)	(350)	2,501	(803)	(885)	13,981
	20,520	197	2,703	1,497	(1,449)	28,412
	16,991	2,852	15,277	13,418	2,675	124,988
\$	37,511	3,049	17,980	14,915	1,226	153,400

STATE OF NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (122)	(278)	17,149	184
Adjustments to reconcile operating income to net cash provided by				
Accounts payable and accrued liabilities	20	30	-	8
Accrued capital purchases	-	-	-	-
Accrued wages payable	-	20	-	-
Bad debt expense	-	-	6	(9)
Compensated absences	11	14	-	-
Construction loans in process	-	-	(16,536)	-
Credits received from vendors	-	-	-	-
Deferred revenues	-	25	-	(38)
Depreciation	15	177	-	12
Due from other funds	-	46	-	-
Payable to insurance carriers for claims paid	-	-	-	-
Due to other funds	-	(7)	-	-
Accrued interest	-	-	(359)	-
Inventories	(85)	37	-	6
Loans receivable	-	-	2,778	-
Other receivables	-	-	(13,886)	-
Prepaid expenses and deposits	-	6	-	18
Prize payables	-	-	-	-
Receivables from excess insurers	-	-	-	-
Receivables from participants	-	(670)	-	-
Receivables, net	582	176	-	57
Reserves for losses and loss adjustment expenses	-	-	-	-
Reserves on deposit	-	-	-	-
Unearned premium revenue	-	-	-	-
Unexpired subscriptions	-	-	-	(92)
Net cash provided (used) by operating activities	\$ 421	(424)	(10,848)	146

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	State Fair Commission	Total
\$	8,058	35,756	200	858	(1,887)	59,918
	797	(224)	-	(58)	(167)	406
	-	(57)	-	-	-	(57)
	-	-	-	-	34	54
	-	-	-	1,326	-	1,323
	-	-	-	-	-	25
	-	-	-	-	-	(16,536)
	-	(11)	-	-	-	(11)
	-	-	-	-	129	116
	31	332	-	1,131	1,697	3,395
	-	-	-	-	-	46
	118	-	-	-	-	118
	-	-	-	-	-	(7)
	-	-	2	-	-	(357)
	-	224	-	48	(3)	227
	-	-	-	-	-	2,778
	-	-	-	-	2	(13,884)
	-	22	-	74	(99)	21
	-	(1,165)	-	-	-	(1,165)
	(68)	-	-	-	-	(68)
	15	-	-	-	-	(655)
	-	822	-	(909)	123	851
	7,544	-	-	-	-	7,544
	-	128	-	-	-	128
	4	-	-	-	-	4
	-	-	-	-	-	(92)
\$	16,499	35,827	202	2,470	(171)	44,122

**STATE OF NEW MEXICO
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2004**

PRIVATE PURPOSE TRUST FUNDS

The Private Purpose Trust Funds are used to account for assets held by the government in a trustee capacity and where the principal may not be expended.

Scholarship Fund – This grouping includes scholarship trust funds administered by the Commission on Higher Education and the Department of Education.

Land Grant Permanent Fund – Under terms of the Fergusson Act of 1898 and the Enabling Act of 1910, certain lands held by the federal government were granted to the territory of New Mexico. The lands, totaling 13.4 million acres, are held in trust for the benefit of the public schools and other specific institutions. Only the portion of the fund that does not benefit the State is presented as a Private Purpose Trust Fund. Other portions of the fund that benefit the State are presented in both the Governmental Funds and the Proprietary Funds. The Fund is administered by the State Investment Council.

**STATE OF NEW MEXICO
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)**

	Scholarship Fund	Land Grant Permanent Fund	Total
ASSETS			
Cash and cash equivalents	\$ 2,214	149,787	152,001
Due from other funds	-	2,999	2,999
Investments at fair value	20	7,045,474	7,045,494
Receivables, net of allowance	-	139,111	139,111
Total assets	2,234	7,337,371	7,339,605
LIABILITIES & NET ASSETS			
Liabilities			
Distributions payable due to beneficiaries	-	24,734	24,734
Payable to brokers	-	51,746	51,746
Securities lending liability	-	905,401	905,401
Total liabilities	-	981,881	981,881
Net Assets			
Net assets held in trust for pool participants	2,180	6,355,490	6,357,670
Reserved for other beneficiaries	54	-	54
Net assets	\$ 2,234	6,355,490	6,357,724

**STATE OF NEW MEXICO
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2004
 (IN THOUSANDS)**

	Scholarship Fund	Land Grant Permanent Fund	Total
ADDITIONS			
Deposits	\$ -	195,995	195,995
Interest and other investment income	1	816,568	816,569
Total additions	1	1,012,563	1,012,564
DEDUCTIONS			
Distributions	-	292,347	292,347
Management expenses	-	10,710	10,710
Total deductions	-	303,057	303,057
Change in net assets	1	709,506	709,507
Net assets, beginning as restated	2,233	5,645,984	5,648,217
Net assets, ending	\$ 2,234	6,355,490	6,357,724

**STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2004**

PENSION TRUST FUNDS

The Pension Trust Funds are used to account for assets held by the government in a trustee capacity. These funds account for the activities of the Public and Educational Employees Retirement Systems.

Magistrate Retirement – The Magistrate Retirement Fund is a cost-sharing, multiple-employer defined benefit pension plan. All magistrates are eligible for membership upon election or appointment to office (eligibility is set forth in Section 10-12C-4, NMSA 1978).

Public Employees Retirement Fund (PERA) – PERA is a cost-sharing, multiple-employer defined benefit pension plan. Membership is open to employees and elected officials of every affiliated public employer (eligibility is set forth in Section 10-11-3, NMSA 1978). There are six divisions of members and eighteen coverage plans.

Educational Employees' Retirement System (ERA) – ERA is a qualified, defined benefit, governmental retirement plan established and administered by the State of New Mexico to provide pension benefits for all state certified employees, teachers and other employees of the State educational institutions, junior colleges, and technical vocational institutes.

Judicial Retirement – The Judicial Retirement Fund is a cost-sharing, multiple-employer defined benefit pension plan. Every judge or justice is eligible for membership upon election or appointment to office (eligibility is set forth in Section 10-12B-4, NMSA 1978).

Volunteer Firefighters Retirement – The Volunteer Firefighters Retirement Fund is a cost-sharing, multiple-employer defined pension benefit plan with a special funding mandate. Membership is open to most volunteer, nonsalaried firefighters who are listed as active members on the rolls of a fire department and meet certain age and service credit requirements (eligibility set forth in Section 10-11A-2, NMSA 1978).

New Mexico Retiree Health Care Authority (NMRHCA) – NMRHCA is an insurance fund that provides comprehensive group health insurance coverage for retired public employees, their spouses, dependents and surviving spouses.

**STATE OF NEW MEXICO
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)**

	Magistrate Retirement	PERA Retirement	Education Retirement
ASSETS			
Cash and cash equivalents	\$ 2,682	780,174	3,103
Due from other funds	-	203	-
Intergovernmental receivables	-	-	-
Investments at fair value	31,434	9,601,605	7,714,891
Receivables, net of allowance	3,145	941,942	81,885
Other assets	-	1,502	5,094
Total assets	37,261	11,325,426	7,804,973
LIABILITIES & NET ASSETS			
Liabilities			
Payables	-	8,357	6,834
Due to other funds	402	-	502
Intergovernmental payables	-	-	-
Payable to brokers	4,654	1,418,661	19,227
Other liabilities	-	-	-
Security lending payable	2,003	610,666	866,865
Total liabilities	7,059	2,037,684	893,428
Net Assets			
Net assets held in trust for pension	\$ 30,202	9,287,742	6,911,545

	Judicial Retirement	Volunteer Firefighters Retirement	Retiree Health Care Authority	Total
\$	5,503	2,759	14,568	808,789
	-	-	14,000	14,203
	348	-	-	348
	67,674	34,321	133,516	17,583,441
	6,687	3,291	5,033	1,041,983
	-	-	361	6,957
	80,212	40,371	167,478	19,455,721
	-	-	455	15,646
	102	47	-	1,053
	-	-	62	62
	10,013	5,079	-	1,457,634
	-	-	34,771	34,771
	4,310	2,186	-	1,486,030
	14,425	7,312	35,288	2,995,196
\$	65,787	33,059	132,190	16,460,525

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)**

	Magistrate Retirement	PERA Retirement	Education Retirement
ADDITIONS			
Employee contributions	\$ 149	151,568	162,119
Employer contributions	779	223,060	189,325
Other operating revenues	-	8,299	4,201
Nonoperating revenues	-	1,149	-
Transfer in	-	-	-
Investment earnings			
Interest and other investment income	4,560	1,258,274	945,006
Less investment expense	(15)	(15,846)	(25,601)
Net investment earnings	4,545	1,242,428	919,402
Total additions	5,473	1,626,504	1,275,047
DEDUCTIONS			
Benefits and claims	1,591	387,308	422,418
General and admin	48	8,257	2,583
Refunds	-	28,146	21,859
Transfer out	3,291	-	-
Total deductions	4,930	423,711	446,860
Change in net assets	543	1,202,793	828,187
Net assets, beginning	29,659	8,084,949	6,083,358
Net assets, ending	\$ 30,202	9,287,742	6,911,545

	Judicial Retirement	Volunteer Firefighters Retirement	Retiree Health Care Authority	Total
\$	454	-	118,699	432,989
	2,674	750	-	416,588
	-	-	7,759	20,259
	-	-	-	1,149
	3,291	-	-	3,291
	8,531	4,465	19,872	2,240,708
	(109)	(57)	-	(41,631)
	8,422	4,408	19,872	2,199,077
	14,841	5,158	146,330	3,073,353
	4,481	307	119,409	935,514
	12	-	2,341	13,241
	-	-	-	50,005
	-	-	-	3,291
	4,493	307	121,750	1,002,051
	10,348	4,851	24,580	2,071,302
	55,439	28,208	107,610	14,389,223
\$	65,787	33,059	132,190	16,460,525

**STATE OF NEW MEXICO
EXTERNAL TRUST FUNDS
JUNE 30, 2004**

EXTERNAL TRUST FUNDS

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

State Investment Council – The State Investment Council is responsible for the investment activities of certain State of New Mexico Trust Funds. Pursuant to New Mexico law, the Council created the following investment pools: Large Capitalization Active, Large Capitalization Index, Core Bonds, Mid/Small Capitalization, Non-U.S. Index, Non-U.S. Developed Markets, Non-U.S. Emerging Markets and High Yield Bonds. The investment pools provide long-term investment opportunities for state agencies and designated institutions that have funds available for a long-term investment program that will extend for more than one year.

State Treasurer – The Office of the State Treasurer holds and invests monies for other state agencies and local governments. There are three external investment pools: State Funds Investment Pool, Short-Term Investment Pool and Consolidated Investment Pool.

**STATE OF NEW MEXICO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 EXTERNAL TRUST FUNDS
 YEAR ENDED JUNE 30, 2004
 (IN THOUSANDS)**

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and cash equivalents	\$ 6,089	32,365	38,454
Investments at fair value	376,101	3,900,974	4,277,075
Receivables, net of allowance	6,019	5,288	11,307
Total Assets	\$ 388,209	3,938,627	4,326,836
LIABILITIES & NET ASSETS			
Liabilities			
Payable to brokers	\$ 2,238	-	2,238
Securities lending payable	51,498	-	51,498
Due to other funds	284	-	284
Total liabilities	54,020	-	54,020
Net Assets			
Net assets held in trust for pool participants	\$ 334,189	3,938,627	4,272,816

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EXTERNAL TRUST FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2004
(IN THOUSANDS)**

	State Investment Council	State Treasurer	Total
ADDITIONS			
Deposits	\$ -	362,018	362,018
Interest and other investment income	102,789	75,946	178,735
Total additions	102,789	437,964	540,753
DELETIONS			
Distributions	44,589	-	44,589
Expenses and management fees	455	397	852
Total deductions	45,044	397	45,441
Change in net assets	57,745	437,567	495,312
Net assets, beginning	276,444	3,501,060	3,777,504
Net assets, ending	\$ 334,189	3,938,627	4,272,816

**STATE OF NEW MEXICO
AGENCY FUNDS
JUNE 30, 2004**

AGENCY FUNDS

The Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or funds.

Allotment Related Funds – These funds are administered by the Department of Finance and Administration and serve to receive revenues and systematically distribute funds to state, county and municipal agencies. The funds are broadly classified as Policy Development, Fiscal Management and Community Development. Policy Development funds account for proceeds from sales of various bond issues, such as General Obligation and Severance Tax Bonds. Fiscal Management funds account for funds transmitted or transferred to various state agencies, including educational facilities. Community Development funds account for distributions of funds to county and municipal governments for designated projects.

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

Receipts Pending Distribution of Funds – These are funds administered by the Secretary of State, Regulation & Licensing, Public Regulation Commission, Gaming Control Board, Racing Commission, Department of Education, and Department of Finance & Administration.

Suspense Related Funds – These funds are administered by Taxation & Revenue, Department of Finance & Administration, Racing Commission, Livestock Board, Energy, Minerals & Natural Resources, Department of Human Services And Worker's Compensation Administration.

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

STATE OF NEW MEXICO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2004
 (IN THOUSANDS)

	Other Agency Funds	Allotment Related Funds	Culture, Recreation and Natural Resources
ASSETS			
Cash and cash equivalents	\$ 146,229	201,840	234
Due from other funds	34,247	524	-
Investments at fair value	31,106	-	-
Intergovernmental receivables	150	-	-
Other assets	9	-	-
Receivables, net of allowance	56,567	-	317
Security deposits	385,739	-	-
Total assets	654,047	202,364	551
LIABILITIES			
Deposits held in trust	\$ 391,139	-	-
Payable to beneficiary	106,407	-	-
Due to other funds	72,270	-	-
Intergovernmental payables	3,904	202,364	-
Funds held for others	72,660	-	551
Other liabilities	4,962	-	-
Payables	2,705	-	-
Total liabilities	654,047	202,364	551
Net assets	\$ -	-	-

	Receipts Pending Distribution of Funds	Suspense Related Funds	Total
\$	3,731	509,409	861,443
	10,906	111,431	157,108
	-	-	31,106
	-	3,301	3,451
	-	-	9
	78	584,741	641,703
	-	-	385,739
	14,715	1,208,882	2,080,559
\$	18	7,635	398,792
	-	-	106,407
	12,577	834,744	919,591
	2,120	200,003	408,391
	-	6,018	79,229
	-	56,326	61,288
	-	104,156	106,861
	14,715	1,208,882	2,080,559
\$	-	-	-

This Page Intentionally Left Blank



**STATISTICAL
SECTION**

STATE OF NEW MEXICO
REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL FUND TYPES
For the Last Ten Fiscal Years
(IN THOUSANDS)

	2004	2003	2002*	2001	2000
<u>Revenues by Source</u>					
Taxes	\$ 3,653,775	3,275,713	3,283,859	3,504,194	3,127,685
Licenses, fees and permits	79,069	113,421	92,360	81,523	73,457
Interest and other investment income	4,521,673	1,545,064	(1,112,306)	(1,239,950)	3,525,310
Rents and royalties	558,013	182,946	484,890	421,409	249,249
Charges for services	1,926,916	1,579,478	2,045,448	462,562	416,302
Intergovernmental	3,992,434	3,695,529	3,334,171	2,411,266	2,199,250
Contributions	849,577	805,552	674,600	728,773	676,252
Other sources	187,348	80,286	121,375	310,404	299,884
Total Revenues	\$ 15,768,805	11,277,989	8,924,397	6,680,181	10,567,389
<u>Expenditures by Function</u>					
Legislative	\$ 12,036	22,424	11,874	19,280	15,258
Judicial	168,013	158,362	153,391	174,901	133,534
General Control	2,741,228	2,392,404	2,589,502	2,203,032	1,902,418
Commerce and Industry	81,551	75,894	100,022	88,126	88,696
Culture/Recreation and Natural Resources	183,074	203,607	169,027	179,171	164,039
Health and Human Services	3,732,015	3,424,129	3,148,466	2,847,600	2,545,270
Public Safety	345,779	338,676	323,909	290,413	269,535
Highway and Transportation	785,042	585,187	875,972	951,306	897,716
Education	4,488,043	4,182,628	4,070,219	4,210,928	4,051,113
Total Expenditures	\$ 12,536,781	11,383,311	11,442,382	10,964,757	10,067,579

*As a result of adopting GASB 34 in 2002, certain revenues and expenditure amounts are not comparable to years prior to 2002. 2002 amounts include the primary government and component unit amounts from the statement of activities and fiduciary fund amounts from the statement of changes in fiduciary net assets.

	1999	1998	1997	1996	1995
\$	2,927,032	2,952,593	2,806,839	2,573,357	2,453,722
	86,612	76,376	70,649	61,594	89,153
	3,702,083	2,004,432	2,164,967	1,950,816	1,265,455
	156,876	245,529	205,646	142,997	153,163
	402,942	360,410	403,074	359,580	336,777
	1,875,180	1,812,429	1,728,017	1,714,313	1,637,462
	636,762	598,660	572,371	555,495	508,373
	273,623	250,649	252,330	204,831	172,632
\$	10,061,110	8,301,078	8,203,893	7,562,983	6,616,737

\$	17,564	8,343	14,472	12,383	13,120
	116,834	108,975	104,803	95,756	86,538
	1,746,989	1,754,206	1,496,887	1,384,824	1,287,330
	84,827	74,277	71,554	77,572	72,997
	141,441	123,888	117,389	138,033	119,949
	2,227,138	2,150,013	2,168,603	2,059,712	2,032,363
	290,887	224,811	222,355	220,444	197,796
	640,222	570,785	427,310	479,303	493,764
	3,762,107	3,486,091	3,355,295	3,228,810	3,073,573
\$	9,028,009	8,501,389	7,978,668	7,696,837	7,377,430

STATE OF NEW MEXICO
SCHEDULE OF REVENUES
STATE GENERAL FUND
For The Last Six Fiscal Years
(IN THOUSANDS)

	2004	2003	2002	2001	2000	1999
REVENUES						
Taxes and License Fees						
General and selective sales taxes:						
Gross receipts	\$ 1,556,015	1,340,369	1,274,281	1,253,424	1,142,105	1,120,710
Compensating	36,718	38,398	36,009	36,593	33,502	32,269
Tobacco (luxury)	51,828	18,318	17,985	18,422	18,939	19,115
Alcoholic beverage	28,472	25,376	24,688	26,687	26,752	26,057
Insurance	102,201	53,763	50,690	44,562	47,022	45,098
Fire protection	25,765	20,756	24,587	19,953	16,414	20,009
Public utilities	8,320	7,347	8,326	4,521	6,154	43
Racing	1,188	1,150	1,154	1,146	1,058	989
Private car	476	661	336	579	346	475
Motor vehicle and other excise tax	115,730	111,142	106,966	97,440	97,042	87,398
Gaming tax	41,646	38,997	28,920	23,353	19,416	2,341
Leased vehicles gross receipts & surcharge	6,556	6,067	6,362	6,352	6,367	7,577
Telecommunications relay surcharge	108	94	76	68	-	-
Boat excise tax	307	366	537	574	-	-
Total general and selective sales tax	1,975,330	1,662,804	1,580,917	1,533,674	1,415,117	1,362,081
Income Taxes						
Personal income taxes						
Gross Withholding	950,904	832,687	798,038	760,579	692,300	641,791
Final settlements	420,278	346,920	460,162	326,820	389,414	381,494
Less:						
Transfer - Retiree health care	(7,368)	(6,017)	(5,373)	(5,068)	(4,781)	(4,511)
Transfer - PIT suspense & others	(281,740)	(248,067)	(234,204)	(194,357)	(225,690)	(228,329)
Refunds - TAA suspense	(2,684)	(1,112)	(2,207)	9,513	16,191	5,203
Net personal income taxes	1,079,390	924,411	1,016,416	897,487	867,434	795,648
Corporate taxes	172,712	154,669	178,758	240,112	177,744	180,588
Less refunds	(49,269)	(51,823)	(37,085)	(20,325)	(11,942)	(19,853)
Net corporate income taxes	123,443	102,846	141,673	219,787	165,802	160,735
Estate taxes	8,764	28,443	21,185	24,228	16,237	21,909
Fiduciary taxes	11,033	7,003	9,331	8,607	8,644	7,633
Total income taxes	1,222,630	1,062,703	1,188,605	1,150,109	1,058,117	985,925
Severance taxes						
Oil and gas school tax	366,056	229,639	205,121	329,031	169,506	107,744
7% oil conservation	16,689	11,939	10,763	16,687	8,931	6,205
Resources excise	6,182	5,756	5,356	5,691	6,118	7,622
Natural gas processors	16,513	21,077	20,270	12,111	12,262	11,276
Total severance taxes	405,440	268,411	241,510	363,520	196,817	132,847
Total taxes	3,603,400	2,993,918	3,011,032	3,047,303	2,670,051	2,480,853
License Fees						
Manufactured housing	623	440	485	610	710	787
Franchise	121	57	17	3	5	54
Corporate filing	2,651	2,540	2,239	2,402	2,435	2,303
Alcoholic beverages and gaming	4,075	3,480	3,471	4,105	3,670	3,763
Financial institutions	2,585	2,288	2,123	2,029	2,038	1,999
Corporate special	4,620	4,356	4,267	7,319	4,774	10,244
Construction industries	6,432	4,881	4,846	6,315	5,084	4,787
Gaming license and permit fees	267	246	263	306	759	-
Securities receipts	16,273	12,307	12,454	12,749	11,866	10,941
Health facilities fees	271	329	391	75	252	66
Pipeline fees	55	56	71	54	30	64
Motor vehicles miscellaneous fees	141	123	124	402	679	614

STATE OF NEW MEXICO
SCHEDULE OF REVENUES
STATE GENERAL FUND
For The Last Six Fiscal Years
(IN THOUSANDS)

	2004	2003	2002	2001	2000	1999
REVENUES (CONTINUED)						
Taxes and License Fees (Continued)						
License Fees (Continued)						
Drivers Training Fees	\$ 46	27	31	18	-	-
State engineers fees	-	-	110	-	112	105
Total license fees	38,160	31,130	30,892	36,387	32,414	35,727
Total taxes and license fees	3,641,560	3,025,048	3,041,924	3,083,690	2,702,465	2,516,580
Other Revenue Sources						
Investment Income						
State land grant permanent fund income	292,235	275,684	258,049	234,280	219,820	215,453
Earnings on state balances	25,374	40,504	67,162	98,707	72,034	82,986
Severance tax permanent fund earnings	172,434	170,955	159,183	144,650	141,814	139,033
Total interest earnings	490,043	487,143	484,394	477,637	433,668	437,472
Rents and royalties						
Federal mineral leasing	334,883	268,366	229,323	374,464	205,321	135,692
Land office	22,061	20,727	19,919	31,239	23,815	11,936
Total rents and royalties	356,944	289,093	249,242	405,703	229,136	147,628
Miscellaneous Receipts and Fees						
Miscellaneous	\$ -	-	130	-	13	4
Environment Department filing fees	1,492	1,449	2,300	342	372	472
Local Government Investment Pool administrative fees	-	-	-	-	4	310
Tribal revenue sharing	58,634	33,096	107,339	53	17,917	30,180
Magistrate court costs	-	-	-	-	-	236
Media lease payments	18	19	-	-	-	-
Metro court costs	-	-	-	-	-	-
MVD penalty assessments	5,933	6,597	6,081	5,753	5,737	5,798
Fines and forfeitures	8,041	8,443	8,223	8,605	8,442	7,662
Birth and death certificates	572	709	533	561	525	488
District judge receipts	986	968	978	1,173	1,140	1,168
Notary public fees	783	751	808	574	593	656
Court of appeals	-	-	-	566	-	-
Legislative receipts	44	61	40	65	46	64
Workmen's compensation fees	2	29	-	39	-	314
Payroll administration costs	-	-	-	-	1	31
Law enforcement protection	-	669	1,096	339	2,038	-
Small county assistance	1,669	2,561	3,170	2,714	4,497	2,294
Supreme court fees	-	-	-	2	1	-
Unclaimed property	7,463	6,201	7,415	4,823	7,736	2,625
Public Defender reimbursement	260	223	207	192	233	271
Small cities assistance	371	1,851	559	1,357	532	2,165
Total miscellaneous receipts and fees	86,268	63,627	138,879	27,158	49,827	54,738
Other revenues						
Miscellaneous non-recurring	4,896	93	-	-	-	-
Transfers - reversions	45,984	50,340	42,119	-	-	-
Total other revenues	50,880	50,433	42,119	-	-	-
Total other revenue sources	984,135	890,296	914,634	910,498	712,631	639,838
Total revenues	\$ 4,625,695	3,915,344	3,956,558	3,994,188	3,415,096	3,156,418

STATE OF NEW MEXICO
NET ASSETS BY COMPONENT
Last Three Fiscal Years
(IN THOUSANDS)
(ACCRUAL BASIS OF ACCOUNTING)

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

STATE OF NEW MEXICO
CHANGES IN NET ASSETS
Last Three Fiscal Years
(IN THOUSANDS)
(ACCRUAL BASIS OF ACCOUNTING)

	<u>Fiscal Year</u>		
	2002	2003	2004
Program expenses			
Governmental activities:			
General government	\$ 367,506	279,041	537,442
Culture, recreation, natural resources	169,027	203,607	183,074
Highway and transportation	875,972	585,187	785,042
Judicial	153,391	158,362	168,013
Legislative	11,874	22,424	12,036
Public safety	323,909	338,676	345,779
Commerce and industry	100,022	75,894	81,551
Health and human services	3,148,466	3,424,129	3,732,015
Education	2,336,909	2,381,521	2,611,476
Interest	92,062	246,340	132,440
Total governmental activities expenses	<u>7,579,138</u>	<u>7,715,181</u>	<u>8,588,868</u>
Business type-activities:			
Unemployment insurance trust fund	135,748	174,705	159,954
Educational institutions	1,733,310	1,801,107	1,876,567
Nonmajor enterprise funds	419,484	344,429	374,388
Total business-type activity expenses	<u>2,288,542</u>	<u>2,320,241</u>	<u>2,410,909</u>
Total primary government expenses	<u>\$ 9,867,680</u>	<u>10,035,422</u>	<u>10,999,777</u>
Program revenues			
Governmental activities:			
Charges for services	\$ 720,718	503,908	640,028
Operating grants and contributions	2,413,596	2,765,888	3,182,126
Capital grants and contributions	334,663	324,588	292,847
Total governmental activities program revenues	<u>3,468,977</u>	<u>3,594,384</u>	<u>4,115,001</u>
Business-type activities:			
Charge for services	1,196,953	1,053,341	1,265,229
Operating grants and contributions	-	581,150	460,203
Capital grants and contributions	6,519	13,080	20,699
Total business-type activities program revenues	<u>1,203,472</u>	<u>1,647,571</u>	<u>1,746,131</u>
Total primary government program revenues	<u>\$ 4,672,449</u>	<u>5,241,955</u>	<u>5,861,132</u>
Net (expense) revenue			
Governmental activities	\$ (4,110,161)	(4,120,797)	(4,473,867)
Business-type activities	<u>(1,085,070)</u>	<u>(672,670)</u>	<u>(664,778)</u>
Total primary government net expense	<u>\$ (5,195,231)</u>	<u>(4,793,467)</u>	<u>(5,138,645)</u>

STATE OF NEW MEXICO
 CHANGES IN NET ASSETS
 Last Three Fiscal Years
 (IN THOUSANDS)
 (ACCRUAL BASIS OF ACCOUNTING)

	<u>Fiscal Year</u>		
	2002	2003	2004
General revenues and other changes in net assets			
Governmental activities:			
Taxes			
Individual income tax	\$ 1,009,224	980,326	1,090,733
Corporate income tax	138,078	102,846	131,897
Sales and use tax	303,615	275,873	327,878
Business privilege	1,305,730	1,684,150	1,821,396
Severance	194,347	-	-
Other taxes	381,209	301,555	360,940
Tribal gaming revenue	107,339	-	-
Investment income (loss)	169,647	639,731	1,071,990
Other revenue (expense)	27,775	139,060	181,707
Transfers	(484,860)	(473,007)	(481,507)
Total governmental activities	<u>3,152,104</u>	<u>3,650,534</u>	<u>4,505,034</u>
Business-type activities:			
Non-operating grants and contracts	534,293	-	-
Investment income (loss)	(55,987)	77,334	134,001
Other revenue (expense)	115,727	160,058	186,383
Transfers	484,860	473,007	481,507
Total business-type activities	<u>1,078,893</u>	<u>710,399</u>	<u>801,891</u>
Total primary government	<u>\$ 4,230,997</u>	<u>4,360,933</u>	<u>5,306,925</u>
Change in net assets			
Governmental activities	\$ (958,057)	(470,263)	31,167
Business-type activities	(6,177)	37,729	137,113
Total primary government	<u>\$ (964,234)</u>	<u>(432,534)</u>	<u>168,280</u>

STATE OF NEW MEXICO
 FUND BALANCES, GOVERNMENTAL FUNDS
 Last Three Fiscal Years
 (IN THOUSANDS)
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2002	2003	2004
General Fund			
Reserved	\$ 197,938	230,781	186,655
Unreserved	298,084	172,240	427,605
Total general fund	<u>\$ 496,022</u>	<u>403,021</u>	<u>614,260</u>
All other governmental funds			
Reserved	\$ 4,890,316	4,507,256	5,183,451
Unreserved, reported in:			
Special revenue funds	221,350	196,816	116,023
Capital projects funds	4,569	12,497	105,151
Debt service funds	11,486	177,355	889,304
Total all other governmental funds	<u>\$ 5,127,721</u>	<u>4,893,924</u>	<u>6,293,929</u>

STATE OF NEW MEXICO
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Three Fiscal Years
 (IN THOUSANDS)
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2002	2003	2004
Revenues			
Taxes	\$ 3,217,911	3,366,514	3,957,290
Licenses, fees and permits	92,360	113,421	79,069
Interest and other investment income	163,936	639,731	1,069,187
Rents and royalties	275,350	302,101	370,014
Charges for services	85,089	88,386	190,945
Intergovernmental	2,792,421	3,090,476	3,474,722
Other revenues	497,998	139,060	173,300
Total Revenues	<u>7,125,065</u>	<u>7,739,689</u>	<u>9,314,527</u>
Expenditures			
General Control	359,439	272,941	343,036
Culture, Recreation, Natural Resources	163,326	199,287	173,455
Highways and Transportation	478,520	208,190	291,302
Judicial	148,217	154,441	164,519
Legislative	11,474	22,121	11,935
Public Safety	312,982	330,397	325,687
Regulation, Licensing, Etc.	96,649	73,338	79,517
Health and Human Services	3,042,898	3,383,743	3,639,440
Education	2,258,083	2,321,789	2,610,544
Debt Service			
Interest	92,062	246,340	133,740
Principal	270,071	176,328	364,460
Bond issuance costs	-	-	10,597
Advance refunding escrow	-	-	7,286
Capital outlay	392,205	563,652	364,113
Total expenditures	<u>7,625,926</u>	<u>7,952,567</u>	<u>8,519,631</u>
Excess (deficiency) of revenues over expenditures	<u>(500,861)</u>	<u>(212,878)</u>	<u>794,896</u>
Other Financing Sources (Uses)			
Bonds issued	513,880	336,653	1,103,469
Bond premium	-	-	59,904
Refunding bond issue	-	-	437,950
Payment to refunded bond escrow agent	-	-	(408,856)
Transfers in	4,195,209	4,628,455	4,697,378
Transfers out	(4,681,988)	(5,103,650)	(5,180,257)
Total other financing sources(uses)	<u>27,101</u>	<u>(138,542)</u>	<u>709,588</u>
Net change in fund balances	<u>\$ (473,760)</u>	<u>(351,420)</u>	<u>1,504,484</u>
Debt service as a percentage of noncapital expenditures	5.01%	5.72%	6.11%