



STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PREPARED BY
THE NEW MEXICO DEPARTMENT OF FINANCE AND
ADMINISTRATION

JOEL P. HALLSBY, GOVERNOR

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
June 30, 2006



Bill Richardson, Governor

Prepared by Department of Finance and Administration

*Katherine Miller
Cabinet Secretary*

*Anthony I. Armijo, CPA
State Controller*

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2006

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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

May 9, 2008

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

On behalf of the New Mexico Department of Finance and Administration, we are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico for the fiscal year ended June 30, 2006, the State's official annual report. According to generally accepted accounting principles and state statute requirements, the State is obligated to prepare and publish the CAFR each year (Section 6-5-2.1D, NMSA, 1978, as amended, and Governmental Accounting Standards Board Codification Section 2200). The purpose of the CAFR is to report the financial position and results of operation of the State of New Mexico including an overview of its discretely presented component units, the New Mexico Finance Authority and the New Mexico Mortgage Finance Authority.

The CAFR 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 the benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

To the Honorable Governor Bill Richardson, the New Mexico State Legislature, and
the Citizens of the State of New Mexico
May 9, 2008

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The introductory section includes a table of contents, this letter of introduction, a list of selected state 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 supplementary information and combining statements. The MD&A provides a narrative analysis of the State of New Mexico's financial activities. The statistical section includes data on revenues by source and expenditures by function, a schedule of revenues, and revenues by expense and type of the State's retirement systems.

Fiscal year 2006 proved to be a record period of growth for the State of New Mexico. The State's contribution to the nation's Gross Domestic Product grew by 6.2 percent (adjusted for inflation) between 2005 and 2006. This growth rate nearly doubled that of the national average of 3.4 percent. New Mexico's fastest growing sectors were durable goods manufacturing, professional and technical services, mining, real estate sales, rental and leasing, and information technology. The state witnessed the strongest explosion in job growth it had seen in over a decade. The economy added 22,733 net jobs from the second quarter of 2005 to the second quarter of 2006. More than half of the additional jobs came from the following three sectors: construction, government and healthcare/social assistance. Construction added more than 10,000 jobs, an average annual increase of 6.6 percent, health care and social assistance employment increased 4 percent, while the government sector gained an 1.7 percent increase. Even though these sectors provided the most in terms of employment, Information Technology is the fastest growing industry in the state, having increased its statewide employment at a rate of 8.9 percent.

The State continues to enjoy high bond ratings indicative of its strong capacity to meet financial commitments. The State New Mexico is one of the few states with an operating surplus within general fund. These factors are the result of the State's continued commitment to sound fiscal management under the leadership of Governor Bill Richardson and the New Mexico Legislature.

Respectfully submitted,



Katherine B. Miller
Cabinet Secretary



Anthony I. Armijo, CPA, CGFM
State Controller

STATE OF NEW MEXICO

June 30, 2006

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 • **Doug Brown**, Interim State Treasurer • **Jason A. Marks**, Public Regulations Commission • **David King**, Public Regulations Commission • **Ben R. Lujan**, Public Regulations Commission • **Lynda M. Lovejoy**, Public Regulations Commission • **E. Shirley Baca**, Public Regulations Commission

Judicial

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

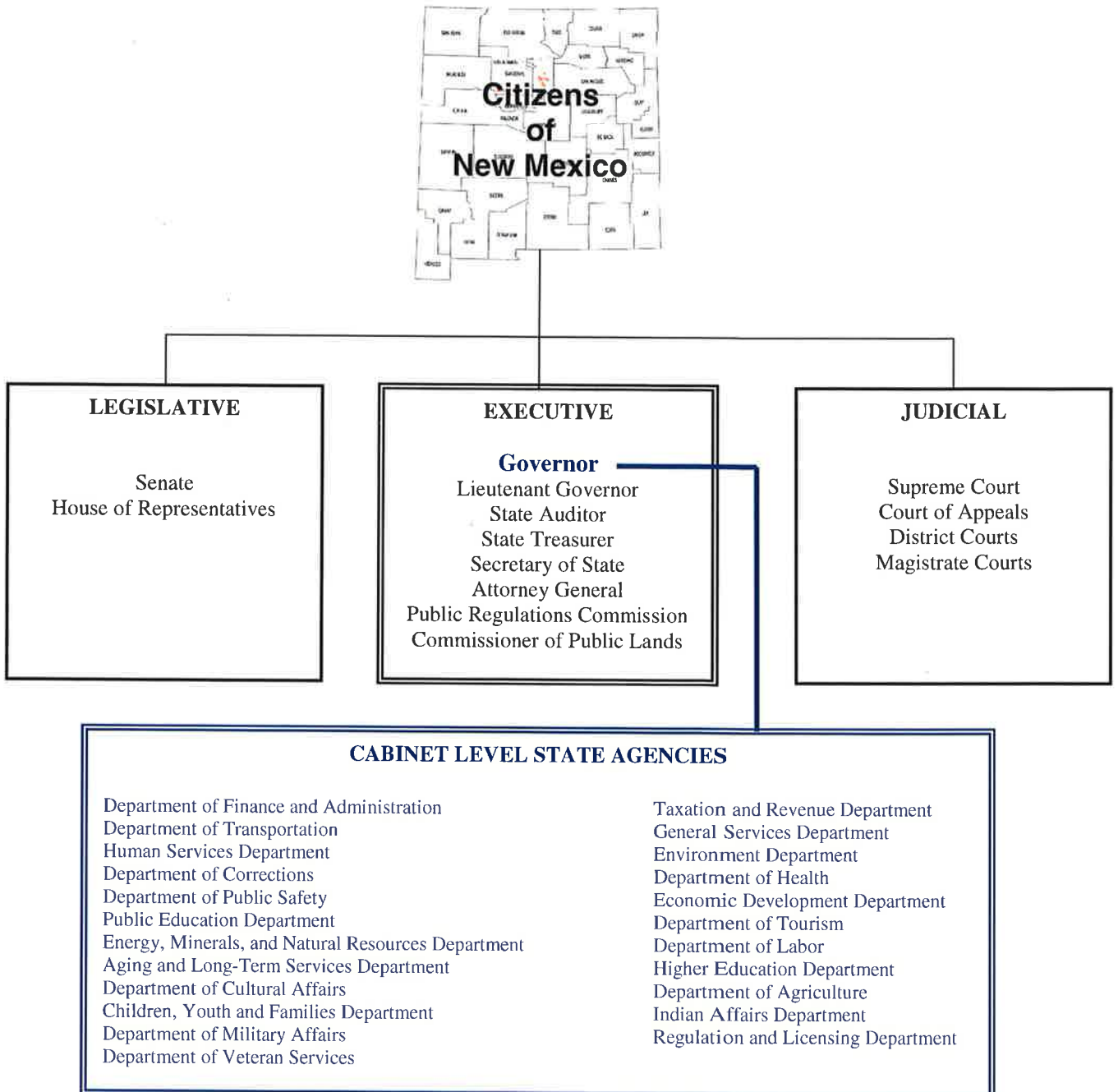
Legislative

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

House of Representatives: **Ben Lujan**, Speaker of the House • **W. Ken Martinez**, Majority Floor Leader • **Ted Hobbs**, Minority Floor Leader • **Sheryl Williams Stapleton**, Majority Whip • **Terry T. Marquardt**, Minority Whip • **John A. Heaton**, Caucus Chair • **Anna M. Crook**, Caucus Chair

House of Representatives: **Ben Lujan**, Speaker of the House • **W. Ken Martinez**, Majority Floor Leader • **Ted Hobbs**, Minority Floor Leader • **Sheryl Williams Stapleton**, Majority Whip • **Terry T. Marquardt**, Minority Whip • **John A. Heaton**, Caucus Chair • **Anna M. Crook**, Caucus Chair

Organizational Chart





**FINANCIAL
SECTION**

Independent Accountants' Report

T 505-830-6200
F 505-830-6282

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

We have reviewed the accompanying basic financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Mexico (State), as of and for the year ended June 30, 2006, 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 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 financial statements do not include the Section 529 Trust Plan of the New Mexico Education Trust Board and the Public Employees Deferred Compensation Plan of the Public Employee Retirement Association.

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

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.

As discussed in Note 1, the State has restated its July 1, 2005 net assets. Net assets for governmental activities were decreased by \$3,034,000 and net assets for business-type activities were increased by \$63,407,000 due to errors made in certain accruals and deferrals of income and expenses and capital asset adjustments.

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
May 9, 2008

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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, 2006. This discussion and analysis should be read in conjunction with the State's financial statements and the notes to the basic financial statements, which begin after this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

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

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

HIGHLIGHTS

- General Fund recurring revenue grew by \$683 million or 14.0 percent. Total revenue grew by \$500.1 million or 10.0 percent.
- Total net tax collections for fiscal year 2006 were \$5 billion.
- Corporate income tax collections grew by 42 percent indicative of profits in the manufacturing and oil and gas industries.
- The State issued \$550 million in tax and revenue anticipation notes that matured on June 30, 2006.
- Capital assets increased significantly due to the continuing work on the Statewide Human Resources, Accounting and Management Reporting (SHARE) Project. The Project has been funded through the sale of Severance Tax Bonds pursuant to the laws of 2004, Chapter 26, Sections 11 and 561 and contributed funds for purchase of additional modules from other agencies. The system was implemented on July 1, 2006. Currently, phase two of the project is under construction. As the system was not put into service until after year end, the project cost is reported as work in progress and is not subject to fiscal year 2006 depreciation.
- Continuing its fiscal restraint, the State transferred \$152 million of excess revenues over expenditures from the State's General Fund's appropriation account to its operating reserve and tax stabilization reserve. The State ended the year with reserves of 18.2 percent of recurring appropriations.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

- The Taxation and Revenue Department continued its initiative to enhance tax collections efforts in fiscal year 2006. As part of the enhanced collections effort, the Audit and Compliance Division collected an additional \$16 million in back taxes, of which \$10 million was distributed to the State General Fund.
- In September 2006, the Motor Vehicle Division has reduced the uninsured rate in New Mexico from a national high of 33.03 percent to 11.49 percent equating to an additional 416,331 vehicles that have become insured based on the notification and suspension letters that have been mailed out to uninsured vehicles.
- Reversions decreased by 47.0 percent. This was expected as there were unusually high amounts of reversions in 2005, due to the State's conversion to generally accepted accounting principles as its budgetary basis.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements – Reporting the State as a Whole

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

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

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

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

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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

Fund Financial Statements

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

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

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

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

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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 Educational Institutions, which is considered to be a major fund for the State and the Internal Service Funds. Individual fund data for the nonmajor proprietary funds is provided in the form of *combining statements* elsewhere in this report.

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

Notes to the financial statements

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

Other information

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

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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

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

Table 1: Major Features of the Basic Financial Statements

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

Adjustments to Beginning Net Assets

As described in Note 1.V. of the financial statements, beginning net assets of governmental activities were decreased by \$3 million and business-type activities were increased by \$63 million. These were due to various errors made in accruals and deferrals of income and liabilities.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Government-wide Financial Analysis

Condensed Statement of Net Assets

The largest component (\$8,573 million or 52.0 percent) of the State's net assets is its restricted net assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation regarding how the assets may be used. The next largest component totaling \$6,670 million or 40.5 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. The remaining 7.5 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, 2006, derived from the government-wide Statement of Net Assets.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005 (as restated)	2006	2005 (as restated)	2006	2005 (as restated)
Current and other assets	\$ 10,482,812	9,756,606	3,191,325	2,987,273	13,674,137	12,743,879
Capital assets, net	8,029,730	8,127,971	1,559,129	1,345,864	9,588,859	9,473,835
Total assets	18,512,542	17,884,577	4,750,454	4,333,137	23,262,996	22,217,714
Current liabilities	3,424,336	2,910,487	373,185	396,831	3,797,521	3,307,318
Long-term liabilities	2,183,963	2,242,999	796,271	616,258	2,980,234	2,859,257
Total liabilities	5,608,299	5,153,486	1,169,456	1,013,089	6,777,755	6,166,575
Net assets						
Invested in capital assets, net of related debt	5,724,003	6,689,355	945,940	885,520	6,669,943	7,574,875
Restricted	6,427,635	5,282,593	2,145,306	1,391,203	8,572,941	6,673,796
Unrestricted	752,605	759,143	489,752	1,043,325	1,242,357	1,802,468
Total net assets	\$ 12,904,243	12,731,091	3,580,998	3,320,048	16,485,241	16,051,139
Percent change in total net assets from prior year	1.4%		7.9%		2.7%	

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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

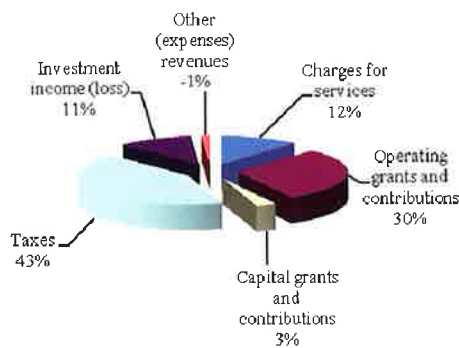
There was an increase in restricted net assets of approximately \$1,145 million in connection with the State's governmental activities. Both the Severance Tax Permanent Fund and Land Grant Permanent Fund experienced an increase of approximately \$369 million and \$59 million, respectively, in restricted assets from the severance tax revenues that exceeded the debt service requirements for fiscal year 2006.

The State's governmental activities net assets increased by \$173 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 \$965 million in net assets invested in capital assets, net of related debt.

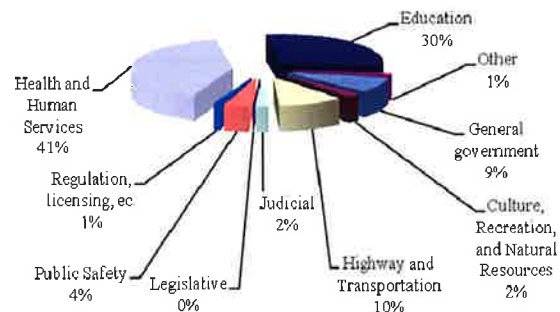
Condensed Statement of Activities

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 \$173 million or 1.4 percent, and the net assets of the business-type activities increased by \$261 million or 7.9 percent. Table 3 below presents the State's condensed Statement of Activities for the fiscal year ended June 30, 2006, 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 2006



Total Expenses - FY 2006



**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Table 3: Condensed Statement of Activities
As of June 30, 2006 & 2005
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2006	2005 (as restated)	2006	2005 (as restated)	2006	2005 (as restated)	2005 to 2006
Revenues							
Program revenues:							
Charges for services	\$ 1,297,926	827,248	1,866,396	1,807,340	3,164,322	2,634,588	20.1%
Operating grants and contributions	3,283,620	3,268,985	120,205	35,418	3,403,825	3,304,403	3.0
Capital grants and contributions	323,013	275,053	28,934	30,553	351,947	305,606	15.2
Total program revenues	4,904,559	4,371,286	2,015,535	1,873,311	6,920,094	6,244,597	10.8
General revenues:							
Individual income tax	1,543,262	1,089,031	-	-	1,543,262	1,089,031	41.7
Corporate income tax	374,957	244,371	-	-	374,957	244,371	53.4
Sales and use tax	388,739	368,716	-	-	388,739	368,716	5.4
Business privilege tax	2,370,530	1,970,239	-	-	2,370,530	1,970,239	20.3
Other taxes	31,693	507,381	-	-	31,693	507,381	(93.8)
Investment income (loss)	1,203,881	994,872	129,014	115,187	1,332,895	1,110,059	20.1
Other (expenses) revenues	136,527	239,724	259,303	154,389	(5,293)	394,113	101.3
Total general revenues	6,049,589	5,414,334	388,317	269,576	6,036,783	5,683,910	6.2
Total revenues	10,954,148	9,785,620	2,403,852	2,142,887	12,956,877	11,928,507	8.6
Program expenses:							
General government	869,013	882,809	-	-	869,013	882,809	(1.6)
Culture , recreation and natural resources	202,330	185,303	-	-	202,330	185,303	9.2
Highway and transportation	1,027,618	877,638	-	-	1,027,618	877,638	17.1
Judicial	194,452	184,319	-	-	194,452	184,319	5.5
Legislative	14,052	12,412	-	-	14,052	12,412	13.2
Public safety	390,557	378,394	-	-	390,557	378,394	3.2
Regulatory , licensing, etc.	97,956	88,722	-	-	97,956	88,722	10.4
Health and human services	4,055,602	3,729,641	-	-	4,055,602	3,729,641	8.7
Education	2,975,293	2,637,052	-	-	2,902,753	2,637,052	10.1
Educational institutions	-	-	2,142,898	1,996,827	2,142,898	1,996,827	7.3
Other	421,088	125,476	533,039	524,729	625,544	650,205	(3.8)
Total program expenses	10,247,961	9,101,766	2,675,937	2,521,556	12,522,775	11,623,322	7.7
Excess (deficiency) before transfers	706,187	683,854	(272,085)	(378,669)	434,102	305,185	42.2
Transfers	(533,035)	(495,101)	533,035	495,101	-	-	-
Change in net assets	173,152	188,753	260,950	116,432	434,102	305,185	42.2
Net assets, beginning as restated	12,731,091	12,542,338	3,320,048	3,203,616	16,051,139	15,745,954	1.9
Net assets, ending	\$ 12,904,243	12,731,091	3,580,998	3,320,048	16,485,241	16,051,139	2.7%

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Changes in Net Assets. This year the State received 44.1 percent of its revenues from state taxes and 28.9 percent of its revenues from grants and contributions, mostly from federal sources. In the prior year, state taxes accounted for 35.1 percent, and grants and contributions were 30.3 percent of total revenues. Charges for services such as licenses, permits, state parks, and court fees, combined with other miscellaneous collections, comprised 24.2 and 25.1 percent of total revenues for fiscal year 2006 and 2005, respectively.

Governmental Activities

The State's total governmental revenues from all sources increased \$795 million or 8.1 percent.

- The collection of taxes increased by approximately \$529 million or 12.6 percent.
- The State's investment income increased by approximately \$ 209 million or 21.0 percent due to gain on performance in the various markets the State has placed its investments.
- The operating grants and contributions increased by approximately \$15 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 7.0% percent for the year. The Education Fund also recognized approximately an additional \$1 million in federal funds during the year.
- The expenses for program highway and transportation increase approximately \$150 million as a result of an additional \$12 million of depreciation expenses on capital assets and the other \$132 million resulted from normal road and transportation activities during the year.
- The education program expense increased by approximately \$266 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.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

**Table 4: Program Expenses and Revenues for Governmental Activities
As of June 30, 2006
(in thousands)**

	Program Expenses	Program Revenues	Net Program Costs		Program Revenues to Program Expenses	
			2006	2005	2006	2005
			2006	2005	2006	2005
State Programs						
General government	\$ 869,013	1,353,038	484,025	154,100	155.7%	117.5%
Culture, recreation, and natural resources	202,330	147,981	(54,349)	(77,036)	73.1	58.4
Highway and transportation	1,027,618	370,387	(657,231)	(565,059)	36.0	35.6
Judicial	194,452	52,554	(141,898)	(134,141)	27.0	27.2
Legislature	14,052	-	(14,052)	(12,412)	-	-
Public safety	390,557	104,782	(285,775)	(293,565)	26.8	22.4
Regulatory licensing etc.	97,956	67,816	(30,140)	(45,499)	69.2	48.7
Health and human services	4,055,602	2,370,216	(1,685,386)	(1,398,336)	58.4	62.5
Education	2,902,753	437,785	(2,464,968)	(2,233,056)	15.1	15.3
Interest	92,505	-	(92,505)	(125,476)	-	-
Totals	\$ 9,846,838	4,904,559	(4,942,279)	(4,730,480)	49.8%	48.0%

Business-type Activities

Revenues from the State's business-type activities increased by \$261 million or 12.2 percent from the prior year.

- Charges for services for business-type activities increased by \$59 million or 3.3 percent from the prior year. Approximately half of the increase was due to the University of New Mexico experiencing approximately \$71 million in higher fees for clinical operations, additional enrollment and tuition.
- The expenses for the education institutions increased by \$146 million or 7.3 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, 2006
(in thousands)**

	Program Expenses	Program Revenues	Net Program Costs		Program Revenues to Program Expenses	
			2006	2005	2006	2005
			2006	2005	2006	2005
State programs						
Educational institutions	\$ 2,142,898	1,454,749	(688,149)	(644,853)	67.9%	67.7%
Other	533,039	560,786	27,747	(3,392)	105.2	99.4
Totals	\$ 2,675,937	2,015,535	(660,402)	(648,245)	75.3%	74.3%

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Fund Analysis

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

At June 30, 2006, the State's governmental funds reported combined ending fund balances of \$7,364 million. Of this amount \$535 million or 7.3 percent is reserved for specific programs by state law, by external constraints, or by contractual obligations. Unspent bond proceeds, balances of restricted accounts, and agencies' nonlapsing balances are included in reserved fund balance. An additional \$5,059 million or 68.7 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, 2006. The remaining \$1,770 million or 24.0 percent of fund balance is available for appropriation for the general purpose of the funds.

General Fund. Fund balance at June 30, 2006 totaled \$936 million, an increase of \$134 million during the fiscal year. This increase was due to revenues exceeding expenditures. See additional analysis below. The General Fund ended the fiscal year 2006 with a "surplus" from unreserved and undesignated sources of \$860 million. Miscellaneous changes resulting from other designated and reserved sources account for the remaining change in fund balance.

Total General Fund revenues increased \$621 million or 10.9 percent. The increase is the result of tax revenue of approximately \$394 million which is a result of two new sources of revenue and increased efforts by the Taxation and Revenue Department to collect approximately \$15.9 million in back taxes. In addition to the above increase, rents and royalties also increased by approximately \$123 million.

The General Fund expenditures increased \$103 million or 5.3 percent of which 56.6 percent of the change is from health and human services.

Education. Fund balance at June 30, 2006 totaled \$146 million, a decrease of \$236 million or 61.8 percent. The Higher Education Department reported a prior period adjustment of \$85 million in the Capital Projects Fund for a change in accounting principle that required adjustments to the loans receivable balance and to posting of due from other state agencies. The Public School Facilities Authority also reported a prior period adjustment of \$153 million in the Special Revenue Fund for a change in accounting principle that required adjustment to the sale of bonds and due to project recipients. Total revenues increased by \$9 million or 2.0 percent. This was a result of additional federal funding received during the fiscal year. Total expenditures also increased by \$269 million or 10.3 percent. There were additional expenditures of \$120 million relating to the Public School Facilities Authority for fiscal year 2006.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Health & Human Services. Fund balance at June 30, 2006 totaled \$212 million, an increase of \$62 million or 41.4 percent during the fiscal year. This was a result of additional federal funding received and expended during the fiscal year. Total revenues increased by \$75 million or 3.3 percent, with total expenditures increasing proportionately with total revenues.

Highway & Transportation. Fund balance at June 30, 2006 totaled \$661 million, a decrease of \$198 million or 23.1 percent. Total expenditures increased by \$219 million or 26.4 percent.

Severance Tax Permanent Fund. Fund balance at June 30, 2006 totaled \$4,151 million, due to an increase of \$369 or 9.8 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 2006, the fund did not experience any significant fluctuation from the prior fiscal year.

Land Grant Permanent Fund. Fund balance at June 30, 2006 totaled \$622 million, due to an increase of \$59 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 2006, the fund did not experience any significant fluctuation from the prior fiscal year.

Proprietary Funds

The State's proprietary funds reported net assets of \$3,581 million this includes an increase of \$324 million or 10.0 percent. The above net assets include \$3,581 million for enterprise funds.

Educational Institutions. Net assets at June 30, 2006 totaled \$2,687 million. Current period activity increased the net assets of the State's educational institutions by \$277 million or 11.5 percent. For the fiscal 2006 the State transferred \$570 million to the State's educational institutions from the State General Fund, an increase of \$43 million or 8.1 percent from fiscal year 2005.

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

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

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 2006 budget during the 2005 General Session. The original General Fund budgeted revenues at the start of fiscal year 2006 was 0.7 percent higher than the final fiscal year 2005 budget basis revenues. However, during the year the actual revenue was \$198 million lower than final approved budget, with the most significant change coming from grants. The original budgeted expenditures for fiscal year 2006 were similar to the final fiscal year 2005 budget basis expenditures. After budget amendments, the actual charges (expenditures) in the General Fund were \$243 million below the final budgeted amounts. This is mainly the result of lower than expected operating expenditures. On the other hand, resources available for appropriation were \$7 million below the final budgeted amount. This is primarily due to less tax revenues than anticipated even though collections were higher as documented in the analysis on previous pages. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At June 30, 2006, the State reported \$8,030 million in capital assets net of accumulated depreciation for governmental activities and \$1,559 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 1.2 percent for governmental activities and an increase of 15.8 percent for business-type activities.

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

- The Department of Transportation had 24 active projects with contracts of \$10.0 million or more.
- The Department of Transportation spent a \$10.5 million budget on pickups, dump trucks, rollers, excavators, mowers, tractors, loaders, snowplows, brooms, dozers, motor graders, spreaders, millers, trailers, motor vehicles, etc.
- The New Mexico Institute of Mining and Technology is in the construction phase of Magdalena Ridge Observatory with an estimated total cost of \$50 million.
- At the end of the fiscal year 2006, the Corrections Department had invested a total of \$33.4 million in governmental-type activities and \$.7 million in business-type activities for a total of \$34.1 million in a variety of capital assets.
- The University of New Mexico spent \$73 million primarily due to expenditures for the Children's Hospital and Critical Care Pavilion.

At June 30, 2006, the State had \$380 million in commitments for building projects in the Department of Transportation 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, 2006**

Long-Term Debt Activity

The State Constitution authorizes the State to issue general obligation bonds and revenue bonds to finance or refinance the cost of State capital outlay projects authorized by law. General obligation bonds are secured by the full faith and credit of the State and payable from legally restricted revenues. During the past year, the State continued to maintain a high bond rating from Moody's Investors Services and Standard & Poor's Corporation, on all State bonds. The State had the following bond ratings at June 30, 2006:

	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, 2006
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change 2005 to 2006</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
General obligations bonds	\$ 274,735	318,055	-	-	274,735	318,055	(13.6) %
Severance tax bonds	577,935	512,180	-	-	577,935	512,180	12.8
Revenue bonds	1,453,057	1,559,536	719,799	594,685	2,172,856	2,154,221	.9
Total bonds payable	\$ 2,305,727	2,389,771	719,799	594,685	3,025,526	2,984,456	1.4%

During the year, no general obligation bonds were issued. The governmental activities issued the Severance Tax Bonds Supplemental Series 2006A for \$135 million.

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.

**STATE OF NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

Economic Conditions and Outlook

New Mexico remains one of the fastest job producing states in the nation, although the rankings have fallen somewhat from peaks achieved during Fiscal year 2005. The State's unemployment rate dropped to 4.3 percent in August 2006. New Mexico is ranked 8th in the nation for job growth. Employment in New Mexico increased by 3.0 percent or 24,700 (not in thousands) new jobs on an annualized basis through 2006. Non-farm employment growth for the first quarter of 2006 was 2.8% and dipped slightly for the second quarter to 2.6%. Employment growth is expected to remain in the 2.6% to 2.8% range for the forecast period. Job growth in New Mexico is geographically and industrially diverse. One-third of all jobs were created in Las Cruces, with the remaining two-thirds in Albuquerque, Santa Fe, and the State's rural areas. All sectors except Information expanded during the year, with the greatest gains in construction, natural resources and education and health services, government, and professional and business services. The State's manufacturing industry saw its fortunes continue to improve in 2006 following three years of massive job losses. Employment stabilized somewhat in 2004 when just 500 jobs were lost, following the loss of 5,200 (not in thousands) in the previous three years. In 2006, manufacturing added 300 jobs, a 0.8 percent increase.

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

Contact the State's Financial Management

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

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

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STATE OF NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2006
(IN THOUSANDS)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,437,373	907,925	2,345,298
Investments	1,518,258	410,210	1,928,468
Deferred charges and other assets	53,683	17,943	71,626
Intergovernmental receivables	83,851	103,643	187,494
Internal balances	1,105	(1,105)	-
Due from external parties	1,441,450	-	1,441,450
Inventories	25,225	22,261	47,486
Loans receivable, current	-	27,688	27,688
Receivables, net of allowance for uncollectible	545,405	228,922	774,327
Total current assets	5,106,350	1,717,487	6,823,837
Non Current Assets			
Restricted cash and cash equivalents	509,269	18,214	527,483
Restricted investments	4,857,202	1,315,995	6,173,197
Capital assets, not being depreciated	580,363	257,254	837,617
Capital assets, net of depreciation	7,449,367	1,301,875	8,751,242
Loans receivable, long-term	-	125,995	125,995
Other non-current assets	9,991	13,634	23,625
Total noncurrent assets	13,406,192	3,032,967	16,439,159
Total assets	\$ 18,512,542	4,750,454	23,262,996
LIABILITIES			
Current Liabilities			
Cash overdraft	\$ 250,500	-	250,500
Accounts payables	656,136	108,129	764,265
Accrued liabilities	47,757	58,727	106,484
Claims payable	166,521	-	166,521
Deferred revenue	130,117	87,648	217,765
Due to other fiduciary funds	200,516	-	200,516
Intergovernmental payables	362,762	-	362,762
Security lending	1,277,788	-	1,277,788
Funds held for others	576	9,701	10,277
Other obligations	24,178	30,019	54,197
Bonds payable, current	228,925	20,033	248,958
Other liabilities, current	78,560	58,928	137,488
Total current liabilities	3,424,336	373,185	3,797,521
Noncurrent Liabilities			
Bonds payable, long-term	2,076,802	699,766	2,776,568
Other liabilities, long-term	107,161	96,505	203,666
Total noncurrent liabilities	2,183,963	796,271	2,980,234
Total liabilities	5,608,299	1,169,456	6,777,755
NET ASSETS			
Investment in capital assets, net of related debt	5,724,003	945,920	6,669,923
Restricted for			
Capital projects	266,064	-	266,064
Debt service	203,468	2,165	205,633
Other purposes	1,100,901	827,146	1,928,047
Permanent trusts			
Expendable	-	279,073	279,073
Nonexpendable	4,857,202	1,036,922	5,894,124
Unrestricted net assets	752,605	489,772	1,242,377
Total net assets	12,904,243	3,580,998	16,485,241
Total net assets and liabilities	\$ 18,512,542	4,750,454	23,262,996

See Notes to Financial Statements and Accountants' Report.

Component Units			
	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	Total
\$	44,224	220,301	264,525
	11,705	-	11,705
	70,769	1,014	71,783
	73	-	73
	-	-	-
	-	-	-
	39,475	-	39,475
	16,713	6,374	23,087
	<u>182,959</u>	<u>227,689</u>	<u>410,648</u>
	231,741	214,415	446,156
	-	18,233	18,233
	-	-	-
	593	2,260	2,853
	535,309	181,915	717,224
	-	797,521	797,521
	<u>767,643</u>	<u>1,214,344</u>	<u>1,981,987</u>
\$	<u>950,602</u>	<u>1,442,033</u>	<u>2,392,635</u>
\$	-	-	-
	1,503	2,673	4,176
	2,652	10,205	12,857
	-	-	-
	3,260	-	3,260
	-	-	-
	682	-	682
	-	-	-
	69,041	-	69,041
	-	-	-
	39,787	198,215	238,002
	36,662	4,262	40,924
	<u>153,587</u>	<u>215,355</u>	<u>368,942</u>
	690,604	1,092,734	1,783,338
	-	5,055	5,055
	<u>690,604</u>	<u>1,097,789</u>	<u>1,788,393</u>
	844,191	1,313,144	2,157,335
	593	(311)	282
	-	-	-
	(109,627)	15,089	(94,538)
	212,085	12,471	224,556
	-	-	-
	-	-	-
	3,360	101,640	105,000
	<u>106,411</u>	<u>128,889</u>	<u>235,300</u>
\$	<u>950,602</u>	<u>1,442,033</u>	<u>2,392,635</u>

STATE OF NEW MEXICO
STATEMENT OF ACTIVITIES
JUNE 30, 2006
(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	\$ 869,013	865,759	487,279	-	484,025
Culture, recreation, natural resources	202,330	109,033	38,948	-	(54,349)
Highway and transportation	1,027,618	26,906	20,468	323,013	(657,231)
Judicial	194,452	5,981	46,573	-	(141,898)
Legislative	14,052	-	-	-	(14,052)
Public safety	390,557	54,404	50,378	-	(285,775)
Regulation, licensing, etc.	97,956	67,816	-	-	(30,140)
Health and human services	4,055,602	79,139	2,291,077	-	(1,685,386)
Education	2,975,293	88,888	348,897	-	(2,537,508)
Interest	421,089	-	-	-	(421,089)
Total governmental activities	10,247,962	1,297,926	3,283,620	323,013	(5,343,403)
Business-Type Activities					
Educational institutions	\$ 2,142,898	1,316,416	109,399	28,934	(688,149)
Nonmajor enterprise funds	533,039	549,980	10,806	-	27,747
Total business-type activities	2,675,937	1,866,396	120,205	28,934	(660,402)
Total primary government	\$ 12,923,899	3,164,322	3,403,825	351,947	(6,003,805)
Discretely Presented Component Units					
New Mexico Finance Authority	\$ 70,077	20,680	4,217	-	(45,180)
New Mexico Mortgage Finance Authority	112,436	39,726	-	-	(72,710)
Total component unit activities	\$ 182,513	60,406	4,217	-	(117,890)

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATEMENT OF ACTIVITIES (CONTINUED)
JUNE 30, 2006
(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	\$ (5,343,403)	(660,402)	(6,003,805)	(45,180)	(72,710)
General revenues					
Taxes					
Individual income tax	1,543,262	-	1,543,262	-	-
Corporate income tax	374,957	-	374,957	-	-
Sales and use tax	388,739	-	388,739	18,656	-
Business privilege	2,370,530	-	2,370,530	-	-
Other taxes	31,694	-	31,694	-	-
Investment income (loss)	1,203,881	129,014	1,332,895	9,485	(17,283)
Other revenue (expenses)	136,527	259,303	395,830	2,000	81,380
Transfers, net	(533,035)	533,035	-	19,567	10,000
Total net general revenues and transfers	5,516,555	921,352	6,437,907	49,708	74,097
Change in net assets	173,152	260,950	434,102	4,528	1,387
Net assets at beginning of year, as restated	12,731,091	3,320,048	16,051,139	101,883	127,502
Net assets at end of year	\$ 12,904,243	3,580,998	16,485,241	106,411	128,889

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006
(IN THOUSANDS)

	General Fund	Education	Health and Human Services	Highway and Transportation
ASSETS				
Cash and cash equivalents	\$ -	160,269	196,020	602,969
Deferred charges and other assets	2,019	-	292	50,287
Intergovernmental receivables	1,961	834	-	55,475
Due from other funds	912,077	467,900	118,370	156,374
Inventories	12,170	-	73	12,514
Investments, at fair value	722,586	-	2,059	-
Receivables, net	200,346	86,591	143,426	53,308
Total assets	\$ 1,851,159	715,594	460,240	930,927
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash overdraft	\$ 250,500	-	-	-
Accounts payable	145,471	186,559	216,478	53,210
Accrued liabilities	34,781	990	1,064	8,171
Deferred revenue	67,631	3,103	15,696	21,689
Due to other funds	406,080	77,916	11,747	131,272
Due to beneficiaries	1,652	-	-	-
Due to brokers	-	282,348	-	55,475
Intergovernmental payables	5,884	18,417	125	-
Security lending	-	-	-	-
Funds held for others	506	-	-	-
Other obligations	2,326	79	3,331	-
Total liabilities	914,831	569,412	248,441	269,817
Fund Balances				
Fund balances reserved for				
Capital projects	1,275	-	-	-
Inventories	5,831	-	73	12,514
Encumbrances	31,906	32,908	28,067	-
Subsequent years' expenditures	32,269	-	23,179	-
Special projects	5,289	-	118,192	-
Other	420	-	461	50,287
Fund balances segregated for				
Debt service funds	-	-	-	-
Pool participants	-	-	-	-
Unreserved - special revenue (deficit)	-	(40,195)	42,167	595,457
Unreserved - debt service	-	-	-	27
Unreserved - capital projects (deficit)	-	153,469	(340)	2,825
Unreserved - general revenues	859,338	-	-	-
Total fund balances	936,328	146,182	211,799	661,110
Total liabilities and fund balances	\$ 1,851,159	715,594	460,240	930,927

See Notes to Financial Statements and Accountants' Report.

	Severance Tax Permanent Fund	Land Grant Permanent Fund	Nonmajor Governmental Funds	Totals
\$	270,518	49,945	535,071	1,814,792
	-	-	251	52,849
	25,465	-	89	83,824
	125,803	352	245,920	2,026,796
	-	-	35	24,792
	4,517,784	703,201	429,830	6,375,460
	10,630	5,953	41,653	541,907
\$	4,950,200	759,451	1,252,849	10,920,420

\$	-	-	-	250,500
	-	-	29,370	631,088
	-	-	1,783	46,789
	-	-	75,293	183,412
	-	-	153,747	780,762
	14,316	2,420	-	18,388
	785,077	135,317	19,571	1,277,788
	-	-	336,688	361,114
	-	-	-	-
	-	-	70	576
	-	-	54	5,790
	799,393	137,737	616,576	3,556,207

	-	-	40,511	41,786
	-	-	35	18,453
	-	-	39,886	132,767
	-	-	30,191	85,639
	-	-	69,760	193,241
	-	-	11,549	62,717
	-	-	202,167	202,167
	4,150,807	621,714	84,681	4,857,202
	-	-	88,049	685,478
	-	-	1,120	1,147
	-	-	68,324	224,278
	-	-	-	859,338
	4,150,807	621,714	636,273	7,364,213

\$	4,950,200	759,451	1,252,849	10,920,420
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STATE OF NEW MEXICO
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006
 (IN THOUSANDS)

Total fund balances - governmental funds \$ 7,364,213

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	\$	17,369,641	
Accumulated depreciation		<u>(9,379,517)</u>	7,990,124

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.			59,138
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Capitalized issuance costs not recorded in the governmental funds as an asset, net of amortization			10,555
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Internal service funds are used to report activities that provide goods and services to other funds or agencies within the State. Therefore, the excess of assets over liabilities of the internal service funds are included as governmental activities on the Statement of Net Assets. (Includes \$39,606 in capital assets, net and \$586 in long-term liabilities)			(29,069)
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Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.			(184,991)
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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		(228,925)	
Bonds, long-term portion, net		<u>(2,076,802)</u>	<u>(2,305,727)</u>

Total net assets-governmental activities			<u><u>\$ 12,904,243</u></u>
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See Notes to Financial Statements and Accountants' Report.

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STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

	General Fund	Education	Health and Human Services	Highway and Transportation
Revenues				
Federal funds	\$ 547,357	415,210	2,236,555	323,013
General and selective taxes	2,688,866	-	-	-
Income taxes	1,483,301	-	22,646	412,272
Interest and other investment income	616,449	3,524	1,866	27,192
Rentals and royalties	621,145	-	-	-
Other	69,354	43,502	50,761	13,973
Charges for services	115,239	-	17,721	-
Licenses, fees and permits	180,021	80	366	-
Assessments	-	-	810	-
Other state funds	21,894	-	1,482	1,753
Total revenues	6,343,626	462,316	2,332,207	778,203
Expenditures				
Current				
General control	193,541	-	-	-
Culture, recreation, natural resources	165,212	-	-	-
Highways and transportation	-	-	-	515,262
Judicial	141,152	-	-	-
Legislative	13,940	-	-	-
Public safety	360,205	-	-	-
Regulation, licensing, etc.	67,917	-	-	-
Health and human services	1,044,245	-	2,999,716	-
Education	22,298	2,879,414	-	-
Debt service				
Interest	8,801	-	-	78,099
Principal	4,697	-	-	81,130
Bond issuance costs	445	-	-	-
Capital outlay	28,167	28	2,835	376,070
Total expenditures	2,050,620	2,879,442	3,002,551	1,050,561
Excess (deficiency) of revenues over expenditures	4,293,006	(2,417,126)	(670,344)	(272,358)
Other Financing Sources (Uses)				
Bonds issued	-	196,571	3,332	22,660
Other non-operating revenues	9,027	-	-	861
Other non-operating expenses	-	(3,008)	-	-
Transfers in	1,429,150	2,304,983	818,339	192,382
Transfers out	(5,594,987)	(87,182)	(78,694)	(173,135)
Total other financing sources (uses)	(4,156,810)	2,411,364	742,977	42,768
Net change in fund balances	136,196	(5,762)	72,633	(229,590)
Fund balances - beginning, as restated	800,132	151,944	139,166	890,700
Fund balances - ending	\$ 936,328	146,182	211,799	661,110

See Notes to Financial Statements and Accountants' Report.

	Severance Tax Permanent Fund	Land Grant Permanent Fund	Non-Major Governmental Funds	Total
\$	-	-	55,295	3,577,430
	-	-	94,427	2,783,293
	-	-	-	1,918,219
	426,698	60,745	63,645	1,200,119
	-	-	1,986	623,131
	-	-	41,693	219,283
	-	-	18,799	151,759
	-	-	32,123	212,590
	-	-	-	810
	-	-	3,681	28,810
	426,698	60,745	311,649	10,715,444
	8,771	1,068	285,294	488,674
	-	-	25,450	190,662
	-	-	-	515,262
	-	-	47,551	188,703
	-	-	-	13,940
	-	-	13,768	373,973
	-	-	28,154	96,071
	-	-	-	4,043,961
	-	-	-	2,901,712
	-	-	334,189	421,089
	-	-	692,478	778,305
	-	-	-	445
	-	-	84,393	491,493
	8,771	1,068	1,511,277	10,504,290
	417,927	59,677	(1,199,628)	211,154
	-	-	572,449	795,012
	-	-	5	9,893
	-	-	-	(3,008)
	123,217	28,246	991,991	5,888,308
	(171,798)	(29,035)	(290,835)	(6,425,666)
	(48,581)	(789)	1,273,610	264,539
	369,346	58,888	73,982	475,693
	3,781,461	562,826	562,291	6,888,520
\$	4,150,807	621,714	636,273	7,364,213

**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, 2006
(IN THOUSANDS)**

Net change in fund balances-total governmental funds \$ 475,693

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 (34,836)

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. 7,669

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 outlay in the period.

Depreciation expense	\$	(581,900)	
Transfers and other		(13,715)	
Capital outlay		417,560	
Net change		(178,055)	(178,055)

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		(876,068)	
Bond issuance costs - net of amortization of \$145		444	
Principal payments on debt		778,305	
		(97,319)	(97,319)

Change in net assets of governmental activities \$ 173,152

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
(IN THOUSANDS)

	Enterprise Funds			Internal Service Fund
	Educational Institutions	Non-Major Enterprise Funds	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 180,408	727,517	907,925	131,704
Deferred charges and other assets	15,219	2,724	17,943	-
Intergovernmental receivables	103,643	-	103,643	-
Due from other funds	-	1,665	1,665	4,253
Investments	328,237	81,973	410,210	-
Inventories	20,187	2,074	22,261	425
Loans receivable, current	19,936	7,752	27,688	-
Receivables, net of allowance for uncollectible	186,778	42,144	228,922	3,498
Total current assets	854,408	865,849	1,720,257	139,880
Non Current Assets				
Restricted cash and cash equivalents	18,214	-	18,214	-
Capital assets, not being depreciated	1,295,443	6,432	1,301,875	-
Capital assets, net of depreciation	215,217	42,037	257,254	39,606
Loans receivable, long-term	21,003	104,992	125,995	-
Other non-current assets	13,634	-	13,634	-
Investments, long-term	1,315,995	-	1,315,995	-
Total noncurrent assets	2,879,506	153,461	3,032,967	39,606
Total assets	\$ 3,733,914	1,019,310	4,753,224	179,486
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 98,212	9,917	108,129	25,046
Accrued liabilities	55,083	3,644	58,727	890
Claims payable	-	-	-	166,521
Deferred revenues	66,330	21,318	87,648	7,120
Due to other funds	-	2,770	2,770	8,248
Other obligations	25,712	4,307	30,019	-
Funds held for others	9,701	-	9,701	-
Bonds payable, current	18,900	1,133	20,033	-
Other liabilities, current	39,439	19,489	58,928	293
Total current liabilities	313,377	62,578	375,955	208,118
Noncurrent Liabilities				
Bonds payable, long-term	678,907	20,859	699,766	-
Other liabilities, long term	54,348	42,157	96,505	437
Total noncurrent liabilities	733,255	63,016	796,271	437
Total liabilities	1,046,632	125,594	1,172,226	208,555
NET ASSETS				
Investment in capital assets, net of related debt	903,826	42,094	945,920	39,606
Restricted for				
Debt service	1,481	684	2,165	-
Other purposes	2,187	824,959	827,146	55,373
Permanent trusts				
Expendable	279,073	-	279,073	-
Nonexpendable, Land Grant Permanent Fund	151,323	-	151,323	-
Nonexpendable, Other	885,599	-	885,599	-
Unrestricted net assets	463,793	25,979	489,772	(124,048)
Total net assets	2,687,282	893,716	3,580,998	(29,069)
Total net assets and liabilities	\$ 3,733,914	1,019,310	4,753,224	179,486

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
(IN THOUSANDS)

	Enterprise Funds			Internal Service Fund
	Educational Institutions	Non-Major Enterprise Funds	Total	
Operating Revenues				
Charges for services	\$ 158,645	423,510	582,155	310,291
Federal funds	510,253	10,806	521,059	-
Interest and other investment income	89,350	39,664	129,014	3,765
Licenses, fees and permits	-	12,757	12,757	-
Net student tuition and fees	159,637	-	159,637	-
Other operating revenues	77,217	94,619	171,836	4,295
Patient services/clinical operations	410,664	19,094	429,758	-
Total operating revenues	1,405,766	600,450	2,006,216	318,351
Operating Expenses				
Benefits, claims and premiums	-	109,936	109,936	46
Depreciation expense	109,202	3,466	112,668	9,185
Game expense	-	108,209	108,209	-
General and administrative	11,517	41,736	53,253	75,441
Losses	-	211,786	211,786	-
Other operating expenses	1,988,659	57,906	2,046,565	272,770
Total operating expenses	2,109,378	533,039	2,642,417	357,442
Operating (loss) income	(703,612)	67,411	(636,201)	(39,091)
Non-Operating Revenues (Expenses)				
Capital appropriations	79,747	-	79,747	-
Capital grants and gifts	28,934	-	28,934	-
Clinical operations non-operations	75,739	-	75,739	-
Private grants, gifts and non-exchange grants	62,260	-	62,260	-
Proceeds from bonds	6,190	-	6,190	-
Government grants and contracts	47,139	-	47,139	-
Interest and other expenses on capital asset related debt	(19,301)	-	(19,301)	-
Permanent fund revenue	42,088	-	42,088	-
Gain (loss) on disposal of capital assets	8,251	-	8,251	(69)
Other nonoperating expenses	(14,219)	-	(14,219)	-
Other nonoperating revenues	32,755	14,533	47,288	-
Total non-operating revenues (expenses)				
income before transfers	349,583	14,533	364,116	(69)
Transfers in	569,748	-	569,748	4,323
Transfers out	-	(36,713)	(36,713)	-
Change in net assets	215,719	45,231	260,950	(34,837)
Net assets at beginning of year as restated	2,471,563	848,485	3,320,048	5,768
Net assets (deficit) at end of year	\$ 2,687,282	893,716	3,580,998	(29,069)

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
June 30, 2006
(IN THOUSANDS)

	Enterprise Funds			Internal Service Fund
	Educational Institutions	Non-Major Enterprise Funds	Total	
Cash Flows From Operating Activities				
Amounts paid to third party administrators and other vendors	\$ -	(20,872)	(20,872)	-
Auxiliary sales and services	10,315	-	10,315	-
Cash paid to suppliers and employees	(1,318,478)	(76,914)	(1,395,392)	(242,491)
Cash payments made to borrowers	-	(11,877)	(11,877)	-
Cash received on interest from loans	-	2,537	2,537	-
Collection of loans to students	911	-	911	-
Disbursement of net aid to students	(52,010)	-	(52,010)	-
Fees received	177,809	-	177,809	233,014
From MUSL	-	(12,117)	(12,117)	-
From retailers - sales net of commissions	-	140,109	140,109	-
Grants and contracts received	616,835	-	616,835	-
Insurance and patients	404,060	-	404,060	-
Interest payments received from banks	-	2,967	2,967	-
Loans issued to students	(9,942)	-	(9,942)	-
Losses and loss adjustment expenses paid	-	(213,081)	(213,081)	-
Other income	44,667	35,440	80,107	-
Other receipts/(payments)	(1,238)	-	(1,238)	-
Participant premiums collected	-	261,129	261,129	-
Payments for benefits	(526,822)	-	(526,822)	-
Payments for scholarships & fellowships	(37,354)	-	(37,354)	-
Payments for travel	(14,519)	-	(14,519)	-
Payments for utilities	(33,887)	-	(33,887)	-
Premiums paid to health maintenance organizations	-	(26,727)	(26,727)	-
Receipts from customers	-	43,423	43,423	-
Receipts from sales and services	153,176	-	153,176	-
To prize winners and related taxes	-	(71,482)	(71,482)	-
Net cash provided (used) by operating activities	(586,477)	52,535	(533,942)	(9,477)
Cash Flows From Investing Activities				
Interest, dividends, gains and losses, net, on investment	7,500	(34,130)	(26,630)	-
Purchase of equities and bonds	(742,830)	-	(742,830)	-
Realized loss on investments	11,188	-	11,188	-
Receipts of rent	-	122	122	-
Sales of equities and bonds	739,450	172	739,622	-
State investment income	9,140	-	9,140	-
Other	17,449	-	17,449	-
Net cash provide (used) by investing activities	41,897	(33,836)	8,061	-
Cash Flows From Non-Capital Financing Activities				
Agency payments	(1,282)	-	(1,282)	-
Agency receipts	19,185	-	19,185	-
Appropriation from/reversion to State General Fund	543,072	143	543,215	12,921
Bernalillo County mill levy	69,651	-	69,651	-
State appropriation	8,443	-	8,443	-
Gifts for other than capital purposes	28,876	-	28,876	-
Interest paid on borrowing	-	3	3	-
Local appropriation	4,041	-	4,041	-
Other nonoperating expenses	40,238	-	40,238	-
Principal payments on bank borrowing	-	(5,404)	(5,404)	-
Private gifts for endowment	4,426	-	4,426	-
Transfers	-	(36,879)	(36,879)	-
Net cash provided (used) by non-capital financing	716,650	(42,137)	674,513	12,921

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (CONTINUED)
June 30, 2006
(IN THOUSANDS)

	Enterprise Funds			Internal Service Funds
	Educational Institutions	Non-Major Enterprise Funds	Total	
Cash Flows From Capital and Related Financing Activities				
Building fees received from students	\$ 5,368	-	5,368	-
Capital appropriations	59,721	1,500	61,221	-
Capital expenditures	(282,139)	(7,929)	(290,068)	(8,181)
Capital gifts, grants & contracts	33,808	7,688	41,496	-
Interest and fees paid on capital debt and leases	(23,605)	(166)	(23,771)	2,601
Other receipts/(payments)	6,981	-	6,981	-
Principal paid on capital debt and leases	(30,946)	(511)	(31,457)	-
Principal paid on revenue bonds	126,082	(209)	125,873	-
Proceeds from capital debt	1,976	6,488	8,464	-
Proceeds from contributed capital	10,283	3,840	14,123	-
Proceeds from sale of property, land and equipment	2,195	-	2,195	-
Net cash provided (used) by capital and related financing activities	(90,276)	10,701	(79,575)	(5,580)
Net increase (decrease) in cash	81,794	(12,737)	69,057	(2,136)
Cash and cash equivalents at beginning of year, as restated	116,828	740,254	857,082	133,840
Cash and cash equivalents at end of year	\$ 198,622	727,517	926,139	131,704
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (703,612)	67,411	(636,201)	(39,091)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Accounts payable and accrued liabilities	28,220	4,752	32,972	1,365
Accrued expenses	(295)	-	(295)	(27)
Accrued capital purchases	-	39	39	-
Additional contributions to MUSL unreserved accounts	-	23	23	-
Bad debt expense	80,020	-	80,020	-
Compensated absences	(226)	(34)	(260)	(91)
Construction loans in process	-	(5,255)	(5,255)	-
Deferred revenues	4,829	(11,720)	(6,891)	-
Deposits held for others	(100)	(58)	(158)	-
Depreciation	109,203	3,466	112,669	9,185
Due from component units	(54)	-	(54)	-
Due from other funds	(1,271)	(936)	(2,207)	-
Due to insurance carriers for claims paid	-	511	511	-
Inventories	(683)	(128)	(811)	-
Loans receivable	(44)	(543)	(587)	-
Notes receivables	(914)	-	(914)	-
Other assets	(976)	(3,560)	(4,536)	2,056
Other liabilities	3,179	-	3,179	18,905
Other receivables	(2,401)	-	(2,401)	-
Patient receivables	(55,578)	-	(55,578)	-
Prepaid expenses and deposits	(9)	(1)	(10)	-
Provision for bad debts	-	1,364	1,364	-
Prize payables	-	1,027	1,027	-
Receivables, net	(45,781)	(2,371)	(48,152)	(1,779)
Retirement of assets	16	-	16	-
Reserves for losses and loss adjustment expenses	-	(1,444)	(1,444)	-
Vendors non-cash transactions	-	(3)	(3)	-
Unearned premium reserve	-	(7)	(7)	-
Unexpired subscriptions	-	2	2	-
Net cash provided (used) by operating activities	\$ (586,477)	52,535	(533,942)	(9,477)

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006
(IN THOUSANDS)

	Agency Funds	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 1,979,851	1,044,664	681,229	660,084	4,365,828
Due from other funds	195,791	432	-	4,293	200,516
Due from brokers	-	878,685	2,543	59,463	940,691
Due from custodian	-	-	25	-	25
Intergovernmental receivables	4,326	-	-	-	4,326
Investments, at fair value	29,994	22,371,704	5,049,078	8,572,610	36,023,386
Other assets	37	8,627	-	-	8,664
Receivables, net of allowance	765,833	162,313	15,939	13,102	957,187
Security deposits	390,515	-	-	-	390,515
Total assets	\$ 3,366,347	24,466,425	5,748,814	9,309,552	42,891,138
LIABILITIES					
Cash overdraft	\$ -	-	-	-	-
Deposits held in trust	399,788	-	-	-	399,788
Deferred revenues	5,539	6,043	-	-	11,582
Due to beneficiary	147,554	-	-	29,497	177,051
Due to brokers	-	1,690,545	101,497	1,649,635	3,441,677
Due to other funds	1,440,009	1,441	-	-	1,441,450
Intergovernmental payables	996,095	-	1,329	-	997,424
Funds held for others	40,093	714	-	-	40,807
Other liabilities	82,607	14,519	-	-	97,126
Payables	254,662	19,570	-	-	274,232
Security lending liability	-	2,990,503	-	-	2,990,503
Total liabilities	3,366,347	4,723,335	102,826	1,679,132	9,871,640
NET ASSETS					
Net assets held in trust for pension	-	19,743,090	-	-	19,743,090
Net assets held in trust for pool participants	-	-	5,645,988	7,630,364	13,276,352
Net assets reserved for other beneficiaries	-	-	-	56	56
Net assets	\$ -	19,743,090	5,645,988	7,630,420	33,019,498

See Notes to Financial Statements and Accountants' Report.

STATE OF NEW MEXICO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Total
ADDITIONS				
Employee contributions	\$ 372,789	-	-	372,789
Employer contributions	527,325	-	-	527,325
Deposits	-	498,487	344,336	842,823
Interest and other investment income	2,153,183	258,674	740,530	3,152,387
Other operating revenues	91,573	-	49,000	140,573
Total additions	3,144,870	757,161	1,133,866	5,035,897
DEDUCTIONS				
Benefits and claims	1,123,649	-	-	1,123,649
Distributions	-	36,810	353,965	390,775
Expenses and management fees	60,096	1,060	14,688	75,844
General and administrative	17,485	-	-	17,485
Other operating expenses	3,097	-	-	3,097
Refunds	54,334	-	-	54,334
Total deductions	1,258,661	37,870	368,653	1,665,184
Change in net assets	1,886,209	719,291	765,213	3,370,713
Net assets, beginning as restated	17,856,881	4,926,697	6,865,207	29,648,785
Net assets, ending	\$ 19,743,090	5,645,988	7,630,420	33,019,498

See Notes to Financial Statements and Accountants' Report.

State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2006

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State of New Mexico
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2006

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STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The State's significant accounting policies are described below.

A. Reporting Entity

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

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

Depending upon the significance of the State's financial and operational relationships with various separate entities, the organizations are classified either as blended or as discrete component units. The State had one blended component unit (New Mexico Lottery Authority) and two discrete component units (New Mexico Finance Authority and the New Mexico Mortgage Finance Authority) during the fiscal year ended June 30, 2006.

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.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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

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

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

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

B. Government-Wide and Fund Financial Statements

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fiduciary funds are reported using the economic resources measurement focus.

The State reports the following major funds:

Major Governmental Funds

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

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

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

Highway and Transportation Fund – The Highway and Transportation Fund accounts for the maintenance and development of the State 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 Office, which adds these amounts to the Severance Tax Permanent Fund.

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major Business-Type Funds

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

Additionally, the State reports the following governmental fund types:

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

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

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Cash and Cash Equivalents

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

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

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

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents (Continued)

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

In addition to the overnight repurchase agreements at the State Treasury, the Educational Retirement Board (Board) invests in the Short-term Investment Funds (STIF) at Northern Trust Company. Each internal and external investment manager has a component in the STIF. The STIF is used to facilitate more efficient trade procedures with the Board's external money managers. Net cash balances in each internal and external investment manager's portfolios are swept into the STIF at the end of each day. Overnight investments of \$239,705 for 2006, are reported as cash equivalents and are reported as part of the cash balance in the statement of plan net assets.

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

E. Restricted Cash and Cash Equivalents and Investments

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

F. Deferred Charges and Other Assets

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

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.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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

As of June 30, 2006, the Large Capitalization Active Pool was managed internally using fundamental research techniques. This pool seeks to exceed the performance of the S&P 500 Index emphasizing stock selection and by over weighting or under weighting economic sectors.

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Investments (Continued)

The High Yield Bonds Pool was managed by two active external managers as of June 30, 2006, and invests in corporate bonds rated single B or better by a national rating service. The pool's benchmark is the Merrill Lynch U.S. High Yield Bonds BB-B Index. High yield bonds have both higher expected returns and risk than the investment grade bonds in the Core Bonds pool.

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

The Mid/Small Capitalization Pool was managed by external managers during the year. As of June 30, 2006, 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, 2006, one manager had a value orientation, one was a core manager, and one was a growth manager. This strategy is designed to seek the best investment opportunities around the world, as well as to diversify away from a U.S. only approach. The benchmark is the MSCI EAFE Index. The third-party managers of the described investments trade in foreign exchange contracts in the normal course of investing activities in order to manage exposure to currency risks. Such contracts, which are generally for a period less than one year, are used to purchase and sell foreign currency at a guaranteed future price. These contracts are recorded at fair value using foreign currency forward exchange rates.

The Non-U.S. Emerging Markets Pool is an externally managed international equity fund based upon the MSCI Emerging Markets Free Index. As of June 30, 2006, the fund had one active external manager. The Non-U.S. Emerging Markets Pool began operations in March 2002.

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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, an adjustment is made to reduce the fair value. Increases to fair value are reported when a definable event occurs, such as an additional round of financing to a third-party investor at a higher price or a public offering of the investee company's stock. Income is recognized when the investment advisor reports distributions received in excess of the capital invested.

I. Intergovernmental Receivables

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

J. Inventories

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

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

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

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

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

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 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, 2006

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.

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

<u>Capital Asset Category</u>	<u>Reporting Capitalization Threshold</u>	<u>Estimated Useful Life (in Years)</u>
Infrastructure	\$5,000	10-50
Non-depreciable Infrastructure	5,000	-
Land improvements	5,000	10-30
Furniture and equipment	5,000	3-25
Vehicles	5,000	3-12
Buildings & improvements	5,000	5-75
Construction in Progress	5,000	-
Land	5,000	-

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 to 4 hours per bi-weekly pay period. There is no limit to the amount of sick leave which an employee may accumulate. Employees are paid for accumulated sick leave annually, or upon retirement or other termination, but only for accumulated sick leave in excess of 600 hours. Annually, employees may be paid 50 percent of the excess over 600 hours, up to a maximum of 120 hours.

Upon retirement or other termination, employees are paid 50 percent of the excess over 600 hours, up to a maximum of 400 hours.

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

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

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

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

N. Interfund Transactions

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Interfund Transactions (Continued)

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

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

O. Accrued Liabilities

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

P. Deferred Revenue

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

Q. Payables

Payables represent unpaid claims against the State for goods and services received by the State prior to June 30, 2006.

R. Long-term Obligations

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

The State has recognized the debt issuance costs, premiums and discounts of debt issued in fiscal year 2006 as increases and decreases in net assets. Due to its immaterial balance, the State has not capitalized these items for future amortization.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Assets and Fund Equity (Continued)

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

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

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

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

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Restatements (in thousands)

The governmental activities net assets were decreased by \$3 million and business-type activities were increased by \$63 million, due to errors made in certain accruals and deferrals of income and expenses and capital asset adjustments.

Prior period adjustments 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 \$153,469 to beginning fund balance for a change in accounting principle to recognize expenses for capital projects when the related bonds have been sold, or the appropriations have been authorized in the Public Education Department.

The following schedule reconciles June 30, 2005, fund balance/net assets previously reported to beginning 2006 fund balance/net assets, as restated.

	General Fund	Education	Health and Human Services	Highway and Transportation	Non-Major Funds
Fund balances- beginning, as previously reported	\$ 802,082	382,505	149,756	859,491	597,275
Restatements	(1,950)	(230,561)	(10,590)	31,209	(34,984)
Fund balances- beginning, as restated	\$ 800,132	151,944	139,166	890,700	562,291

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 net assets to correct errors in capitalization of donated assets, depreciation and prepaid items. The following schedule reconciles June 30, 2005, net assets previously reported to beginning 2006 net assets, as restated.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Restatements (in thousands) (Continued)

	Enterprise Funds			Fiduciary Funds			
	Educational Institutions	Non-major Enterprise Funds	Total	Internal Service Fund	Private Purpose Trust Fund	Pension Trust Funds	External Investment Trust Funds
Net assets-beginning, as previously reported	\$ 2,410,188	846,453	3,256,641	(24)	6,864,718	17,859,126	4,926,696
Restatements	61,375	2,032	63,407	5,792	489	(2,245)	1
Net assets-beginning, as restated	\$ 2,471,563	848,485	3,320,048	5,768	6,865,207	17,856,881	4,926,697

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

By law, all deposits and investments are under the control of the Office of the State Treasurer (State Treasurer), except for those with which specific authority are under the control of other component units. Legally authorized investments vary by fund, but generally include: 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, 2006

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, 2006, the carrying amount of the primary Government's total cash and cash equivalents was \$4,714,898. Cash and cash equivalents in bank accounts for the primary government was \$223,511. 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	\$ 4,505,555
Cash at U.S. Treasury Department	570,466
Bank accounts	<u>1,123,727</u>
	<u>\$ 6,199,748</u>
Governmental Activities	\$ 1,696,142
Business-Type Activities	926,139
Fiduciary Funds	<u>3,577,467</u>
	<u>\$ 6,199,748</u>

Cash and cash equivalents balances as of June 30, 2006 were as follows:

Cash in bank	\$ 223,511
Less: FDIC Insurance Coverage	<u>(46,615)</u>
Total unsecured public funds	<u>176,896</u>
Collateral pledged	<u>(586,702)</u>
Uncollateralized and uninsured	<u>\$ (409,806)</u>

Custodial Credit Risk – Deposits. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2006, the State's cash and cash equivalents deposits were not exposed to custodial credit risk.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investments

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The 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 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the 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 counterparty. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the State and are held by either the counterparty of the counterparty's trust department of agent but not in the State's name.

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

A summary of the investments at June 30, 2006 and their exposure to credit risk are as follows:

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
<i>Investments subject to credit risk – S & P</i>		
<i>Rating</i>		
Asset Backed Securities	AAA	\$ 201,431
Commercial Mortgage-Backed	AAA	213,434
Corporate Bonds	AAA	1,025,110
Non-Governmental Backed C.M.Os	AAA	304,742
Government Mortgage Backed Securities	AAA	1,328,325
Government Bonds	AAA	848,088
Government Agencies	AAA	344,049
Municipal Agencies	AAA	3,309
Index Linked Government Bonds	AAA	100,763
Corporate Obligations	AAA	5,719
Asset Backed Securities	AA	2,991
Government Bonds	AA	4,464
Non-Governmental Backed C.M.Os	AA	2,254
Corporate Bonds	AA	119,845
Government Agencies	AA	8,505
Municipal Agencies	AA	5,708
Corporate Obligations	AA	71,601
Corporate Bonds	A+	216
Asset Backed Securities	A	31,857
Government Bonds	A	14,072
Government Agencies	A	6,594
Municipal Agencies	A	1,708
Corporate Bonds	A	234,772
Non government Backed C.M.O	A	1,350
Corporate Obligations	A	118,309
Corporate Bonds	BBB	212,439
Government Bonds	BBB	33,772
Commercial Mortgage –Backed	BBB	889
Asset Backed Securities	BBB	2,962
Non-Governmental Backed C.M.Os	BBB	1,213
Corporate Obligations	BBB	157,088
Corporate Bonds	BB	91,908
Government Bonds	BB	5,560
Asset Backed Securities	BB	458
Corporate Obligations	BB	127,625
Corporate Bonds	B	134,460

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment	Rating	Fair Value
<i>Investments subject to credit risk – S & P Rating (Continued)</i>		
		\$
Corporate Obligations	B	211,432
Corporate Obligations	CCC	35,693
Corporate Bonds	CCC	4,308
Common Stock	3	285
Common Stock	2	618
Common Stock	1	512
		<u>6,020,438</u>
<i>Total investments subject to credit risk - S & P Rating</i>		

*Investments subject to credit risk –
Moody Rating*

U.S. Government Agency Obligation	AAA	\$ 7,394
Repurchase Agreements	Aa2	13,513
Corporate Bonds	AA1	8,728
Commercial Mortgage – Backed	Aaa	97,021
Asset Backed Securities	Aaa	1,015,646
Governmental Agencies	Aaa	122,122
Government Bonds	Aaa	286,576
Non-Governmental Backed C.M.O's	Aaa	277,264
Corporate Bonds	Aaa	14,336
Asset Backed Securities	Aa	1,592
Commercial Mortgage –Backed	Aa	18,161
Corporate Bonds	Aa	330,561
Asset Backed Securities	A	147,494
Commercial Mortgage –Backed	A	323,397
Asset Backed Securities	Baa	140,235
Corporate Bonds	Baa	161,199
Corporate Bonds	Ba	130,990
Commercial Mortgage –Backed	B	285
Corporate Bonds	B	157,254
Corporate Bonds	Caa	5,494
Commercial Paper	A-1+	161,675
Commercial Paper	A-1	29,979
		<u>3,450,916</u>

*Total investments subject to credit risk
– Moody Ratings*

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment	Rating	Fair Value
<i>Investments subject to credit risk – Not Rated</i>		
Asset Backed Securities	NR	\$ 219,182
Alternative Investments	NR	22,856
Bank Deposits	NR	93,442
Certificate of Deposits	NR	100
Commercial Paper	NR	390,047
Corporate Bonds	NR	219,250
Government Bonds	NR	15,159
Municipal/Provincial Bonds	NR	500
Money Market	NR	109,432
Corporate Obligations	NR	341,347
Non-Government Backed C.M.O.s	NR	37,596
Government Agencies	NR	139,809
Municipal Agencies	NR	244
Government MBS	NR	10,313
Commercial MBS	NR	25,713
Mutual Funds	NR	55
Index Linked Government Bonds	NR	2,564
Flex Repurchase Agreements	NR	455,835
Flex Overnight Pool	NR	1,937,000
Short term Government Bonds and Notes	NR	1,265,154
Short Term Investments	NR	<u>1,025,847</u>
<i>Total investments subject to credit risk – Not Rated</i>		<u>6,311,445</u>
<i>Total investments subject to credit risk</i>		<u>\$ 15,782,799</u>

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

A summary of the investments at June 30, 2006 and the exposure to interest rate risk are as follows:

Investment	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
<i>Investments subject to interest rate risk</i>					
Asset Backed Securities	\$ 1,565,552	60,014	352,181	393,557	759,800
Bank Deposits	93,273	93,273	-	-	-
Certificate of Deposits	988	988	-	-	-
Commercial Mortgage Backed	186,826	325	4,193	15,732	166,576
Common Stock	1,499	1,499	-	-	-
Corporate Bonds	1,470,190	284,326	377,386	473,298	335,180
Government Agencies	126,922	-	121,425	535	4,962
Government Bonds	291,576	-	-	5,000	286,576
Government Mortgage Backed Securities	149,959	-	-	-	149,959
Municipal/Provincial Bonds	500	250	-	-	250
Non-Government Backed C.M.O.s	405,547	-	-	-	405,547
U.S. Treasury Securities	94,586	94,586	-	-	-
Equity	159,729	2,013	-	-	157,716
U.S. Government Agency Obligations	1,060,074	933,362	126,712	-	-
Commercial Paper	581,701	581,701	-	-	-
Money Market Funds	109,602	109,602	-	-	-
Flex Repurchase Agreements	469,348	355,825	113,523	-	-
Flex Overnight Pool	1,963,698	1,963,698	-	-	-
Short term Government Bonds and Notes	2,112,051	2,112,051	-	-	-
The New Mexico State Treasurer's Office:					
General Fund Investment Pool	637,956	-	637,956	-	-
The State Investment Council:					
Large Cap Active Pool	24,362	-	-	-	24,362
Large Cap Index Pool	9,055	-	-	-	9,055
Small/Mid Cap Active Pool	10,752	-	-	-	10,752
CDO Equity Pool	13	-	-	-	13
Non-U.S. Developed Markets Pools	6,113	-	-	-	6,113
Non-U.S. Emerging Market Pools	2,400	-	-	-	2,400
U.S. Core Bonds Pool	18,096	-	-	-	18,096
U.S. High Yield Bonds Pool	2,337	-	-	2,337	-
Hedge Fund Pool	9,049	-	-	-	9,049
Total	\$11,563,754	6,593,513	1,733,376	890,459	2,346,406

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Public Employee's Retirement Association

Bond Category	Duration in years	Percentage of Bond Portfolio
Corporate Convertible Bonds	5.85	0.13%
Convertible Equity	25.00	0.06%
Government Bonds	6.00	26.06%
Government Agencies	4.63	7.46%
Municipal Bonds	6.61	0.38%
Corporate Bonds	6.36	26.30%
Government MBS	11.88	22.75%
Commercial MBS	14.02	4.71%
Asset Backed Securities	10.06	4.72%
Non-Government Backed C.M.O.s	15.20	6.24%
Index Linked Government Bonds	12.22	1.19%
Total		<u>100.00%</u>

Educational Retirement Board

Investment Type	Duration in years
U.S. Treasury Securities	3.47
U.S. Government Agency Obligations	1.61
Corporate Obligations	3.58
Corporate Asset and Mortgage Backed Securities	3.31
Short-Term Investment	0.25
Overall	4.64

Concentration of Credit Risk – Investments. Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments in any one issuer that represent 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2006, the State was not exposed to concentration of credit risk as no single issuer represented 5% of total investments.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

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

A summary of the investments at June 30, 2006 and their exposure to foreign currency risk are as follows:

<u>Investment Type</u>	<u>Foreign Currency</u>	<u>Amount</u>
Common Stock	Euro	\$ 225,112
Common Stock	Japanese Yen	169,430
Common Stock	British Pound	158,922
Common Stock	South Korean Won	91,646
Common Stock	Taiwan Dollar	76,290
Common Stock	South African Rand	67,513
Common Stock	Hong Kong Dollar	60,919
Common Stock	Swiss Franc	47,914
Common Stock	Australian Dollar	36,142
Common Stock	Mexican Peso	28,766
Common Stock	Thai Baht	28,236
Common Stock	New Israeli Shekel	22,266
Common Stock	Turkish Iira	18,179
Common Stock	Indian Rupee	16,673
Common Stock	Swedish Krona	16,300
Common Stock	Hungarian Forint	15,631
Common Stock	Brazilian Real	10,978
Common Stock	Indonesian Rupiah	10,208
Common Stock	Philippine Peso	7,991
Common Stock	Norwegian Krone	5,868
Common Stock	Singapore Dollar	5,751
Common Stock	Danish Krone	5,491
Common Stock	Various	3,197
Unit Trust Equity	Australian Dollar	342

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment Type	Foreign Currency	Amount
Unit Trust Equity	New Zealand Dollar	\$ 37
Cash and cash equivalents	Euro	2,911
Cash and cash equivalents	Brazilian Real	1,706
Cash and cash equivalents	South African Rand	1,651
Cash and cash equivalents	British Pound	1,587
Cash and cash equivalents	Various	1,175
Cash and cash equivalents	Taiwan Dollar	1,033
Cash and cash equivalents	Japanese Yen	792
Cash and cash equivalents	New Israeli Shekel	787
Cash and cash equivalents	Hong Kong Dollar	770
Cash and cash equivalents	Turkish Lira	660
Cash and cash equivalents	Indian Rupee	569
Cash and cash equivalents	Australian Dollar	236
Cash and cash equivalents	Indonesian Rupiah	213
Partnerships	Euro	84,151
Partnerships	British Pound Sterling	3,161
Preferred Stock	Brazilian Real	51,957
Preferred Stock	South Korean Won	13,041
Preferred Stock	Euro	1,853
Preferred Stock	British Pound Sterling	30
Rights/Warrants	Euro	20
Rights/Warrants	Swedish Krona	1
Bonds	Argentinean Peso	478
Bonds	Australian Dollar	101,397
Bonds	Brazilian Real	72,295
Bonds	British Pound Sterling	773,718
Bonds	Canadian Dollar	118,473
Bonds	Chile	1,557
Bonds	Chinese Renminbi	15,300
Bonds	Danish Krone	7,794
Bonds	Egypt	831
Bonds	Euro	1,422,435
Bonds	Hong Kong Dollar	128,330
Bonds	Hungarian Forint	14,100
Bonds	Indian Rupee	9,656
Bonds	Indonesian Rupiah	18,486
Bonds	Japanese Yen	1,127,413
Bonds	Malaysian Ringgit	10,385
Bonds	Mexican Peso	40,501
Bonds	New Israeli Shekel	21,906
Bonds	New Zealand Dollar	974
Bonds	New Taiwan Dollar	76,914
Bonds	Norwegian Krone	16,421

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

<u>Investment Type</u>	<u>Foreign Currency</u>	<u>Amount</u>
Bonds	Peru	\$ 205
Bonds	Philippine Peso	6,355
Bonds	Russia	6,001
Bonds	Singapore Dollar	37,645
Bonds	South African Rand	92,432
Bonds	South Korean Won	115,432
Bonds	Swedish Krona	52,527
Bonds	Swiss Franc	299,042
Bonds	Thai Baht	29,297
Bonds	Turkish Lira	17,439
		\$ 5,933,845

Investment by funds at June 30, were as follows:

Governmental Activities	\$ 6,375,460
Business-Type Activities	1,726,205
Fiduciary Funds	<u>36,023,386</u>
	<u>\$ 44,125,051</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 the trustees in the names of the applicable government entity and the NMFA. The repurchase agreements are overnight only. The following is a reconciliation of cash and cash equivalents to the financial statements.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash at State Treasurer's Office	\$ 58,835
Money market accounts	97,570
Trust Accounts	119,066
Reserve on Bond Payable	265
Bank accounts	229
	<u>\$ 275,965</u>

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

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

New Mexico Mortgage Finance Authority (NMMFA).

As of September 30, 2006 the carrying value of cash and cash equivalents include the following:

Cash	\$ 16,797
Cash equivalents not considered deposits	
Money market accounts	194
Money market funds	29,192
Repurchase agreements	5,096
Guaranteed Investment contracts	383,437
	<u>\$ 434,716</u>

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a bank failure, the NMMFA deposits may not be recovered. The investment policy requires consideration of the creditworthiness in selecting financial institutions. At September 30, 2006, NMMFA's bank balance was \$16,945. Of this amount, \$248 was insured by the Federal Deposit Insurance Corporation (FDIC), \$181 was collateralized by collateral held by the bank in the New Mexico Mortgage Finance Authority name. The total amount subject to custodial credit risk at September 30, 2006 was \$16,516 which consists of \$16,441 was collateralized by collateral held by the bank but not in NMMFA's name, and \$75 was uninsured and uncollateralized.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

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

The NMMFA administers public funds for the State Homeless, Innovation in Housing Awards and Weatherization Programs. As required by State law, the NMMFA obtains from each bank that is a depository for public funds pledged collateral in an aggregate amount at least equal to one half of the public money in each account. No security is required for deposit of public money that is insured by the FDIC. As of September 30, 2006 NMMFA had \$723 of public funds on deposit which are fully collateralized by collateral held by the bank in the NMMFA's name.

Investments

The NMMFA has the following investments and maturities at September 30, 2006

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Money Market Funds	\$ 29,192	29,192	-	-	-
Repurchase Agreements	5,096	5,096	-	-	-
Guaranteed Investment Contracts	383,437	375,578	111	-	7,748
Internal State Pools:					
Money Market Funds	3,014	3,014	-	-	-
Repurchase Agreements and Pool	60	60	-	-	-
Commercial Paper	5,260	5,260	-	-	-
Certificates of Deposit	273	273	-	-	-
U.S. Agencies	7,834	7,834	-	-	-
Governmental Bonds	3,814	-	-	75	3,738
Governmental Agencies	1,600	-	1,536	-	64
Corporate Bonds	5,677	1,135	1,476	1,760	1,306
Government Mortgage-Backed Securities	3,082	-	62	247	2,774
Commercial Mortgage-Backed	1,695	-	-	-	1,695
Asset-Backed Securities	6,354	254	1,398	1,589	3,113
Non-Government-Backed CMOS	2,477	-	-	-	2,477
Short-Term Investment Funds	1,438	1,438	-	-	-
U.S. Agencies	19,570	4,960	14,610	-	-
Securitized Mortgage Loans	746,728	-	-	-	746,728
	<u>\$ 1,226,601</u>	<u>434,094</u>	<u>19,193</u>	<u>3,671</u>	<u>769,643</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

The following table provides information on the credit ratings associated with the NMMFA's investments in debt securities, excluding obligations of the United States government or obligations explicitly guaranteed by the United States government at September 30, 2006.

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>U.S. Gov. Guaranteed</u>	<u>NR</u>
Money Market Funds	\$ 29,192	-	-	-	-	-	29,192
Repurchase Agreements	5,096	-	-	-	-	-	5,096
Guaranteed Investment Contracts	383,437	-	-	383,437	-	-	-
Internal State Pools:							
Money Market Funds	3,014	-	-	-	-	-	3,014
Repurchase Agreements and Pool	60	-	-	-	-	-	60
Commercial Paper	5,260	-	-	5,260	-	-	-
Certificates of Deposit	273	-	-	-	-	-	273
U.S. Agencies	7,834	7,834	-	-	-	-	-
Governmental Bonds	3,813	2,555	-	-	-	1,182	76
Governmental Agencies	1,600	64	-	-	-	1,536	-
Corporate Bonds	5,677	284	511	1,249	1,533	-	2,100
Government Mortgage Backed Securities	3,082	-	-	-	-	3,082	-
Commercial Mortgage- Backed	1,695	1,661	-	-	-	-	34
Asset-Backed Securities	6,355	826	382	1,334	954	-	2,859
Nongovernmental- Backed CMOS	2,447	1,561	-	-	-	-	916
Short-Term Investment Funds	1,438	-	-	-	-	-	1,438
U.S. Agencies	19,570	19,570	-	-	-	-	-
Securitized Mortgage Loans	746,728	-	133,037	-	-	613,691	-
	<u>\$ 1,226,601</u>	<u>34,355</u>	<u>133,930</u>	<u>391,280</u>	<u>2,487</u>	<u>619,491</u>	<u>45,058</u>

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

Concentration of credit risk is the risk of loss attributable to the magnitude of the NMMFA's investment in a single issuer. The following issuers and their respective percentage of total investments represent greater than 5% of the NMMFA total investments reported on the balance sheet as of September 30, 2006: Governmental National Mortgage Association 77% and Federal National Mortgage Association 17%.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables at June 30, 2006, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities

	Interest	Taxes	Accounts Receivable	Total Receivables	Allowances	Total Receivables, net
General	\$ 845	52,635	157,212	210,692	(10,346)	200,346
Educational	-	-	86,591	86,591	-	86,591
Health and Human Services	-	-	143,426	143,426	-	143,426
Highway and Transportation	2,507	48,508	2,293	53,308	-	53,308
Severance Tax Permanent Fund	-	-	10,630	10,630	-	10,630
Land Grant Permanent Fund	5,953	-	-	5,953	-	5,953
Nonmajor Governmental Funds	2,087	182	39,764	42,033	(380)	41,653
Internal Service Fund	347	-	3,151	3,498	-	3,498
Total	\$ 11,739	101,325	443,067	556,131	(10,726)	545,405

Business-Type Activities

	Educational Institutions	Non-Major Enterprise Funds	Total
Taxes	\$ -	25,344	25,344
Accounts	168,675	33,487	202,157
Grants	44,607	-	44,607
Interest	-	3,979	3,979
Total Receivables	213,282	62,810	276,087
Allowances	(26,504)	(12,914)	(39,418)
Total Receivables, net	\$ 186,778	49,896	236,669

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

Fiduciary Funds

	Agency Funds	External Investment Trust Funds	Pension Trust Funds	Private Purpose Trust Funds	Totals
Tax assessments	\$ 487,864	-	705	-	488,569
Accounts	784,086	-	88,423	-	872,509
Interest and dividends	9	15,939	73,185	13,102	102,235
Total Receivables	1,271,959	15,939	162,313	13,102	1,463,313
Allowances	(506,126)	-	-	-	(506,126)
Total Receivables, net	\$ 765,833	15,939	162,313	13,102	957,187

Discretely Presented Component Units

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

Loans receivable	\$ 575,266
Allowance of loan losses	(482)
Loans, net	<u>\$ 574,784</u>

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

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

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

Mortgage loans receivable	\$ 184,232
Allowance for mortgage loan losses	(462)
Deferred origination and commitment fees	(1,855)
Mortgage loans, net	<u>\$ 181,915</u>

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

Balance, beginning of year	\$ 609
Provision (recovery) for loan losses	(106)
Cash reserves received for programs	30
Loans written off, net of recoveries	(71)
Balance, end of year	<u>\$ 462</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund and Interagency Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

	Due From	Due To	Transfers In	Transfers Out
Governmental Activities				
General Fund	\$ 912,077	406,080	1,429,150	5,594,987
Education	467,900	77,916	2,304,983	87,182
Health and Human Services	118,370	11,747	818,339	78,694
Highway and Transportation	156,374	131,272	192,382	173,135
Severance Tax Permanent Fund	125,803	-	123,217	171,798
Land Grant Permanent Fund	352	-	28,246	29,035
Nonmajor Governmental Funds	245,920	153,747	991,991	290,835
Internal Service Fund	4,253	8,248	4,323	-
Fiduciary Funds				
Agency Funds	195,791	1,440,009	-	-
Pension Trust Fund	432	1,441	-	-
External Investment Trust Fund	-	-	-	-
Private Purpose Trust Fund	4,293	-	-	-
Total Governmental and Fiduciary	2,231,565	2,230,460	5,892,631	6,425,666
Business-Type Activities				
Education Institutions	-	-	569,748	-
Nonmajor Enterprises Funds	1,665	2,770	-	36,713
Total Business-Type Activities	1,665	2,770	569,748	36
Totals	\$ 2,233,230	2,233,230	6,462,379	6,462,379

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity was as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land and land improvements	\$ 73,554	5,933	(160)	92	79,419
Construction in progress	71,376	2,170	(8)	(811)	72,727
Infrastructure	368,991	11,294	(11)	115	380,389
Mineral rights	26,065	21,763	-	-	47,828
Total capital assets, not being depreciated	539,986	41,160	(179)	(604)	580,363
Capital assets, being depreciated					
Land improvements	35,826	2,030	(1,006)	41	36,891
Equipment and machinery	284,059	9,751	(8,807)	(1,112)	283,891
Buildings and improvements	1,010,299	12,224	(104)	1,629	1,024,048
Furniture and fixtures	23,384	1,644	(876)	(130)	24,022
Data processing equipment and software	94,074	22,195	(10,163)	(523)	105,583
Vehicles	221,883	18,123	(10,783)	117	229,340
Library books and other	10,813	2,434	(4)	(69)	13,174
Infrastructure	15,071,248	349,159	(308,472)	-	15,111,935
Total capital assets, being depreciated	16,751,586	417,560	(340,215)	(47)	16,828,884
Less accumulated depreciation for					
Land improvements	(6,768)	(1,254)	-	(11,273)	(19,295)
Equipment and machinery	(99,647)	(15,622)	7,796	(18,893)	(126,366)
Buildings and improvements	(649,761)	(33,521)	52	76,049	(607,181)
Furniture and fixtures	(11,999)	(2,049)	663	(2,015)	(15,400)
Data processing equipment and software	(58,495)	(10,651)	9,046	(5,295)	(65,395)
Library books and other	(3,150)	(1,227)	3	(173)	(4,547)
Vehicles	(133,403)	(18,506)	10,270	(8,719)	(150,358)
Infrastructure	(8,200,378)	(499,070)	308,472	1	(8,390,975)
Total accumulated depreciation	(9,163,601)	(581,900)	336,302	29,682	(9,379,517)
Total capital assets, being depreciated, net	7,587,985	(164,340)	(3,913)	29,635	7,449,367
Governmental activity capital assets, net	\$ 8,127,971	(123,180)	(4,092)	29,031	8,029,730

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Business-Type Activities:	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land and land improvements	\$ 51,761	768	(1,121)	3,763	55,171
Construction on progress	71,132	158,829	(42,135)	(21,348)	166,478
Total capital assets, not being depreciated	122,893	159,597	(43,256)	(17,585)	221,649
Capital assets, being depreciated					
Land improvements	50,547	942	(166)	-	51,323
Equipment and machinery	701,489	118,398	(20,984)	(301)	798,602
Buildings and improvements	1,408,583	14,328	(2,946)	78,315	1,498,280
Furniture and fixtures	67,175	5,439	(5,364)	5,663	72,913
Data processing equipment and software	15,887	155	(98)	324	16,268
Library books and other	201,127	7,565	(1,167)	(4,717)	202,808
Vehicles	4,256	553	(403)	-	4,406
Infrastructure	138,558	5,394	-	21,242	165,194
Total capital assets, being depreciated	2,587,622	152,774	(31,128)	100,526	2,809,794
Less accumulated depreciation for					
Land improvements	(97,474)	(4,018)	141	22,639	(78,712)
Equipment and machinery	(433,658)	(49,229)	19,744	(6,300)	(469,443)
Buildings and improvements	(576,628)	(36,805)	1,095	(12,423)	(624,761)
Furniture and fixtures	(49,956)	(4,907)	5,471	(3,208)	(52,600)
Data processing equipment and software	(7,461)	(1,438)	97	(6)	(8,808)
Library books and other	(162,102)	(8,698)	1,118	(1,023)	(170,705)
Vehicles	(3,153)	(481)	400	-	(3,234)
Infrastructure	(34,219)	(7,092)	-	(22,740)	(64,051)
Total accumulated depreciation	(1,364,651)	(112,668)	28,066	(23,061)	(1,472,314)
Total capital assets, being depreciated, net	1,222,971	40,106	(3,062)	77,465	1,337,480
Business-Type activities capital assets, net	\$ 1,345,864	199,703	(46,318)	59,880	1,559,129

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

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

General	\$ 22,805
Culture, recreation, natural resources	11,382
Highways and transportation	514,839
Judicial	5,634
Legislative	59
Public safety	15,407
Regulation, licensing, etc.	1,676
Health and human services	9,465
Education	633
	<u>\$ 581,900</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	\$ 410	453	(1)	862
Accumulated depreciation	(150)	(120)	1	(269)
Capital assets, net	<u>\$ 260</u>	<u>333</u>	<u>-</u>	<u>593</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	1,397	196	(5)	1,588
Total capital assets, being depreciated	<u>4,438</u>	<u>196</u>	<u>(5)</u>	<u>4,629</u>
Accumulated depreciation for				
Buildings and improvements	(1,592)	(136)	-	(1,728)
Equipment and machinery	(1,058)	(97)	2	(1,153)
Accumulated depreciation	<u>(2,650)</u>	<u>(233)</u>	<u>2</u>	<u>(2,881)</u>
Capital assets, net	<u>\$ 2,300</u>	<u>(37)</u>	<u>(3)</u>	<u>2,260</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Construction Commitments

The State has active construction projects as of June 30, 2006. The projects include highway construction, university infrastructure, facilities construction, and renovation. At year-end, the State's commitments for construction are as follows:

Project Commitment

University infrastructure	\$ 286,404
University facilities construction and renovation	93,974
Total	<u>\$ 380,378</u>

As of June 30, 2006 the Department of Transportation had no other construction commitments.

Operating Leases

The State leases building and office facilities and other equipment under noncancelable operating leases. Total cost for such leases were \$55,042 for the year ended June 30, 2006. The future minimum lease payments for these leases are as follows:

	<u>Amount</u>
2007	\$ 56,211
2008	43,995
2009	36,983
2010	30,490
2011	25,833
2012-2016	65,288
2017-2026	21,175
Total	<u>\$ 279,975</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, 2006

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, 2006:

Year Ending June 30:	
2007	\$ 2,499
2008	1,692
2009	618
2010 to 2019	<u>904</u>
Total	5,713
Amount representing interest	<u>(575)</u>
Total	<u>\$ 5,138</u>

Capital leases by funds are as follows:

Governmental Activities	\$ 2,425
Business-type Activities	<u>2,713</u>
	<u>\$ 5,138</u>

E. Bonds Payable

General Obligation Bonds

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

No General Obligation Bonds were issued during the fiscal year ended June 30, 2006.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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 2001</i>	\$ 35,135	4.00 – 5.00	2011
<i>Enhanced 911 Revenue Bonds Series 2000</i>	1,455	4.35 – 5.90	2008
<i>2001 - B Refunding</i>	8,415	5.00	2007
<i>Capital Projects Series 2003</i>	97,655	2.00 – 5.00	2013
<i>2003 - B Refunding</i>	28,575	3.00 – 5.00	2008
<i>Series 2005 Debt Service</i>	103,500	4.00 – 5.00	2015
<i>Total</i>	<u>\$ 274,735</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
2007	\$ 49,126	9,115	58,241
2008	41,847	7,764	49,611
2009	41,307	7,664	48,971
2010	32,768	6,079	38,847
2011 to 2015	109,687	20,351	130,038
Total	<u>\$ 274,735</u>	<u>50,973</u>	<u>325,708</u>

Subsequent to June 30, 2006, the State of New Mexico issued the following General Obligation Bond Series notes: Series 2007, \$134,870 million.

Severance Tax Bonds

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

The following severance tax bonds were issued during the fiscal year ended June 30, 2006:

Severance Tax Bonds Supplemental Series 2006A. On June 20, 2006, the State Board of Finance issued bonds with a principal amount of \$135,000 to finance public capital projects. Interest rates range from 4% to 5% with principal payments due through 2016.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Severance Tax Bonds (Continued)

Severance tax bonds currently outstanding are as follows:

	Amount	Interest Rate	Final Maturity
<i>Series 1999 - A Supplemental</i>	\$ 1,975	4.25 – 5.50	2007
<i>Series 2000 - C Supplemental</i>	3,930	4.50 – 5.00	2008
<i>Series 2001 - A Refunding</i>	63,360	4.00 – 5.00	2013
<i>Series 2002 - A</i>	19,440	4.00 – 5.00	2013
<i>Series 2002 - A Supplemental</i>	19,655	4.00 – 5.00	2012
<i>Series 2002 - B Supplemental</i>	33,720	2.00 – 5.00	2012
<i>Series 2003 - A</i>	61,855	2.50 – 5.00	2013
<i>Series 2003 - B Supplemental</i>	8,425	2.00 – 3.70	2013
<i>Series 2004 - A</i>	64,810	5.00	2014
<i>Series 2004 - B Supplemental</i>	9,150	2.00 – 5.00	2014
<i>Series 2005 - A</i>	97,000	4.00 – 5.50	2015
<i>Series 2005 - B-1 Refunding</i>	37,040	3.00 – 5.00	2012
<i>Series 2005 - B-2 Supplemental</i>	21,095	3.25 – 5.00	2011
<i>Series 2006 - A</i>	135,000	4.00 – 5.00	2016
<i>Total</i>	<u>576,455</u>		
<i>Bond Premium</i>	<u>1,480</u>		
<i>Total</i>	<u>\$ 577,935</u>		

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

Year ending June 30,	Principal	Interest	Total
2007	\$ 78,417	14,588	93,005
2008	81,208	15,105	96,313
2009	77,771	14,466	92,237
2010	62,882	11,697	74,579
2011 to 2015	276,177	49,880	326,057
Total	<u>576,455</u>	<u>105,736</u>	<u>682,191</u>
Bond Premium	1,480	-	1,480
Total	<u>\$ 577,935</u>	<u>105,736</u>	<u>683,671</u>

Subsequent to June 30, 2006, the State of New Mexico issued the following Severance Tax Bond note: 2007A Series, \$162,840 million.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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>	\$ 174	3.00 – 6.00	2015
<i>Energy and Minerals Series 1996 – A & B</i>	223	3.00 – 6.00	2016
<i>Energy and Minerals Series 1997 – A & B</i>	3,128	3.00 – 6.00	2017
<i>Energy and Minerals Series 1998 – A & B</i>	3,522	6.00 – 8.00	2018
<i>Energy and Minerals Series 2001</i>	3,760	4.70	2020
<i>Energy and Minerals Series 1995A & 1996A</i>	4,155	4.47	2016
<i>Energy and Minerals Series 2003</i>	6,612	3.82	2023
<i>Office of State Engineer Series 1998 – A</i>	496	5.87	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>	34,435	3.70 – 5.125	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 1999</i>	29,665	4.75 – 6.00	2011
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2000</i>	53,815	5.00 – 6.00	2015
<i>Enhanced 911 – Series 2000</i>	745	4.50 – 6.75	2007
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2001</i>	123,815	4.00 – 5.25	2013
<i>Senior Subordinate Lien Tax Revenue Highway Bonds – Series 2002</i>	44,700	4.50 – 5.50	2014
<i>Subordinate Lien Tax Revenue Highway Bonds (WIPP) – Series 2002</i>	26,085	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>	182,315	2.00 – 5.00	2014
<i>Subordinate Lien Transportation Refunding Revenue Bonds – Series 2004C</i>	200,000	2.00 – 5.00	2014
<i>State Museum Tax Revenue Bonds</i>	5,613	.62 – 4.18	2023
<i>Total</i>	<u>1,483,933</u>		
<i>Bond Discount</i>	<u>(30,876)</u>		
<i>Total</i>	<u>\$ 1,453,057</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

Business-type Activities

	Amount	Interest Rate	Final Maturity
<i>Capital Improvement Bonds Series 2004</i>	\$ 5,347	1.26 – 3.67%	2014
<i>Miners Colfax Hospital Revenue Bonds – Series 2004</i>	10,157	1.51 - 4.76	2024
<i>Miners Colfax Hospital Revenue Bonds - Series 2006</i>	6,488	1.15 – 4.76	2026
<i>Revenue and Improvement Revenue Series 1998</i>	8,890	3.95 – 5.00	2020
<i>Revenue and Improvement Revenue Series 2001</i>	7,410	3.95 – 5.00	2021
<i>Revenue and Improvement Revenue Series 2002</i>	12,305	2.00 – 5.00	2022
<i>Refunding and Improvement – Series 2003</i>	26,185	2.00 – 5.00	2023
<i>Improvement Revenue Bonds – Series 2004B</i>	40,440	2.00 – 5.00	2025
<i>Improvement Revenue Bonds – Series 2006</i>	10,245	4.00 – 5.00	2026
<i>System Revenue Bonds – Series 1998</i>	3,010	3.55 – 4.40	2013
<i>General Obligation Building – Series 2005A</i>	2,350	2.35 – 3.50	2010
<i>General Obligation Building – Series 2005B</i>	4,500	3.15 – 4.25	2015
<i>System Revenue Bonds – Series 2005</i>	9,325	3.25 – 4.25	2026
<i>System Refunding – Series 1998</i>	4,425	4.25 – 4.70	2011
<i>Refunding – Series 1998–A</i>	1,475	3.00 – 4.00	2008
<i>Refunding – Series 2001</i>	7,630	3.25 – 5.00	2013
<i>2001 Revenue Refunding Bonds</i>	5,450	3.25 5.00	2019
<i>System Revenue Refunding – Series 1992 – A</i>	27,660	5.60 – 6.25	2021
<i>Subordinate Lien System Improvement – Series 1996</i>	895	4.80 – 5.50	2026
<i>System Revenue – Series 2000</i>	11,382	4.65 – 6.35	2029
<i>Subordinate Lien System Improvement – Series 2001</i>	47,640	Variable	2026
<i>Subordinate Lien System Refunding and Improvement – Series 2002 – A</i>	54,745	2.50 – 5.25	2032
<i>Subordinate Lien System Refunding – Series 2002 – B</i>	25,475	3.83	2026
<i>Subordinate Lien System Refunding – Series 2002 – C</i>	36,940	3.94	2030
<i>Subordinate Lien Systems Refunding Series 2003 – A</i>	19,235	2.00 – 5.25	2018
<i>Subordinate Lien System Revenue (taxable) – Series 2003 – B</i>	5,585	1.35 – 5.625	2024
<i>Subordinate Lien System Revenue (taxable) – Series 2003 – C</i>	5,615	4.50 – 4.60	2033
<i>FHA Insured Hospital Mortgage Revenue Bonds – Series 2004</i>	192,250	2.00 – 5.00	2031
<i>Subordinate Lien System Improvement Revenue Bonds – Series 2005</i>	125,575	3.00 – 4.50	2035
<i>Total</i>	<u>718,629</u>		
<i>Bond premium and discounts, net</i>	1,170		
<i>Total</i>	<u>\$ 719,799</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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
2007	\$ 77,962	66,393	144,355	20,052	33,295	53,347
2008	72,228	62,613	134,841	23,921	31,764	55,685
2009	75,613	58,991	134,604	25,123	30,781	55,904
2010	79,488	55,161	134,649	26,123	29,704	55,827
2011	71,249	50,231	121,480	27,177	29,396	56,573
2012 to 2016	338,987	200,182	539,169	134,864	128,741	263,605
2017 to 2021	425,593	105,229	530,822	146,349	96,087	242,436
2022 to 2026	342,813	10,428	353,241	155,790	58,216	214,006
2027 to 2035	-	-	-	159,230	28,582	187,812
Total	\$ 1,483,933	609,228	2,093,161	\$ 718,629	466,566	1,185,195
Bond Premium and Discount	(30,876)	-	(30,876)	1,170	-	1,170
Total	\$ 1,453,057	609,228	2,062,285	\$ 719,799	466,566	1,186,365

Advance and current refundings:

Governmental Activities:

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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. 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.

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

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

The State is responsible for the NMFA issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable on June 15th. Interest with rates ranging from 2% 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 in the Highway Infrastructure Fund. The lien on the bonds on such revenues is subordinate to the lien thereon securing other bonds issued concurrently with the 2004C bonds or which may hereafter be issued through the NMFA. The bonds are being issued through NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds to refund and restructure certain outstanding debt.

The State is responsible for its issuance costs and must annually pay the NMFA twenty-five basis points on the outstanding principal balance. Principal of the bonds is payable on June 15th with interest payable semi-annually on June 15th and December 15th through the year 2023. Interest is fixed at 3.393% based on a swap agreement in place at June 30, 2004.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

For the year ended June 30, 2006, the NMFA recorded \$1,750 in administrative fees related to the three bonds in the GRIP Administrative Fund (Proprietary Fund).

At June 30, 2006, the NMFA had \$408,236 in cash at trustee related to these three bonds offset by accounts payable, debt service payable and funds held for the New Mexico Department of Transportation. The NMFA has recorded these amounts in an agency fund.

The State issued the 2004B and 2004C Bonds to advance refund certain older debt issues. The net proceeds of \$408,856 plus an additional \$7,286 were used to purchase U.S. governmental securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the older debt issues. As a result, the advance refund of the older debt are considered to be defeased and the liabilities for those bonds have been removed from long-term obligations. On June 30, 2006, \$363,490 of bonds outstanding are considered defeased.

Interest Rate Swaps:

State Transportation Revenue Bonds, Series 2006

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

Terms. The swaps were entered into with J.P. Morgan Chase Bank (JP) and USG AG (UBS). The swaps will be effective on December 15, 2006, maturing on December 15, 2026. On the trade date, JP was rated AA- by Standard & Poor's Rating Service, a division of The McGraw-Hill Companies (S&P), and Aa2 by Moody's Investor's Service, Inc. (Moody's), and UBS was rated AA+ S&P and Aa2 Moody's. Both swaps were priced at a fixed rate of 5.072%, based on an amortizing notional schedule with a combined \$220,000 initial amount. Under the swaps, the NMFA pays 5.072% and received Bond Market Association (BMA). The incorporated knock-out option was priced with a 7% barrier, effective from settlement to maturity and based on an "American" option exercise schedule. The option premium is equal to 0.34% per annum, resulting in a net fixed rate of 4.732%. Thus, the counterparty paid to have the option (but not the

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

obligation) to terminate the swap should the 180 day average of the BMA index move above the barrier. The bonds' variable-rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2006, the swaps had a negative fair value of \$6,819 without the option. The options had a negative value of \$12,823 in isolation of the swaps; thus the swaps including the options had a total negative value of \$19,642. Since the coupons on the NMFA variable interest rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement swap.

Risks. As of June 30, 2006, the NMFA is not exposed to credit risk because the swaps had a negative fair value. If the fair value goes positive at some point in the future, the counterparties will be required to post collateral. The agreed upon collateral threshold levels per the Credit Support Agreement (the CSA) are adjusted based on counterparty ratings set forth in the CSA. Goldman, Lehman, and RBC was rated AAA/Aaa, AAA/Aaa and Aa-/Aa2 by S&P Moody's respectively as of June 30, 2006. The swaps use the International Swap Dealers Association Master Agreement, which includes standard termination events. The swaps may be terminated if the credit quality of the counterparties or Authority falls below BBB-/Baa3 by S&P/Moody's respectively. The swap also includes an additional termination event related to non-issuance of the associated bonds. That is, the swap may be terminated if the related bonds are not issued on the effective date. Should the counterparties exercise the option to terminate the swap per the knock-out option, the NMFA would become subject to variable rate risk on the outstanding bonds. However, historically the BMA index has yet to reset above the barrier set forth in the swap agreement. In addition, the NMFA has substantial cash reserves which will mitigate this risk by generating variable rate income. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the NMFA would be liable to the counterparty for a payment equal to the swap's fair value.

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

Objective of the swaps. In April of 2004, the NMFA entered into three swaps on behalf of the State with three counterparties to synthetically refund outstanding bonds which provided the NMFA with present value savings of \$11,524, or 3.02% of the refunded bonds. The swap structure was used as a means to increase the NMFA's savings, when compared against fixed-rate bonds at the time of issuance. In addition, through this structure the NMFA was able to

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

release several restrictive covenants as set forth by the old indenture, thus providing future flexibility. The intention of the swaps was to effectively change the NMFA's interest rate on the bonds to a fixed rate.

Terms. The swaps were executed with Goldman Sachs Mitsui Marine Derivative (Goldman), Lehman Brothers Derivative Products, Inc. (Lehman) and Royal Bank of Canada (RBC) at respective initial amortizing notional amount of \$50,000, \$50,000 and \$100,000. The counterparties were, at the trade date, rated AA+/Aaa, AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively. All three swaps commenced on May 20, 2004, and will mature on June 15, 2024. Under the swaps, the NMFA pays a fixed rate of 3.934% and receives a variable rate computed as the BMA index until June 15, 2006, on which date the variable interest rate received will switch to 68% of the on month London Interbank Offered Rate (LIBOR) until maturity. The bonds' variable-rate coupons are not based on an index but on market conditions.

Fair Value. As of June 30, 2006, the Lehman swap and Goldman swap each had a fair value of \$63, which the RBC swap had a fair value of \$126. The total fair value on all the swaps was \$252. Since the coupons on the NMFA's variable interest rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks. As of June 30, 2006, the NMFA is exposed to credit risk in an amount equal to the positive fair value for each of the swaps. To mitigate credit risk, the counterparties are required to post collateral based upon the agreed collateral threshold levels per the Credit Support Annex (CSA) which are adjusted based on counterparty ratings as set forth in the CSA. Goldman, Lehman, and RBC was rated AAA/Aaa and AA-/Aa2 by S&P/Moody's respectively as of June 30, 2006. As of June 15, 2006, the NMFA is exposed to basis risk as reflected by the relationship between the rate paid on the outstanding bonds and 68% of one month LIBOR the rate received on the swap. The NMFA is also exposed to tax risk, a form of basis risk, where the NMFA is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 68% of LIBOR received on the swap. The effect of the difference in basis is indicated by the difference between the intended synthetic rate (3.934%) and the synthetic rate as of June 30, 2006 (4.197%). The expected cost savings would not be realized should the rate paid on the bonds exceed the variable index received on the swap over the remaining life of the

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Revenue Bonds (Continued)

swaps. As of June 30, 2006, the rate of the bonds was 3.89%, whereas 68% of one month LIBOR was 3.627%. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. Furthermore, the swaps may be terminated if the credit quality of the counterparties or the NMFA falls below BBB/Baa3 by S&P/Moody's respectively. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the NMFA would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt. As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same for their term, were as follows:

Fiscal year ending June 30	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2007	\$ -	7,780	614	8,394
2008	-	7,780	614	8,394
2009	-	7,780	614	8,394
2010	-	7,780	614	8,394
2011	-	7,780	614	8,394
2012-2016	-	38,900	3,070	41,970
2017-2021	-	38,900	3,070	41,970
2022-2024	200,000	20,512	1,619	22,131
	<u>\$ 200,000</u>	<u>137,212</u>	<u>10,829</u>	<u>148,041</u>

(As rates vary, variable rate bond interest payments and net swap payments will vary.)

Subsequent to June 30, 2006, the State of New Mexico issued the following Revenue Bond notes: State Transportation Revenue Bonds 2006A Series, \$150.0 million; State Transportation Revenue Bonds 2006B Series, \$39.0 million; State Transportation Revenue Bonds 2006C Series, \$220.0 million; State Transportation Revenue Bonds 2006D Series, \$50.0 million

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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, 2006, consist of:

	Amount	Interest Rate	Final Maturity
<i>Public Project Revolving Fund – 1997A</i>	\$ 5,455	4.25 – 4.90	2007
<i>Public Project Revolving Fund – Series 1999A, B, C, and D</i>	12,935	3.30 – 6.30	2018
<i>Public Project Revolving Fund – Series 2000A</i>	1,650	4.10 – 5.30	2009
<i>Public Project Revolving Fund – Series 2000B and C</i>	11,055	4.35 – 5.60	2030
<i>Public Project Revolving Fund – Series 2002A</i>	27,975	2.00 – 5.00	2026
<i>Public Project Revolving Fund – Series 2003A</i>	32,788	2.00 – 4.75	2032
<i>Public Project Revolving Fund – Series 2003B</i>	23,545	2.00 – 5.00	2021
<i>Public Project Revolving Fund – Series 2004 A</i>	37,430	1.125 – 5.00	2031
<i>Public Project Revolving Fund – Series 2004 B</i>	44,680	3.00 – 5.13	2033
<i>Public Project Revolving Fund – Series 2004 C</i>	157,785	2.50 – 5.00	2024
<i>Public Project Revolving Fund – Series 2005 C and D</i>	54,750	3.05 – 5.00	Various
<i>Special Cigarette Tax Revenue Bonds</i>	-	3.95 – 5.25	2006
<i>Workers Compensation Financing Fund</i>	2,950	5.00 – 5.60	2017
<i>UNM Health Sciences</i>	29,670	2.00 – 5.00	2019
<i>UNM Health Sciences 2004B</i>	8,915	2.10 – 5.50	2019
<i>State Capitol Improvement Financing Fund</i>	6,490	7.00	2015
<i>State Building Purchase Fund</i>	28,850	4.00 – 5.00	2006
<i>Metro Court Financing Fund</i>	45,975	5.50 – 5.80	2025
<i>Equipment Loan Fund – Series 95A, 95B</i>	225	4.05 – 5.40	2016
<i>Equipment Loan Fund – Series 96A</i>	67	3.85 – 5.20	2016
<i>Equipment Loan Fund – Series 96B</i>	377	4.50 – 5.70	2012
<i>Public Project Revolving Fund – Series 2005A</i>	18,095	3.00 – 4.25	2025
<i>Public Project Revolving Fund – Series 2005B</i>	13,320	3.00 – 4.25	2020
<i>Public Project Revolving Fund – Series 2005E</i>	23,630	4.00 – 5.00	2025
<i>Public Project Revolving Fund – Series 2005F</i>	21,950	4.00 – 5.00	2022
<i>Public Project Revolving Fund – Series 2006A</i>	49,545	4.00 – 5.00	2035
<i>Public Project Revolving Fund – Series 2006B</i>	38,260	4.00 – 5.00	2036
<i>CIG Tax 2006 – Behavioral Health</i>	2,500	5.51	2026
<i>Bond premium and discount</i>	29,524		
<i>Total</i>	<u>\$ 730,391</u>		

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Units (Continued)

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

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 39,787	32,897	72,684
2008	33,671	31,047	64,718
2009	44,125	29,760	73,885
2010	37,905	28,287	66,192
2011	39,987	26,605	66,592
2012-2016	213,781	103,313	317,094
2017-2021	157,293	56,675	213,968
2022-2026	101,850	20,549	122,399
2027-2031	17,576	6,298	23,874
2032-2033	14,892	2,010	16,902
Total	700,867	337,441	1,038,308
Bond Premium and discount	29,524	-	29,524
Total	\$ 730,391	337,441	1,067,832

Bonds payable activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 570,785	197,924	(38,318)	730,391	39,787

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Units (Continued)

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

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

New Mexico Mortgage Finance Authority bonds outstanding consist of:

	Amount	Interest Rate	Final Maturity
Single Family Mortgage Programs			
<i>1985 Series A</i>	\$ -	9.40	Called 2006
<i>1994 Series A</i>	1,200	6.88	2025
<i>1994 Series B</i>	1,280	6.75	2025
<i>1994 Series C</i>	1,090	6.50	2025
<i>1994 Series D</i>	1,375	6.80	2026
<i>1994 Series E</i>	1,555	6.95	2026
<i>1994 Series F</i>	1,195	7.00	2026
<i>1994 Series H</i>	-	6.10 – 6.65	Called 2006
<i>1995 Series A</i>	-	6.00 – 6.65	Called 2006
<i>1995 Series B</i>	-	5.50	Called 2006
<i>1995 Series C</i>	-	5.40 – 6.20	Called 2006
<i>1995 Series D</i>	-	5.50 – 6.50	Called 2006
<i>1995 Series E</i>	-	6.30 – 6.40	Called 2006
<i>1995 Series F</i>	-	5.40 – 6.15	Called 2006
<i>1995 Series G</i>	-	4.95 – 5.70	Called 2006
<i>1995 Series H</i>	3,425	6.25	2027
<i>1996 Series C</i>	-	5.50 – 6.25	Called 2006
<i>1996 Series D</i>	-	5.70 – 6.38	Called 2006

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Single Family Mortgage Programs (Continued)

Discretely Presented Component Units (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<i>1996 Series E</i>	\$ 3,445	5.70 – 6.35	2028
<i>1996 Series G</i>	4,360	5.50 – 6.20	2028
<i>1997 Series A</i>	3,520	5.50 – 6.20	2028
<i>1997 Series B</i>	4,110	5.60 – 6.30	2028
<i>1997 Series C</i>	3,845	5.45 – 7.43	2029
<i>1997 Series E</i>	6,485	5.10 – 5.75	2029
<i>1997 Series F</i>	7,000	5.00 – 5.70	2029
<i>1997 Series G</i>	8,460	4.85 – 6.30	2029
<i>1998 Series A</i>	10,285	4.85 – 6.00	2029
<i>1998 Series B</i>	7,840	5.00 – 6.10	2030
<i>1998 Series C</i>	9,955	4.80 – 6.00	2029
<i>1998 Series D</i>	9,285	4.55 – 6.00	2030
<i>1998 Series E</i>	9,825	4.35 – 6.25	2030
<i>1999 Series A</i>	11,035	4.40 – 6.25	2030
<i>1999 Series B</i>	12,155	4.65 – 6.25	2030
<i>1999 Series C</i>	1,818	5.13	2029
<i>1999 Series D</i>	7,260	5.10 – 6.88	2030
<i>1999 Series E</i>	9,085	5.10 – 6.96	2031
<i>1999 Series F</i>	6,235	5.10 – 7.07	2031
<i>2000 Series A</i>	4,850	5.45 – 7.76	2031
<i>2000 Series B</i>	5,685	5.40 – 7.00	2032
<i>2000 Series C</i>	4,415	5.45 – 7.82	2032
<i>2000 Series D</i>	7,145	4.90 – 8.34	2032
<i>2000 Series E</i>	9,005	5.40 – 6.55	2032
<i>2000 Second Mortgage Series</i>	274	6.50	2018
<i>2001 Series A</i>	10,915	4.60 – 6.13	2032
<i>2001 Series B</i>	9,365	4.50 – 5.95	2033
<i>2001 Series C</i>	9,885	4.30 – 6.00	2033
<i>2001 Series D</i>	11,035	3.60 – 5.40	2033
<i>2002 Series A</i>	9,710	4.00 – 6.45	2033
<i>2002 Series B</i>	12,355	3.50 – 5.40	2033
<i>2002 Series C</i>	12,720	3.60 – 5.50	2034
<i>2002 Series D</i>	12,275	3.20 – 5.35	2034
<i>2002 Series E</i>	13,690	2.85 – 5.20	2034
<i>2002 Series F</i>	13,285	2.90 – 5.00	2034
<i>2003 Series A</i>	16,090	2.35 – 5.25	2034
<i>2003 Series B</i>	16,825	2.50 – 5.45	2034
<i>2003 Series C</i>	19,685	2.80 – 4.70	2034
<i>2003 Series D</i>	18,570	3.00 – 6.13	2034

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Units (Continued)

Single Family Mortgage Programs (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2003 Series E	\$ 21,640	2.35 – 4.85	2034
2004 Series A	20,630	2.20 – 4.80	2034
2004 Series B	25,275	2.10 – 4.75	2035
2004 Series C	25,160	2.75 – 5.65	2035
2004 Series D	29,830	3.05 – 6.15	2035
2004 Series E	27,455	2.50 – 5.50	2035
2005 Drawdown Issue	-	3.864	2006
2005 Series A	28,070	2.65 – 5.50	2036
2005 Series B	29,215	3.10 – 6.10	2036
2005 Series C	26,160	3.00 – 5.85	2037
2005 Series D	37,095	3.30 – 5.85	2037
2006 Series A	53,025	3.45 – 5.95	2037
2006 Series B	35,000	3.50 – 5.90	2037
2006 Series C	56,950	3.55 – 6.15	2037
2006 Drawdown Issue **	247,277	Variable	2007
2006 Series D	45,000	3.80 – 6.00	2037
2006 Series E	45,000	3.85 – 6.05	2037
	<u>1,117,684</u>		

Rental Housing Programs

1987 Series A & B	9,900	7.25	2011
1995 Multi-Family Risk-Sharing – La Villa Alegre	3,781	5.504	2037
1997 Multi-Family Risk-Sharing – Las Brisas	3,279	6.45	2032
1997 Multi-Family Housing Revenue – Rio Volcan II	3,770	5.00 – 5.65	2018
1998 Series A & B Multi-Family Housing Revenue – The Bluffs at Tierra Contenta	8,725	5.20 – 6.03	2031
2001 Multi-Family Housing Refunding Revenue – Series A	2,755	5.00	2031
2001 Multi-Family Housing Refunding Revenue – Series B	7,565	5.00	2031
2001 Multi-Family Housing Refunding Revenue – Series C	5,910	5.00	2031
2001 Multi-Family Housing Refunding Revenue – Series D	2,785	5.00	2031
2001 Series E and F Multi-Family Housing Revenue – Manzano Mesa	9,805	5.55 – 7.05	2034

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Units (Continued)

Rental Housing Programs (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2002 Series A & B Multi-Family Risk Sharing – Sandpiper	\$ 9,825	5.40 – 6.75	2038
2003 Series A & B Multi-Family Risk Sharing – Aztec	9,360	5.10 – 5.35	2038
2004 Series A & B Multi-Family Risk Sharing – NM5	9,985	4.625 – 5.20	2039
2004 Series C & D Multi-Family Risk Sharing – Alta Vista	12,525	5.25 – 6.00	2039
2004 Series E Multi-Family Housing Revenue – Lafayette	7,460	5.00 – 6.50	2037
2004 Series F & G Multi Family Risk Sharing – Arioso	11,235	4.95 – 5.85	2040
2005 Series A & B Multi Family Risk Sharing – Las Palomas	12,015	4.98 – 5.50	2040
2005 Series C & D Multi Family Risk Sharing – Chateau	4,190	4.16 - 4.70	2040
2005 Series E & F Multi Family Risk Sharing – Sun Pointe	13,270	4.80 – 5.06	2040
	<u>148,140</u>		

Capital Debt

General Revenue Office Building Fund – Series 2005	2,740	3.50 – 4.38	2026
	<u>1,268,564</u>		
Unamortized premium, net of underwriter's discount	22,385		
<i>Total Bonds Payable, net</i>	<u>\$ 1,290,949</u>		

** Variable interest rate equal to Bond Market Association Index for tax-exempt weekly variable rate demand bonds, but not less than 85% of LIBOR or more than 99% of LIBOR, with a maximum rate equal to the investment rate earned on the related investment of proceeds.

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

Discretely Presented Component Units (Continued)

Annual debt service requirements to maturity are as follows:

Year ending September 30,	Principal	Interest	Total
2007	\$ 198,215	46,177	244,392
2008	14,199	68,345	82,544
2009	16,056	67,661	83,717
2010	16,503	66,868	83,371
2011	27,511	66,046	93,557
2012 to 2016	104,634	311,995	416,629
2017 to 2021	156,448	278,437	434,885
2022 to 2026	209,134	231,890	441,024
2027 to 2031	287,003	163,176	450,179
2032 to 2036	192,026	94,105	286,131
2037 to 2041	46,835	3,397	50,232
Total	1,268,564	1,398,097	2,666,661
Net unaccredited premium	22,385	-	22,385
Total	\$ 1,290,949	1,398,097	2,689,046

Bonds payable activity for the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Total bonds payable, net	\$ 1,324,844	568,297	(602,192)	1,290,949	198,215

Certain Mortgage Purchase Program bonds were legally defeased in 2005 and 1992 and, therefore, are not reflected on the accompanying balance sheets. The outstanding balance of these bonds totaled approximately \$38,260 at September 30, 2006. The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investments, mortgage loans, MBSs, and other assets in the accounts established by the respective bond resolutions.

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Bonds Payable (Continued)

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

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2006 and 2005 were pooled and packaged as mortgage loans pass-through certificates insured by Government National Mortgage Association or Federal National Mortgage Association.

In June 2006, the NMFA authorized the \$600,000 Single Family Mortgage Program Bonds, Draw Down Issue 2006. It is anticipated that these bonds will be refunded by bonds issued under the General Indenture, the proceeds of which will be used to purchase securitized mortgage loans under the respective amended and supplemented Series Indentures. Cumulative draw downs were \$340,276 through fiscal year ended September 30, 2006; as of September 30, 2006, approximately \$247,277 of proceeds from the bond issue outstanding is reflected in restricted cash and cash equivalents on the accompanying balance sheet. The bonds are issued at par value bearing variable interest at the Bond Market Association (BMA) index for tax-exempt weekly variable rate demand bonds plus 50 basis points payable monthly, as of the business day immediately preceding the interest payment date, 4.52% at September 30, 2006. Due to the short-term nature of the Draw Down Issue 2006, there is no economic gain or loss from refunding on this issue.

In January 2006, the Single Family Mortgage Program Class I Bonds 2005 Series D was issued to fully refund the Single Family Mortgage Program Bonds 1995 Series A and 1995 Series C. The NMMFA will realize \$2,512 positive cash flow from this refunding. The economic gain to the NMMFA from refunding the 1995 Series A and 1995 Series C bonds approximates \$1,838.

In February 2006, the Single Family Mortgage Program Class I Bonds 2006 Series A was issued to fully refund the Single Family Mortgage Program Bonds 1995 Series H, 1995 Series B, 1995 Series D, 1995 Series E and 1995 Series F. The NMMFA will realize \$7,741 positive cash flow from this refunding. The economic gain to the NMMFA from refunding the 1995 Series H, 1995 Series B, 1995 Series D, 1995 Series E and 1995 Series F bonds approximates \$3,661.

In July 2006, the Single Family Mortgage Program Class I Bonds 2006 Series C was issued to fully refund the Single Family Mortgage Program Bonds 1995 Series G, 1996 Series C, and 1996 Series D. The NMMFA will realize a \$412 positive cash flow from this refunding. The economic gain to the NMMFA from refunding the Series G, 1996 Series C, and 1996 Series D bonds approximates \$860.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
General obligation bonds	\$ 318,055	-	(43,320)	274,735	58,241
Severance tax bonds	512,180	136,480	(70,725)	577,935	93,005
Revenue bonds	1,559,536	7,781	(114,260)	1,453,057	77,679
Total bonds payable	2,389,771	144,261	(228,305)	2,305,727	228,925
Other payables					
Notes and loans payable	2,168	94	(93)	2,169	180
Capital leases	3,902	59	(1,536)	2,425	1,467
Other	1,085	57,645	(6)	58,724	3,505
Claims and judgments	44,666	13,664	(9,864)	48,466	9,645
Reserve for losses	71,466	2,812	(60,535)	13,743	13,743
Compensated absences	56,040	60,963	(56,809)	60,194	50,020
	179,327	135,237	(128,843)	185,721	78,560
Governmental activity long-term liabilities	\$ 2,569,098	279,498	(357,148)	2,491,448	307,485
Business-Type Activities					
Bonds payable					
Revenue bonds	\$ 593,908	150,462	(25,741)	718,629	20,033
Bond premiums and Discounts	777	393	-	1,170	-
Total bonds payable	594,685	150,855	(25,741)	719,799	20,033
Notes and loans payable	334	-	(334)	-	-
Capital leases	3,042	538	(867)	2,713	848
Compensated absences	49,118	20,707	(12,177)	57,648	39,694
Other	27,032	70,836	(2,796)	95,072	18,386
	79,526	92,081	(16,174)	155,433	58,928
Business-type activity long-term liabilities	\$ 674,211	242,936	(41,915)	875,232	78,961

**STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006**

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 2006 and matured June 30, 2006:

- A. 2005 - 2006 Tax and Revenue Anticipation Notes, Series 2005, \$ 400.0 million.
- B. 2005 - 2006 Tax and Revenue Anticipation Notes, Series 2005A, \$ 150.0 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 2006.

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, 2006, was as follows:

Short-term debt activity for the year ended June 30, 2006 was as follows:

	<u>Balance July</u> <u>1, 2005</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Issuance Cost</u>	<u>Balance June 30,</u> <u>2006</u>
Tax & Revenue Anticipation Notes	\$ -	550,000	(500,000)	(180)	(180)

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

The Office of the State Treasurer (State Treasurer) deposited the net proceeds from the sale of the notes, \$562,458 to its anticipation notes fund (Central Accounting System fund number 323). The State Treasurer subsequently transferred the entire amount of the proceeds to the appropriation account fund (Central Accounting System fund number 853).

To pay the notes, the State's General Fund transferred \$576,154 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 State Treasurer then paid the note principal and interest due at maturity.

Subsequent to June 30, 2006, the State of New Mexico issued the following Tax and Revenue Anticipation notes: 2006 - 2007 Tax and Revenue Anticipation Notes, Series 2006, \$400.0 million and 2006 - 2007 Tax and Revenue Anticipation Notes, Series 2006, \$300.0 million.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Tax and Revenue Anticipation Notes (Continued)

Short-term Debt

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

The issuance cost represents services rendered in fiscal year 2006 related to tax and revenue anticipation notes that were issued July 7, 2006.

NOTE 3. OTHER INFORMATION

A. Risk Management

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

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

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

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION

A. Risk Management (Continued)

Total insurance claims payable at June 30, 2006 were \$143,799. Insurance claims payable of \$166,540 represents amounts expected to be paid by the ISF for covered claims incurred but not reported with the General Services Department through June 30, 2006. The amount of the liability was determined by an independent actuarial consultant to the ISF. The liability is shown in the accompanying financial statements net of interest, computed at 2.60 percent (except for long-term disability liability, which is computed at 4.75%), expected to be earned between June 30, 2006, and the date the claims are ultimately paid. Outstanding claims of \$22,743 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.

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, 2005	Incurred	Payments	Balance June 30, 2006
Surety Bond	\$ 210	15	72	153
Public Property Reserve	3,194	1,156	2,931	1,419
Workers Compensation	19,041	14,433	12,056	21,418
Public Liability	130,414	15,927	30,620	115,721
State Unemployment	4,310	2,352	2,500	4,162
Local Public Body	923	302	300	925
Group Insurance Premium	29,349	205,538	212,145	22,742
Total	<u>\$ 187,441</u>	<u>239,723</u>	<u>260,624</u>	<u>166,540</u>

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

STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans

Plan Descriptions

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

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

The number of participating government employers, the number of members, and payroll amounts for each system for the year ended June 30, 2006 were:

	JRS	MRS	VFRS	PERS	EERS
Number of employers					
State Agencies	-	-	-	118	10
Cities	-	-	-	81	-
Counties	-	-	-	33	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	36	5
Charter Schools	-	-	-	-	48
Other	15	18	373	17	-
Retirees and beneficiaries receiving benefits	97	48	343	22,699	28,539
Terminated plan members not yet receiving benefits	19	13	NA	3,209	29,950
Active plan members	110	50	5,804	51,699	61,829

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Plan Descriptions (continued)

Funding Benefit Policies

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

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

Generally, the amount of normal retirement pension is based on final average salary, which is defined as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2 percent to 3.5 percent of the member's final average salary per year of service. Depending on the division, except Legislative, the maximum benefit that can be paid to a retiree may not exceed a range of 60 percent to 100 percent of the final average salary. Legislative members who meet retirement eligibility requirements receive annual pensions equal to \$250 or \$500 multiplied by the number of years of credited service.

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

Current member contributions for all divisions, except the State Legislative Division, are based upon a percentage of salary and range from 4.78 percent to 16.30 percent, depending upon the division and coverage plan. Employer's contributions, also a percentage of salaries paid, range from 7 percent to 25.72 percent. Contribution rates are established by State statute for all members. Members of the State Legislative Division contribute \$100 or \$200 for each year of credited service; employer contributions for members of the State Legislative Division are

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

determined annually by the actuary. The total employer contribution for the State Legislative Division for the fiscal year ended June 30, 2006, was determined by the actuary to be \$797,242.

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

Benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 1980, is determined as 75 percent of the salary received during the last years in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For those individuals who become members subsequent to July 1, 1980, the annual pension amount is determined as 75 percent of the salary received during the last year in office prior to retirement multiplied by 5 percent of the number of years in service, not exceeding fifteen years, plus five years. Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. The plan is a defined benefit plan, benefits being based upon salary received during the last year in office and length of service.

Members contribute 5 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 Fund (MRF) – is a cost-sharing, multiple employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in 10-12C-4 NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded.

Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of 5 years. Early retirement at age 60 is available to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75 percent of the salary received during the last year prior to retirement by 5 percent of the number of years of service, not exceeding 15 years, plus 5 years.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

Members' contributions are based on 5 percent of their salaries and the State of New Mexico, through the Administrative Office of the Courts, contributed at a rate of 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 Fund (VFRF) – is a cost-sharing, multiple employer defined benefit pension plan with a special funding situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in NMSA 1978 Section 10-11A-2 NMSA, the "Volunteer Firefighters Retirement Fund". Any volunteer non-salaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements set forth in the statute is eligible for membership in the Volunteer Firefighters Retirement fund, unless specifically excluded.

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

Members of the Volunteer Firefighters Retirement do not make contributions. State statutes required that the State Treasurer transfers \$750,000 during the 2006 fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

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

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

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

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

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

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

Option B – The normal monthly benefit is reduced to provide for a 100 percent survivors benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement day to the election of Option B.

Option C – The normal monthly benefit is reduced to provide for a 50 percent survivor's benefit. The reduced benefit is payable during the life of the member with the provision that upon death, the reduced 50 percent benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Funding Benefit Policies (Continued)

(5) Cost of Living Adjustment – Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (“COLA”) in their benefit each July 1, beginning in the year the member attains or would have attained age 65. The adjustment is equal to one-half the change in Consumer Price Index (“CPI”), except that the COLA shall not exceed 4 percent, nor be less than 2 percent unless the change in CPI is less than 2 percent, in which case the COLA would equal the change in CPI. Members retired prior to July 1, 1984 are also entitled to an increase of the lesser of 3 percent or the increase in CPI for years prior to the attainment of age 65. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

(6) Disability Retirement:

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

Monthly Benefit – The monthly benefit is equal to 2 percent of FAS times years of service, but not less than the smaller of (a) one-third FAS or (b) 2 percent of FAS times years in service projected to age 60.

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

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

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

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

NOTE 3. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other than Pensions

The Retiree Health Care Act (10-7C-1 to 10-7C-19, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. 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.

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

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of \$5.00 if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator or former governing authority member. In addition, former legislators and governing authority members are required to pay 100 percent of the claims and administrative costs of 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.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

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

The post employment benefit expenses for the year ended June 30, 2006, consisted of premiums and claims paid in the amount of \$155,193. Participant contributions were \$137,856. Therefore, the net expense for the year was \$17,338. As of June 30, 2006, approximately 25,000 retirees were participating in the plan.

The State of New Mexico is required to adopt GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (Statement) for the year ended June 30, 2008. The State of New Mexico, through the NMRHCA, offers retiree healthcare (*other postemployment benefits*) (OPEB) as part of the total compensation offered. OPEB includes *postemployment healthcare*, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB. Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses financial statement and disclosure requirements for reporting by administrators or trustees, such as NMRHCA of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports. The impact to the State of New Mexico and NMRHCA is unknown at this time.

D. Deferred Compensation Plan

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

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.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds

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

TRA 1986 required rebate of such arbitrage to the 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.

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

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

E. Arbitrage on Tax-Exempt Bonds (Continued)

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

Interest earnings on invested bond proceeds through June 30, 2006, did not exceed the interest costs of the bonds. Such amounts would have been included as a reservation of fund balance in the accompanying financial statements. Amounts due the Internal Revenue Service which are known and measurable are recorded as an accrued liability in the accompanying financial statements.

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

F. Commitments and Contingencies

Federal Funds

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

Litigation

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

G. Deficit Fund Balance

The unreserved, undesignated fund balance of the Capital Projects General Control, Special Revenue General Control, Debt Service General Control funds had a deficit as a result of expenditures in excess of available resources. The unreserved, special revenue fund balance of the Education and the unreserved, capital projects fund balance of the Health and Human Services funds had a deficit as a result of expenditures in excess of available resources. The unrestricted net assets of the Internal Service, Lottery Authority and State Fair Commission funds had deficits as a result of general and administrative expenses exceeding current year revenue.

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 Commissioner of Public Lands to the State Investment Council, which adds these amounts to the Land Grant Permanent Fund (LGPF). Gains and losses on investment transactions are credited or charged to the LGPF and do not directly affect distributions to the beneficiaries.

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

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

H. Land Grant Permanent Fund (Continued)

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

<u>Beneficiary</u>	<u>Balance June 30, 2005</u>	<u>Earnings from State Lands</u>	<u>Other Decreases in Capital Accounts, Net</u>	<u>Balance June 30, 2006</u>	<u>Participation Percentage June 30, 2006</u>
Benefiting the State, included in governmental funds:					
Charitable penal and reform	\$ 72,759	3,649	4,127	80,535	0.88%
Miner's Colfax Medical Center	91,338	4,581	4,892	100,811	1.10
New Mexico Boys School	619	31	31	681	0.01
New Mexico State Hospital	19,015	953	1,188	21,156	0.23
Improvements to the Rio Grande	25,580	1,282	1,332	28,194	0.31
Water reservoirs	87,095	4,368	4,853	96,316	1.05
Penitentiary of New Mexico	167,613	8,407	8,951	184,971	2.03
Public Buildings - Capitol	98,805	4,956	5,284	109,045	1.19
	<u>562,824</u>	<u>28,227</u>	<u>30,658</u>	<u>621,709</u>	<u>6.80%</u>
Benefiting the State, included in proprietary funds:					
Eastern New Mexico University	7,977	400	406	8,783	0.10%
New Mexico Highlands University	2,337	117	123	2,577	0.03
New Mexico Institute of Mining and Technology	16,282	817	846	17,945	0.20
New Mexico Military Institute	291,023	14,596	15,606	321,225	3.52
New Mexico School for the Deaf	173,273	8,691	9,288	191,252	2.09
New Mexico School for the Visually Handicapped	172,831	8,669	9,265	190,765	2.09
New Mexico State University	37,007	1,856	1,999	40,862	0.45
Northern New Mexico Community College	1,691	84	90	1,865	0.02
The University of New Mexico	137,421	6,892	7,380	151,693	1.66
The University of New Mexico Saline Lands	608	30	30	668	0.01
Western New Mexico University	2,354	118	124	2,596	0.03
	<u>842,804</u>	<u>42,270</u>	<u>45,157</u>	<u>930,231</u>	<u>10.20%</u>
Not considered to benefit the State, included in fiduciary funds:					
Public schools	6,862,481	344,195	372,510	7,579,186	83.00%
Total net assets held in trust for pool participants	<u>\$ 8,268,109</u>	<u>414,692</u>	<u>448,325</u>	<u>9,131,126</u>	<u>100%</u>

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

I. Segment Information

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

	State Fair	Miners Colfax Medical Center	Educational Institutions						Western New Mexico	University of New Mexico
			New Mexico State	Eastern New Mexico	New Mexico Highlands	New Mexico Military Institute	New Mexico Tech			
Condensed Statement of Net Assets										
Current assets	\$ 6,156	20,464	104,899	21,322	26,340	10,200	24,592	10,977	514,242	
Capital assets	33,740	12,743	335,857	80,562	44,775	49,500	129,508	24,174	806,824	
Other assets	579	20,156	175,321	42,557	4,647	332,138	68,188	4,192	470,463	
Total assets	\$ 40,475	53,363	616,077	144,441	75,762	391,838	222,288	39,343	1,791,529	
Current liabilities	\$ 2,925	2,799	59,668	12,679	8,254	4,296	21,473	4,489	191,772	
Long-term liabilities	4,816	16,068	123,636	25,892	3,620	6,791	17,141	5,298	558,964	
Total liabilities	\$ 7,741	18,867	183,304	38,571	11,874	11,087	38,614	9,787	750,736	
Invested in capital assets, net of related debt	\$ 28,393	11,840	248,588	59,686	40,350	41,894	128,033	18,585	327,230	
Restricted	6,191	17,254	96,468	30,429	15,241	332,125	40,943	8,873	404,498	
Unrestricted	(1,850)	5,402	87,717	15,755	8,297	6,732	14,698	2,098	309,065	
Total net assets	\$ 32,734	34,496	432,773	105,870	63,888	380,751	183,674	29,556	1,040,793	
Condensed Statement of Activities										
Operating Revenues:										
Sales/services	\$ 3,485	-	33,385	963	2,515	-	3,621	1,988	98,222	
Investment income	51	3,378	-	-	-	-	-	-	-	
Licenses and fees	7,814	-	-	-	-	-	-	-	-	
Net student tuition and fees	-	-	44,522	9,173	6,892	2,137	4,869	3,267	87,865	
Patient income	-	19,094	-	-	-	-	-	-	113,156	
Other	4,593	442	211,793	38,290	19,739	6,784	95,502	10,527	589,210	
Total operating revenues	15,943	22,914	289,700	48,426	29,146	8,921	103,992	15,782	888,453	
Operating Expenses:										
Operating expense	9,233	2,933	442,670	87,795	51,343	6,220	96,597	23,074	1,169,490	
Depreciation	1,891	945	24,896	6,091	4,702	2,033	4,955	2,290	43,264	
General and administrative	6,515	17,633	383	-	-	15,046	28,454	9,390	49,970	
Total operating expenses	17,639	21,511	467,949	93,886	56,045	23,299	130,006	34,754	1,262,724	
Operating income (loss)	(1,696)	1,403	(178,249)	(45,460)	(26,899)	(14,378)	(26,014)	(18,972)	(374,271)	

STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3. OTHER INFORMATION (CONTINUED)

I. Segment Information (Continued)

	Educational Institutions								
	State Fair	Miners Colfax Medical Center	New Mexico State	Eastern New Mexico	New Mexico Highlands	New Mexico Military Institute	New Mexico Tech	Western New Mexico	University of New Mexico
Non Operating Revenue (Expense)									
Government grants and contracts	\$ -	-	175,461	40,297	29,782	-	27,365	17,868	267,899
Net investment income	-	-	3,255	2,241	1,488	28,763	284	260	50,581
Other revenue	-	-	6,116	1,860	-	20,635	220	-	93,472
Interest expense	-	-	(3,059)	(656)	-	379	-	-	15,206
Other expense	-	(16)	(13,975)	-	-	-	-	-	-
Total nonoperating income	-	(16)	167,798	43,742	31,270	49,777	27,869	18,128	427,158
Other	-	-	34,174	7,659	2,842	5,005	9,373	2,287	65,431
Net transfers	-	-	-	-	-	-	-	-	-
Change in net assets	(1,696)	1,387	23,723	5,941	7,213	40,404	11,228	1,443	118,318
Net assets at beginning of year as restated	34,430	33,109	409,050	99,929	56,675	340,347	172,446	28,113	922,475
Net assets at end of year	\$ 32,734	34,496	432,773	105,870	63,888	380,751	183,674	29,556	1,040,793
Condensed Statement of Cash Flows									
Net cash provided (used) by:									
Operating activities	\$ 1,440	2,296	(152,696)	(41,360)	(22,140)	(12,816)	(14,345)	(16,693)	(307,596)
Noncapital financing activities	(341)	-	173,952	42,797	32,624	134	33,645	17,868	395,588
Capital and related financing activities	(1,720)	3,812	(41,712)	(1,271)	(6,239)	(2,959)	(17,992)	(1,975)	(15,058)
Investing activities	218	(5,955)	31,802	(2,028)	1,156	17,610	2,327	260	(10,316)
Cash and cash equivalents at beginning of year	6,903	16,798	9,158	25,257	14,809	5,421	22,521	5,163	31,449
Cash and cash equivalents at end of year	\$ 6,500	16,951	20,504	23,395	20,210	7,390	26,156	4,623	94,067



**OTHER REQUIRED
SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - GENERAL FUND
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

General Fund				
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over
	Original	Final		(Under)
Revenues				
Direct revenues				
Licenses and fees	\$ 113,380	120,456	119,354	(1,102)
Taxes	315	315	569	254
Miscellaneous	1,904	2,814	4,773	1,959
Interest	27,919	20,968	30,380	9,412
Grants	603,148	671,295	567,249	(104,046)
Other	84,494	87,109	82,217	(4,892)
Prior year funds rebudgeted	27,640	51,176	2,293	(48,883)
Other state funds	90,203	94,046	48,000	(46,046)
	<u>949,003</u>	<u>1,048,179</u>	<u>854,835</u>	<u>(193,344)</u>
Indirect revenues				
Transfers	10,000	12,609	11,074	(1,535)
Appropriations*	1,234,164	1,251,031	1,257,740	6,709
Other financing sources	57,421	68,262	58,264	(9,998)
	<u>1,301,585</u>	<u>1,331,902</u>	<u>1,327,078</u>	<u>(4,824)</u>
Total revenues	\$ 2,250,588	2,380,081	2,181,913	(198,168)
Expenditures				
Personnel services and benefits	\$ 995,785	1,015,343	987,819	27,524
Supplies	-	-	-	-
Contractual services	443,159	487,010	407,200	79,810
Operating costs	15,211	19,841	18,178	1,663
Other costs	642,410	689,650	562,663	126,987
Capital outlay	1,048	2,716	2,115	601
Other uses	139,343	155,619	149,102	6,517
	<u>2,236,956</u>	<u>2,370,179</u>	<u>2,127,077</u>	<u>243,102</u>

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - EDUCATION
YEAR ENDED JUNE 30, 2006
(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	7,950	8,171	7,991	(180)
Interest	100	100	1,880	1,780
Grants	476,223	481,336	415,099	(66,237)
Other	88,602	88,602	4,558	(84,044)
Other state funds	-	-	-	-
Prior year funds rebudgeted	154,101	153,289	12	(153,277)
	<u>726,976</u>	<u>731,498</u>	<u>429,540</u>	<u>(301,958)</u>
Indirect revenues				
Transfers	-	5,000	5,000	-
Appropriations*	2,112,607	2,118,929	2,147,078	28,149
Other financing sources	61,197	63,823	259,528	195,705
	<u>2,173,804</u>	<u>2,187,752</u>	<u>2,411,606</u>	<u>223,854</u>
Total revenues	\$ 2,900,780	2,919,250	2,841,146	(78,104)
Expenditures				
Personnel services and benefits	\$ 24,456	25,457	23,892	1,565
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	-	-	-	-
Supplies	-	-	-	-
Contractual services	34,691	41,233	25,745	15,488
Operating costs	-	-	-	-
Other costs	2,719,399	2,733,783	2,670,291	63,492
Capital outlay	-	-	-	-
Other uses	128,950	131,069	48,193	82,876
Total expenditures	\$ 2,907,496	2,931,542	2,768,121	163,421

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - HEALTH AND HUMAN SERVICES
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

Health and Human Services

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Direct revenues				
Fees and charges	\$ 793	793	879	86
Licenses	3,294	3,294	3,240	(54)
Taxes	-	-	-	-
Miscellaneous	260	260	545	285
Interest	1	1	2	1
Grants	2,244,949	2,247,330	2,190,876	(56,454)
Other	84,918	85,276	134,145	48,869
Other state funds	-	-	-	-
Prior year funds rebudgeted	5,717	6,632	883	(5,749)
	<u>2,339,932</u>	<u>2,343,586</u>	<u>2,330,570</u>	<u>(13,016)</u>
Indirect revenues				
Transfers	-	(4)	(569)	(565)
Appropriations*	632,663	633,357	633,127	(230)
Other financing sources	109,890	120,301	104,789	(15,512)
	<u>742,553</u>	<u>753,654</u>	<u>737,347</u>	<u>(16,307)</u>
Total revenues	<u>\$ 3,082,485</u>	<u>3,097,240</u>	<u>3,067,917</u>	<u>(29,323)</u>
Expenditures				
Personnel services and benefits	\$ 2,156	2,887	2,038	849
In-state travel	-	-	-	-
Out-of-state travel	-	-	-	-
Maintenance and repairs	105	105	79	26
Supplies	97	97	58	39
Contractual services	8,161	23,721	18,230	5,491
Operating costs	533	523	480	43
Other costs	2,566,427	2,997,137	2,938,006	59,131
Capital outlay	-	-	-	-
Other uses	73,698	74,887	61,510	13,377
Total expenditures	<u>\$ 2,651,177</u>	<u>3,099,357</u>	<u>3,020,401</u>	<u>78,956</u>

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND - HIGHWAY AND TRANSPORTATION
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

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

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)

	General	Education	Health and Human Services	Highway and Transportation
REVENUES				
Budgetary basis revenues	\$ 2,181,913	2,841,146	3,067,917	820,109
Change in accounts receivable	(50)	113,050	-	-
Change in deferred revenue	104	(16)	-	-
Change in due from	(11,699)	314	-	-
Change in other financing sources	(26,239)	(1,270)	-	(17,886)
Prior cash budgeted	(10,707)	1,622	-	-
Revenue not budgeted	4,551,023	(552,110)	(735,710)	(12,309)
Reclassifications and other	(340,719)	(1,940,420)	-	(11,711)
GAAP basis revenues	<u>\$ 6,343,626</u>	<u>462,316</u>	<u>2,332,207</u>	<u>778,203</u>
EXPENDITURES				
Budgetary basis expenditures	\$ 2,127,077	2,768,121	3,020,401	1,106,003
Change in accounts payable	1,091	1,536	-	-
Change in other accruals	(723)	(13,252)	-	-
Change in valid encumbrances	23	39,079	-	(173,246)
Change in due to	383	9,919	33	-
Change in other financing uses	15,319	-	-	7,927
Other	(92,550)	74,039	(17,883)	109,877
GAAP basis expenditures	<u>\$ 2,050,620</u>	<u>2,879,442</u>	<u>3,002,551</u>	<u>1,050,561</u>

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2006**

NOTE A – BUDGETARY REPORTING

A. Budgetary Data

Budget Process

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

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

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2006**

NOTE A – BUDGETARY REPORTING (CONTINUED)

Budgetary Basis of Accounting

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

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

The General Fund presented herein includes the general funds of all state agencies. The largest of these general funds is the component appropriation accounts. These appropriation accounts are part of the Department of Finance and Administration. The State's component appropriation accounts do not adopt an annual appropriated budget. However, the expenditures of the component 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 Eight Years Ending June 30, 2006
(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, 2006	\$ 7,813,900	\$ 11,436,300	\$ 3,622,400	68%	\$ 2,219,400	163%
June 30, 2005	7,457,500	10,591,800	3,134,300	70%	2,209,100	142%
June 30, 2004	7,488,000	9,927,100	2,439,100	75%	2,142,400	114%
June 30, 2003	7,518,200	9,266,600	1,748,400	81%	2,032,500	86%
June 30, 2002	7,595,100	8,748,000	1,152,900	87%	1,978,500	58%
June 30, 2001	7,418,300	8,070,300	652,000	92%	1,819,600	36%
June 30, 2000	6,835,800	7,460,600	624,800	92%	1,795,700	35%
June 30, 1999	5,988,500	6,971,700	983,200	86%	1,637,500	60%

Schedule of Employer Contributions

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

Additional Information

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

Valuation date	June 30, 2006
Actuarial cost method	Entry Age Normal
Amortization method	Level Payment, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Investment rate of return*	8%
Projected salary increases*	5.00% to 13.5%
*Includes inflation at	3%
Cost of living adjustments	2%

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Eight Years Ending June 30, 2006
(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, 2006	\$ 10,863,895	\$ 11,800,861	\$ 936,966	92%	\$ 1,774,918	53%
June 30, 2005	10,008,511	10,920,967	912,456	92%	1,607,839	57%
June 30, 2004	9,275,676	9,973,755	698,079	93%	1,499,069	47%
June 30, 2003	8,976,908	9,223,602	246,694	97%	1,437,357	17%
June 30, 2002	8,769,234	8,505,931	(263,303)	103%	1,396,209	0%
June 30, 2001	8,308,210	7,883,447	(424,763)	105%	1,318,275	0%
June 30, 2000	7,527,280	7,118,975	(408,305)	106%	1,253,305	0%
June 30, 1999	6,494,487	6,554,553	60,066	99%	1,200,565	5%

Schedule of Employer Contributions

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

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, 2006
Actuarial cost method	Entry age
Amortization method	Level percent, open
Amortization period	16 years
Asset valuation method	4 year smoothed market
Rate of return on investment of present and future assets*	8%
Inflation increase	4.0%
Post retirement benefit increases	3.0%
Projected salary increases*	4.5% - 19.0%

* Includes inflation

**STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE JUDICIAL RETIREMENT SYSTEM (JRS)
For The Last Eight Years Ending June 30, 2006
(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, 2006	\$ 74,003	\$ 95,216	\$ 21,213	78%	\$ 10,060	211%
June 30, 2005	68,781	87,175	18,394	79%	9,883	186%
June 30, 2004	66,209	87,620	21,411	76%	9,074	236%
June 30, 2003	65,223	85,952	20,729	76%	8,575	242%
June 30, 2002	61,686	75,958	14,272	81%	7,507	190%
June 30, 2001	59,523	70,604	11,081	84%	7,060	157%
June 30, 2000	54,726	63,316	8,590	86%	6,754	127%
June 30, 1999	47,776	58,189	10,413	82%	6,735	155%

Schedule of Employer Contributions

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

Additional Information

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

Valuation date	June 30, 2006
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years^^
Asset valuation method	4 years smoothed market
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

*Includes inflation

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

STATE OF NEW MEXICO
 OTHER REQUIRED SUPPLEMENTARY INFORMATION
 ANALYSIS OF THE MAGISTRATE RETIREMENT SYSTEM (MRS)
 For The Last Eight Years Ending June 30, 2006
 (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, 2006	\$ 33,694	\$ 33,362	\$ (332)	101%	\$ 3,150	0%
June 30, 2005	31,303	31,385	82	100%	3,196	3%
June 30, 2004	30,072	30,195	123	100%	3,002	4%
June 30, 2003	29,630	29,078	(552)	102%	3,082	0%
June 30, 2002	32,040	28,959	(3,081)	111%	3,997	0%
June 30, 2001	30,258	26,685	(3,573)	113%	3,651	0%
June 30, 2000	27,097	23,738	(3,359)	114%	3,485	0%
June 30, 1999	23,369	21,645	(1,724)	108%	3,264	0%

Schedule of Employer Contributions

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

Additional Information

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

Valuation date	June 30, 2006
Actuarial cost method	Entry age
Amortization method	Level percent open
Amortization period	30 years #
Asset valuation method	Smoothed market
	4 years
Rate of return on investment of present and future assets*	8%
Inflation increase	5%
Post retirement benefit increases	3%
Projected salary increases*	5%

*Includes inflation

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

STATE OF NEW MEXICO
OTHER REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)
For The Last Eight Years Ending June 30, 2006
(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, 2006	\$ 39,512	\$ 23,743	\$ (15,769)	166%	N/A*	N/A
June 30, 2005	35,651	25,152	(10,499)	142%	N/A*	N/A
June 30, 2004	33,000	17,778	(15,222)	186%	N/A*	N/A
June 30, 2003	31,222	17,058	(14,164)	183%	N/A*	N/A
June 30, 2002	29,784	16,128	(13,656)	185%	N/A*	N/A
June 30, 2001	27,992	15,807	(12,185)	177%	N/A*	N/A
June 30, 2000	24,641	17,303	(7,338)	0%	N/A*	N/A
June 30, 1999	20,246	16,161	(4,085)	125%	N/A*	N/A

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2006	0-545	137.6%
2005	0 - 565	132.7%
2004	0 - 680	110.3%
2003	0 - 653	114.9%
2002	51 - 953	52.5%
2001	1,788 - 3,385	29.5%
2000	1,867 - 3,346	37.4%
1999	1,907 - 3,266	30.6%

Additional Information

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

Valuation date	June 30, 2006
Actuarial cost method	Unit credit cost
Amortization method	Level dollar
Amortization period	30 years #
Asset valuation method	4 year market

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

*Includes inflation

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

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

STATE OF NEW MEXICO
 REVENUES AND EXPENSES BY TYPE
 THE EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (EERS)
 For The Last Ten Years Ending June 30, 2006
 (IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2006	\$ 178,221	\$ 226,479	\$ 943,071	\$ 3,867	\$ 1,351,638
2005	169,099	197,873	690,360	4,032	1,061,364
2004	162,119	189,325	919,402	4,201	1,275,047
2003	154,427	179,010	160,929	4,344	498,710
2002	151,378	173,863	(582,713)	3,450	(254,022)
2001	150,068	161,524	(807,706)	3,689	(492,425)
2000	139,180	153,260	853,378	3,485	1,149,303
1999	130,644	145,522	688,313	2,849	967,328
1998	122,499	136,191	199,961	4,283	462,934
1997	115,616	130,033	220,812	2,219	468,680

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2006	\$ 494,097	\$ 65,094	\$ 24,062	\$ 233	\$ 583,486
2005	454,983	43,344	23,444	-	521,771
2004	422,418	2,583	21,859	-	446,860
2003	396,082	4,013	28,338	274	428,707
2002	367,495	3,622	28,508	-	399,625
2001	340,595	3,518	36,634	-	380,747
2000	311,814	2,544	35,153	-	349,511
1999	274,836	4,207	29,955	-	308,998
1998	254,407	2,489	28,246	-	285,142
1997	231,602	2,377	24,683	-	258,662

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
For The Last Ten Years Ending June 30, 2006
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2006	\$ 169,802	\$ 249,740	\$ 1,176,495	\$ 7,431	\$ 1,603,468
2005	160,639	234,232	920,022	13,158	1,328,051
2004	151,568	223,060	1,258,274	9,448	1,642,350
2003	149,814	213,713	278,314	198	642,039
2002	143,833	204,734	(175,299)	157	173,425
2001	135,594	196,544	(166,425)	3,055	168,768
2000	125,929	182,000	834,762	4,654	1,147,345
1999	119,377	174,325	929,248	4,517	1,227,467
1998	113,693	165,249	908,326	4,143	1,191,411
1997	109,624	162,496	873,646	9,150	1,154,916

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2006	\$ 467,102	\$ 10,174	\$ 30,246	\$ -	\$ 507,522
2005	427,084	40,223	29,416	-	496,723
2004	387,308	8,257	28,146	-	423,711
2003	349,178	6,756	25,986	-	381,920
2002	318,441	3,815	25,625	-	347,881
2001	291,118	3,993	27,358	-	322,469
2000	264,480	3,273	26,812	-	294,565
1999	237,555	4,876	25,612	-	268,043
1998	212,130	12,913	25,000	-	250,043
1997	182,217	12,611	21,487	-	216,315

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE JUDICIAL RETIREMENT SYSTEM (JRS)
For The Last Ten Years Ending June 30, 2006
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2006	\$ 697	\$ 3,154	\$ 8,137	\$ -	\$ 11,988
2005	544	2,735	6,374	60	9,713
2004	454	2,674	8,531	3,291	14,950
2003	372	2,118	1,837	-	4,327
2002	378	2,051	(1,288)	-	1,141
2001	359	2,159	(1,206)	-	1,312
2000	343	2,120	6,099	22	8,584
1999	323	2,046	6,866	-	9,235
1998	346	2,043	1,978	-	4,367
1997	310	2,286	6,827	242	9,665

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2006	\$ 5,113	\$ 24	\$ 26	-	\$ 5,163
2005	4,687	224	-	-	4,911
2004	4,481	12	-	-	4,493
2003	4,030	12	-	-	4,042
2002	3,499	9	-	-	3,508
2001	3,427	8	1	-	3,436
2000	3,185	8	9	-	3,202
1999	2,945	8	-	-	2,953
1998	2,794	13	-	-	2,807
1997	2,461	12	-	-	2,473

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE MAGISTRATE RETIREMENT SYSTEM (MRS)
For The Last Ten Years Ending June 30, 2006
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2006	\$ 849	\$ 209	\$ 3,719	\$ -	\$ 4,777
2005	172	763	2,928	28	3,891
2004	149	779	4,560	-	5,488
2003	205	1,143	1,020	-	2,368
2002	193	1,146	(611)	-	728
2001	180	1,282	(532)	15	945
2000	175	940	2,877	9	4,001
1999	160	1,077	3,256	1	4,494
1998	164	1,072	858	-	2,094
1997	167	1,086	3,323	-	4,576

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2006	\$ 1,738	\$ 9	\$ -	\$ -	\$ 1,747
2005	1,624	102	-	-	1,726
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

STATE OF NEW MEXICO
REVENUES AND EXPENSES BY TYPE
THE VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (VFRS)
For The Last Ten Years Ending June 30, 2006
(IN THOUSANDS)

Fiscal Year Ended June 30	REVENUES BY SOURCE				Total
	Member Contributions	Employer Contributions	Investment Income	Other Income	
2006	\$ -	\$ 750	\$ 4,326	\$ -	\$ 5,076
2005	-	750	3,309	31	4,090
2004	-	750	4,465	-	5,215
2003	-	750	1,014	-	1,764
2002	-	500	(587)	-	(87)
2001	-	1,000	(557)	-	443
2000	-	1,250	2,660	-	3,910
1999	-	1,000	2,950	-	3,950
1998	-	1,000	744	-	1,744
1997	-	750	2,793	-	3,543

Fiscal Year Ended June 30	EXPENSES BY TYPE				Total
	Benefit Payments	Administrative Expenses	Refunds to Terminated Employees	Other Expenses	
2006	\$ 405	\$ -	\$ -	\$ -	\$ 405
2005	346	102	-	-	448
2004	307	-	-	-	307
2003	271	-	-	-	271
2002	247	-	-	-	247
2001	233	-	-	-	233
2000	212	-	-	-	212
1999	172	-	-	-	172
1998	147	2	-	-	149
1997	119	1	-	-	120



**OTHER
SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
COMBINING BALANCE SHEET - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006
(IN THOUSANDS)

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
ASSETS					
Cash and cash equivalents	\$ 382,821	5,877	138,328	8,045	535,071
Deferred charges and other assets	113	-	138	-	251
Intergovernmental receivables	89	-	-	-	89
Due from other funds	157,363	39,660	48,897	-	245,920
Inventories	35	-	-	-	35
Investments, at fair value	45,776	288,509	-	95,545	429,830
Loans receivable, net	8,276	-	-	-	8,276
Receivables, net	9,331	1,598	5,496	16,952	33,377
Total assets	\$ 603,804	335,644	192,859	120,542	1,252,849
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 12,879	395	16,096	-	29,370
Accrued liabilities	1,757	-	26	-	1,783
Deferred revenue	21,098	-	54,195	-	75,293
Due to other funds	19,433	131,962	2,352	-	153,747
Intergovernmental payables	319,462	-	936	16,290	336,688
Due to brokers	-	-	-	19,571	19,571
Funds held for others	70	-	-	-	70
Other obligations	54	-	-	-	54
Total liabilities	374,753	132,357	73,605	35,861	616,576
Fund Balance					
Fund balances reserved for					
Capital projects	-	-	40,511	-	40,511
Inventories	35	-	-	-	35
Encumbrances	33,859	-	6,027	-	39,886
Subsequent years' expenditures	25,799	-	4,392	-	30,191
Special projects	69,760	-	-	-	69,760
Other	11,549	-	-	-	11,549
Fund balances segregated for					
Debt service	-	202,167	-	-	202,167
Pooled participants	-	-	-	84,681	84,681
Unreserved - special revenue	88,049	-	-	-	88,049
Unreserved - debt service funds	-	1,120	-	-	1,120
Unreserved - capital projects funds	-	-	68,324	-	68,324
Total fund balances	229,051	203,287	119,254	84,681	636,273
Total liabilities and fund balances	\$ 603,804	335,644	192,859	120,542	1,252,849

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)**

	Special Revenue	Debt Service	Capital Projects	Tobacco Settlement Permanent Fund	Total
Revenues					
Charges for services	\$ 10,738	203	7,858	-	18,799
Federal funds	52,602	-	2,693	-	55,295
Interest and other investment income	11,381	40,325	4,633	7,306	63,645
Licenses, fees and permits	32,123	-	-	-	32,123
Other	15,262	-	26,431	-	41,693
Other state funds	-	-	3,681	-	3,681
Rentals and royalties	1,986	-	-	-	1,986
Taxes	41,213	48,845	4,369	-	94,427
Total revenues	165,305	89,373	49,665	7,306	311,649
Expenditures					
Current					
General control	282,839	2,422	33	-	285,294
Culture, recreation, natural resources	13,906	-	11,544	-	25,450
Judicial	47,551	-	-	-	47,551
Public safety	12,182	-	1,586	-	13,768
Regulation, licensing, etc.	27,473	-	681	-	28,154
Debt service					
Interest payment	-	334,061	128	-	334,189
Principal payment	-	692,451	27	-	692,478
Capital outlay	3,996	-	80,397	-	84,393
Total expenditures	387,947	1,028,934	94,396	-	1,511,277
Excess (deficiency) of revenues over expenditures	(222,642)	(939,561)	(44,731)	7,306	(1,199,628)
Other Financing Sources (Uses)					
Face amount of bonds sold	3,006	562,903	6,540	-	572,449
Other non-operating revenue	5	-	-	-	5
Transfers in	386,882	522,109	46,921	36,079	991,991
Transfers out	(126,816)	(123,217)	(4,723)	(36,079)	(290,835)
Total other financing sources (uses)	263,077	961,795	48,738	-	1,273,610
Net change in fund balances	40,435	22,234	4,007	7,306	73,982
Fund balances - beginning as restated	188,616	181,053	115,247	77,375	562,291
Fund balances - ending	\$ 229,051	203,287	119,254	84,681	636,273

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006
 (IN THOUSANDS)

		Culture Recreation and Natural Resources	General Control	Judicial
ASSETS				
Cash and cash equivalents	\$	31,534	273,156	12,340
Deferred charges and other assets		92	-	-
Receivables, net		2,634	3,583	1,745
Loan receivables, net		3,080	5,196	-
Due from other funds		3,812	150,540	624
Intergovernmental receivables		-	-	89
Inventories		-	-	-
Investments, at fair value		17,171	-	-
Total assets	\$	58,323	432,475	14,798
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payables	\$	1,136	7,877	1,115
Accrued liabilities		250	98	1,067
Deferred revenue		2,290	12,408	3,134
Due to other funds		6,415	7,264	439
Intergovernmental payables		-	319,459	-
Funds held for others		-	50	20
Other obligations		35	-	-
Total liabilities		10,126	347,156	5,775
Fund Balance				
Fund balances reserved for				
Inventories		-	-	-
Encumbrances		-	24,354	-
Special projects		-	67,080	719
Subsequent years' expenditures		9,181	69	1,617
Other		3,080	8,361	-
Unreserved - special revenue (deficit)		35,936	(14,545)	6,687
Total fund balances		48,197	85,319	9,023
Total liabilities and fund balance	\$	58,323	432,475	14,798

	Public Safety	Regulation, Licensing, Etc.	Total
\$	10,594	55,197	382,821
	-	21	113
	945	424	9,331
	-	-	8,276
	131	2,256	157,363
	-	-	89
	-	35	35
	-	28,605	45,776
\$	11,670	86,538	603,804

\$	1,392	1,359	12,879
	48	294	1,757
	-	3,266	21,098
	465	4,850	19,433
	-	3	319,462
	-	-	70
	-	19	54
	1,905	9,791	374,753

	-	35	35
	665	8,840	33,859
	-	1,961	69,760
	1,869	13,063	25,799
	108	-	11,549
	7,123	52,848	88,049
	9,765	76,747	229,051
\$	11,670	86,538	603,804

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)**

	Culture Recreation and Natural Resources	General Control	Judicial
Revenues			
Charges for services	\$ 1,857	169	7,995
Federal funds	703	41,220	5,483
Interest and other investment income	7,884	1,196	-
Licenses, fees and permits	32	13,344	522
Other	3,233	6,667	2,727
Rentals and royalties	1,986	-	-
Taxes	4,979	27,618	-
Total revenues	<u>20,674</u>	<u>90,214</u>	<u>16,727</u>
Expenditures			
Current	13,906	282,839	47,551
Debt Service			
Interest payment	-	-	-
Principal payment	-	-	-
Bond issuance costs	-	-	-
Advance refunding escrow	-	-	-
Capital outlay	912	2,095	815
Total expenditures	<u>14,818</u>	<u>284,934</u>	<u>48,366</u>
Excess (deficiency) of revenues over expenditures	5,856	(194,720)	(31,639)
Other Financing Sources (Uses)			
Face amount of bonds sold	3,006	-	-
Bond premiums	-	-	-
Payments to refunded bond escrow agent	-	-	-
Other non-operating revenue	-	-	5
Transfers in	16,819	328,121	32,366
Transfers out	(26,755)	(90,242)	(1,015)
Total other financing sources (uses)	<u>(6,930)</u>	<u>237,879</u>	<u>31,356</u>
Net change in fund balances	(1,074)	43,159	(283)
Fund balances - beginning as restated	<u>49,271</u>	<u>42,160</u>	<u>9,306</u>
Fund balances - ending	<u>\$ 48,197</u>	<u>85,319</u>	<u>9,023</u>

	Public Safety	Regulation, Licensing, Etc.	Total
\$	564	153	10,738
	4,350	846	52,602
	20	2,281	11,381
	438	17,787	32,123
	1,716	919	15,262
	-	-	1,986
	-	8,616	41,213
	7,088	30,602	165,305
	12,182	27,473	383,951
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	174	3,996
	12,182	27,647	387,947
	(5,094)	2,955	(222,642)
	-	-	3,006
	-	-	-
	-	-	-
	-	-	5
	9,328	248	386,882
	(2,847)	(5,957)	(126,816)
	6,481	(5,709)	263,077
	1,387	(2,754)	40,435
	8,378	79,501	188,616
\$	9,765	76,747	229,051

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2006
 (IN THOUSANDS)

	Culture Recreation and Natural Resources	General Control
ASSETS		
Cash and cash equivalents	\$ 71,887	58,742
Receivables, net	5,080	283
Deferred charges and other assets	138	-
Due from other funds	20,019	10,993
Total assets	\$ 97,124	70,018
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payables	\$ 1,606	13,735
Accrued liabilities	1	24
Intergovernmental payables	936	-
Deferred revenue	21,680	32,438
Due to other funds	328	-
Total liabilities	24,551	46,197
Fund Balance		
Reserved for		
Capital projects	8,725	31,768
Subsequent year's expenditures	4,392	-
Encumbrances	4,465	-
Unreserved - capital projects (deficit)	54,991	(7,947)
Total fund balances	72,573	23,821
Total liabilities and fund balances	\$ 97,124	70,018

	Judicial	Public Safety	Regulation, Licensing, Etc.	Total
\$	82	5,294	2,323	138,328
	3	130	-	5,496
	-	-	-	138
	1,010	1,211	15,664	48,897
\$	1,095	6,635	17,987	192,859
<hr/>				
\$	-	694	61	16,096
	1	-	-	26
	-	-	-	936
	41	-	36	54,195
	-	1,724	300	2,352
	42	2,418	397	73,605
<hr/>				
	18	-	-	40,511
	-	-	-	4,392
	-	730	832	6,027
	1,035	3,487	16,758	68,324
	1,053	4,217	17,590	119,254
<hr/>				
\$	1,095	6,635	17,987	192,859

**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)**

	Culture Recreation and Natural Resources	General Control
Revenues		
Charges for services	\$ 327	7,531
Federal funds	1,707	-
Interest and other investment income	780	3,843
Other	843	21,568
Taxes	4,369	-
State funds	3,681	-
Total revenues	<u>11,707</u>	<u>32,942</u>
Expenditures		
Current	11,544	33
Debt service		
Principal payments	27	-
Interest payments	128	-
Capital outlay	34,875	41,950
Total expenditures	<u>46,574</u>	<u>41,983</u>
Excess (deficiency) of revenues over expenditures	<u>(34,867)</u>	<u>(9,041)</u>
Other Financing Sources (Uses)		
Face amounts of bonds sold	6,345	-
Transfers in	31,553	8,053
Transfers out	(2,633)	(350)
Total other financing sources (uses)	<u>35,265</u>	<u>7,703</u>
Net change in fund balances	398	(1,338)
Fund balances - beginning as restated	<u>72,175</u>	<u>25,159</u>
Fund balances - ending	<u>\$ 72,573</u>	<u>23,821</u>

	Judicial	Public Safety	Regulation, Licensing, Etc.	Total
\$	-	-	-	7,858
	-	986	-	2,693
	-	-	10	4,633
	5	-	4,015	26,431
	-	-	-	4,369
	-	-	-	3,681
	<u>5</u>	<u>986</u>	<u>4,025</u>	<u>49,665</u>
	-	1,586	681	13,844
	-	-	-	27
	-	-	-	128
	1,214	1,664	694	80,397
	<u>1,214</u>	<u>3,250</u>	<u>1,375</u>	<u>94,396</u>
	(1,209)	(2,264)	2,650	(44,731)
	-	195	-	6,540
	2,636	3,346	1,333	46,921
	(425)	(5)	(1,310)	(4,723)
	<u>2,211</u>	<u>3,536</u>	<u>23</u>	<u>48,738</u>
	1,002	1,272	2,673	4,007
	51	2,945	14,917	115,247
\$	<u>1,053</u>	<u>4,217</u>	<u>17,590</u>	<u>119,254</u>

STATE OF NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2006
 (IN THOUSANDS)

	General Control	General Obligation Bonds	Severance Tax Bonds
ASSETS			
Cash and cash equivalents	\$ 1,882	-	-
Receivables, net	-	18	1,577
Due from other funds	-	2,444	36,942
Investments, at fair value	8,000	46,050	234,459
Total assets	\$ 9,882	48,512	272,978
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 180	-	215
Due to other funds	8,581	-	123,381
Total liabilities	8,761	-	123,596
Fund Balance			
Reserved for debt service	1,301	48,512	149,382
Unreserved - designated for arbitrage	(180)	-	-
Total fund balances	1,121	48,512	149,382
Total liabilities and fund balances	\$ 9,882	48,512	272,978

	Culture Recreation and Natural Resources	Total
\$	3,995	5,877
	3	1,598
	274	39,660
	-	288,509
\$	<u>4,272</u>	<u>335,644</u>

\$	-	395
	-	131,962
	-	<u>132,357</u>

	2,972	202,167
	1,300	1,120
	<u>4,272</u>	<u>203,287</u>

\$	<u>4,272</u>	<u>335,644</u>
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**STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)**

	General Control	General Obligation Bonds	Severance Tax Bonds
Revenues			
Charges for services	\$ -	-	-
Taxes	-	48,845	-
Interest and other investment income	37	7,588	32,530
Total revenues	<u>37</u>	<u>56,433</u>	<u>32,530</u>
Expenditures			
Current	625	4	1,735
Debt service			
Interest payment	66	14,113	318,889
Principal payment	576,864	43,320	70,725
Total expenditures	<u>577,555</u>	<u>57,437</u>	<u>391,349</u>
Excess (deficiency) of revenues over expenditures	<u>(577,518)</u>	<u>(1,004)</u>	<u>(358,819)</u>
Other Financing Sources (Uses)			
Face amount of bonds sold	562,903	-	-
Transfer in	15,216	733	503,074
Transfer out	-	-	(123,217)
Total other financing sources (uses)	<u>578,119</u>	<u>733</u>	<u>379,857</u>
Net change in fund balances	601	(271)	21,038
Fund balances - beginning, as restated	<u>520</u>	<u>48,783</u>	<u>128,344</u>
Fund balances - ending	<u>\$ 1,121</u>	<u>48,512</u>	<u>149,382</u>

Culture Recreation and Natural Resources		Total
\$ 203	203	
-	48,845	
170	40,325	
<u>373</u>	<u>89,373</u>	
58	2,422	
993	334,061	
1,542	692,451	
<u>2,593</u>	<u>1,028,934</u>	
<u>(2,220)</u>	<u>(939,561)</u>	
-	562,903	
3,086	522,109	
-	(123,217)	
<u>3,086</u>	<u>961,795</u>	
866	22,234	
<u>3,406</u>	<u>181,053</u>	
<u>\$ 4,272</u>	<u>203,287</u>	

**STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2006**

NONMAJOR ENTERPRISE FUNDS

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

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 Department of Transportation. The fund is used to account for loans made for road projects.

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

**STATE OF NEW MEXICO
NONMAJOR FUNDS (CONTINUED)
JUNE 30, 2006**

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

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

STATE OF NEW MEXICO
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2006
 (IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	1,191	99,601	1,120
Deferred charges and other assets	-	-	-	4
Due from other funds	-	1,665	-	-
Investments	-	-	-	-
Inventories	276	1,068	-	198
Loan receivables, current	-	-	7,752	-
Receivables, net of allowance for uncollectible	29	187	3,999	220
Total current assets	305	4,111	111,352	1,542
Non Current Assets				
Loans receivable, long-term	-	-	104,992	-
Capital assets, not being depreciated	20	-	-	-
Capital assets, net of depreciation	84	688	-	17
Total noncurrent assets	104	688	104,992	17
Total assets	\$ 409	4,799	216,344	1,559
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 172	714	-	59
Accrued liabilities	24	86	-	41
Deferred revenues	-	15	-	79
Due to other funds	72	-	-	30
Other liabilities, current	24	117	-	526
Bonds payable, current	-	-	-	-
Other obligations	-	8	-	-
Total current liabilities	292	940	-	735
Noncurrent Liabilities				
Other liabilities	-	-	-	678
Bonds payable, long-term	-	-	-	-
Total liabilities	292	940	-	1,413
NET ASSETS				
Investment in capital assets, net of related debt	84	688	-	17
Restricted for				
Loans	-	-	-	-
Debt service	-	-	-	-
Future benefits	-	-	-	-
Other	-	-	216,344	-
Unrestricted net assets (deficit)	33	3,171	-	129
Total net assets (deficit)	117	3,859	216,344	146
Total net assets and liabilities	\$ 409	4,799	216,344	1,559

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance	State Fair Commission	Total
\$	21,184	4,575	10,766	16,951	565,629	6,500	727,517
	256	2,460	-	-	-	4	2,724
	-	-	-	-	-	-	1,665
	61,822	-	-	20,151	-	-	81,973
	-	16	-	516	-	-	2,074
	-	-	-	-	-	-	7,752
	177	837	8,118	3,002	25,344	231	42,144
	83,439	7,888	18,884	40,620	590,973	6,735	865,849
	-	-	-	-	-	-	104,992
	-	-	-	3,328	-	3,084	6,432
	519	658	-	9,415	-	30,656	42,037
	519	658	-	12,743	-	33,740	153,461
\$	83,958	8,546	18,884	53,363	590,973	40,475	1,019,310
\$	4,362	1,902	-	1,522	-	1,186	9,917
	-	-	-	393	2,877	223	3,644
	-	-	-	-	20,511	713	21,318
	-	2,668	-	-	-	-	2,770
	17,944	430	-	282	-	166	19,489
	-	-	-	602	-	531	1,133
	-	3,496	-	-	697	106	4,307
	22,306	8,496	-	2,799	24,085	2,925	62,578
	41,454	-	-	25	-	-	42,157
	-	-	-	16,043	-	4,816	20,859
	63,760	8,496	-	18,867	24,085	7,741	125,594
	519	552	-	11,841	-	28,393	42,094
	-	-	18,316	-	-	-	18,316
	-	-	-	-	-	684	684
	19,509	-	-	-	-	-	19,509
	-	50	-	17,252	547,980	5,508	787,134
	170	(552)	568	5,403	18,908	(1,851)	25,979
	20,198	50	18,884	34,496	566,888	32,734	893,716
\$	83,958	8,546	18,884	53,363	590,973	40,475	1,019,310

STATE OF NEW MEXICO
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2006
(IN THOUSANDS)

	Commission for the Blind	Corrections Industries	Environment Department	New Mexico Magazine
Operating Revenues				
Charges for services	\$ 456	4,671	-	4,233
Federal funds	199	-	-	-
Interest and other investment income	-	52	6,440	-
Licenses, fees and permits	-	-	-	-
Other operating revenues	4	-	155	-
Patient services/clinical operations	-	-	-	-
Total operating revenues	659	4,723	6,595	4,233
Operating Expenses				
Benefits, claims and premiums	-	-	-	-
Game expense	-	-	-	-
Depreciation expense	19	168	-	7
General and administrative	950	-	565	4,006
Losses	-	-	-	-
Other operating expenses	-	5,004	-	-
Total operating expenses	969	5,172	565	4,013
Operating (loss) income	(310)	(449)	6,030	220
Non-Operating Revenue (Expense)				
Other non-operating revenues	-	-	9,188	-
Total non-operating revenues (expenses) income before transfers	-	-	9,188	-
Transfers in (out)	143	-	-	-
Change in net assets	(167)	(449)	15,218	220
Net assets (deficit) at beginning of year, as restated	284	4,308	201,126	(74)
Net assets (deficit) at end of year	\$ 117	3,859	216,344	146

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance	State Fair Commission	Total
\$	260,972	150,043	-	-	-	3,135	423,510
	-	-	-	271	10,336	-	10,806
	2,768	394	568	3,378	26,013	51	39,664
	-	-	-	-	-	12,757	12,757
	-	-	-	171	94,289	-	94,619
	-	-	-	19,094	-	-	19,094
	263,740	150,437	568	22,914	130,638	15,943	600,450
	-	-	-	-	109,936	-	109,936
	-	108,209	-	-	-	-	108,209
	27	409	-	945	-	1,891	3,466
	20,467	-	-	-	-	15,748	41,736
	211,786	-	-	-	-	-	211,786
	27,233	5,103	-	20,566	-	-	57,906
	259,513	113,721	-	21,511	109,936	17,639	533,039
	4,227	36,716	568	1,403	20,702	(1,696)	67,411
	5,221	140	-	(16)	-	-	14,533
	5,221	140	-	(16)	-	-	14,533
	-	(36,856)	-	-	-	-	(36,713)
	9,448	-	568	1,387	20,702	(1,696)	45,231
	10,750	50	18,316	33,109	546,186	34,430	848,485
\$	20,198	50	18,884	34,496	566,888	32,734	893,716

STATE OF NEW MEXICO
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2006
 (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	(881)	(5,230)	(1,013)	(4,119)
Cash payments made to borrowers	-	-	(11,877)	-
Cash received on interest from loans	-	-	2,012	-
Cash paid for unemployment benefits	-	-	-	-
From retailers - sales net of commissions	-	-	-	-
Interest payments received from banks	-	-	2,967	-
Losses and loss adjustment expenses paid	-	-	-	-
Other income	199	(442)	7,535	-
Participant premiums collected	-	-	-	-
Premiums paid to health maintenance organizations	-	-	-	-
Receipts from customers	539	4,671	-	4,408
To MUSL	-	-	-	-
To prize winners and related taxes	-	-	-	-
Net cash provided (used) by operating activities	(143)	(1,001)	(376)	289
Cash Flows from Investing Activities				
Interest, dividends, gains and losses, net, on investment	-	52	-	-
Receipts of rent	-	-	-	-
Other	-	-	-	-
Net cash provided (used) by investing activities	-	52	-	-
Cash Flows from Non-Capital Financing Activities				
Appropriation from/reversion to State General Fund	143	-	-	-
Interest paid on borrowing	-	-	-	-
Principal payments on bank borrowing	-	-	-	-
Transfers	-	-	-	-
Net cash (used) provided by non-capital financing	143	-	-	-
Cash Flows from Capital and Related Financing Activities				
Grant proceeds - EPA	-	-	7,688	-
Special Appropriations Proceeds	-	-	1,500	-
Interest and fees paid on capital debt and leases	-	-	-	-
Principal paid on capital debt and leases	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Proceeds from capital debt	-	-	-	-
Proceeds from contributed capital	-	-	-	-
Purchase of premises and equipment	-	(28)	-	-
Net cash provided (used) by capital financing activities	-	(28)	9,188	-
Net increase (decrease) in cash	-	(977)	8,812	289
Cash and cash equivalents at beginning of year, as restated	-	2,168	90,789	831
Cash and cash equivalents at end of year	\$ -	1,191	99,601	1,120

Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance	State Fair Commission	Total
\$ (20,872)	-	-	-	-	-	(20,872)
-	(18,385)	-	(18,053)	94,289	(12,442)	34,166
-	-	-	-	-	-	(11,877)
-	-	525	-	-	-	2,537
-	-	-	-	(111,080)	-	(111,080)
-	140,109	-	-	-	-	140,109
-	-	-	-	-	-	2,967
(213,081)	-	-	-	-	-	(213,081)
2,768	-	-	426	24,954	-	35,440
261,129	-	-	-	-	-	261,129
(26,727)	-	-	-	-	-	(26,727)
-	-	-	19,923	-	13,882	43,423
-	(12,117)	-	-	-	-	(12,117)
-	(71,482)	-	-	-	-	(71,482)
3,217	38,125	525	2,296	8,163	1,440	52,535
(28,511)	240	-	(6,129)	-	218	(34,130)
-	122	-	-	-	-	122
-	(2)	-	174	-	-	172
(28,511)	360	-	(5,955)	-	218	(33,836)
-	-	-	-	-	-	143
10	-	-	-	-	(7)	3
-	-	(5,070)	-	-	(334)	(5,404)
-	(36,879)	-	-	-	-	(36,879)
10	(36,879)	(5,070)	-	-	(341)	(42,137)
-	-	-	-	-	-	7,688
-	-	-	-	-	-	1,500
-	-	-	(6)	-	(160)	(166)
-	(141)	-	(370)	-	-	(511)
-	-	-	-	-	(209)	(209)
-	-	-	6,488	-	-	6,488
-	-	-	-	-	3,840	3,840
-	(410)	-	(2,300)	-	(5,191)	(7,929)
-	(551)	-	3,812	-	(1,720)	10,701
(25,284)	1,055	(4,545)	153	8,163	(403)	(12,737)
46,468	3,520	15,311	16,798	557,466	6,903	740,254
\$ 21,184	4,575	10,766	16,951	565,629	6,500	727,517

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2006
(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)	\$ (310)	(449)	6,030	220
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Accounts payable and accrued liabilities	73	463	449	27
Accrued capital purchases	-	-	-	-
Accrued wages payable	-	13	-	-
Compensated absences	-	(9)	-	-
Construction loans in process	-	-	(5,255)	-
Deferred revenues	-	-	-	-
Depreciation	19	168	-	7
Due from other funds	-	(936)	-	-
Accrued interest	-	-	(971)	-
Inventories	(5)	(124)	-	(9)
Loans receivable	-	-	(543)	-
Other assets	-	-	-	-
Prepaid expenses and deposits	-	-	-	-
Provision for bad debts	-	-	(86)	-
Prize payables	-	-	-	-
Vendors' non-cash transactions	-	-	-	-
Additional contributions to MUSL reserve accounts	-	-	-	-
Receivables, net	80	(127)	-	42
Due to insurance carriers for claims paid	-	-	-	-
Reserves for losses and loss adjustment expenses	-	-	-	-
Reserves on deposit	-	-	-	-
Unearned premium revenue	-	-	-	-
Unexpired subscriptions	-	-	-	2
Net cash provided (used) by operating activities	\$ (143)	(1,001)	(376)	289

	Public Schools Insurance Authority	Lottery Authority	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance	State Fair Commission	Total
\$	4,227	36,716	568	1,403	20,702	(1,696)	67,411
	(406)	281	-	1,096	3,021	893	5,897
	-	39	-	-	-	-	39
	-	-	-	-	-	53	66
	-	-	-	(25)	-	-	(34)
	-	-	-	-	-	-	(5,255)
	-	-	-	(44)	(12,111)	435	(11,720)
	27	409	-	945	-	1,891	3,466
	-	-	-	-	-	-	(936)
	-	(240)	-	-	-	-	(1,211)
	-	-	-	(8)	-	18	(128)
	-	-	-	-	-	-	(543)
	-	-	(43)	-	(3,489)	(28)	(3,560)
	(6)	5	-	-	-	-	(1)
	-	-	-	1,450	-	-	1,364
	-	1,027	-	-	-	-	1,027
	-	(3)	-	-	-	-	(3)
	-	23	-	-	-	-	23
	165	(74)	-	(2,371)	40	(126)	(2,371)
	511	-	-	-	-	-	511
	(1,294)	-	-	(150)	-	-	(1,444)
	-	(58)	-	-	-	-	(58)
	(7)	-	-	-	-	-	(7)
	-	-	-	-	-	-	2
\$	3,217	38,125	525	2,296	8,163	1,440	52,535

**STATE OF NEW MEXICO
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2006**

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, 2006
(IN THOUSANDS)**

	Scholarship Fund	Land Grant Permanent Fund	Total
ASSETS			
Cash and cash equivalents	\$ 51,216	608,868	660,084
Due from other funds	-	4,293	4,293
Due from brokers	-	59,463	59,463
Investments, at fair value	20	8,572,590	8,572,610
Receivables, net of allowance	-	13,102	13,102
Total assets	\$ 51,236	9,258,316	9,309,552
LIABILITIES			
Due to beneficiaries	\$ -	29,497	29,497
Due to brokers	-	1,649,635	1,649,635
Total liabilities	-	1,679,132	1,679,132
NET ASSETS			
Net assets held in trust for pool participants	51,180	7,579,184	7,630,364
Net assets reserved for other beneficiaries	56	-	56
Net assets	\$ 51,236	7,579,184	7,630,420

**STATE OF NEW MEXICO
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2006
(IN THOUSANDS)**

	Scholarship Fund	Land Grant Permanent Fund	Total
ADDITIONS			
Deposits	\$ -	344,336	344,336
Interest and other investment income	1	740,529	740,530
Contributions	49,000	-	49,000
Total additions	49,001	1,084,865	1,133,866
DEDUCTIONS			
Distributions	-	353,965	353,965
Management expenses	-	14,688	14,688
Total deductions	-	368,653	368,653
Change in net assets	49,001	716,212	765,213
Net assets, beginning, as restated	2,235	6,862,972	6,865,207
Net assets, ending	\$ 51,236	7,579,184	7,630,420

**STATE OF NEW MEXICO
NONMAJOR FUNDS
JUNE 30, 2006**

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, 2006
(IN THOUSANDS)

	Magistrate Retirement	PERA Retirement	Education Retirement
ASSETS			
Cash and cash equivalents	\$ 2,502	786,032	239,705
Due from other funds	-	432	-
Due from brokers	2,688	847,894	19,076
Investments at fair value	41,428	13,089,906	8,939,433
Receivables, net of allowance	206	67,543	83,566
Other assets	-	1,135	7,428
Total assets	46,824	14,792,942	9,289,208
LIABILITIES			
Payables	\$ 1	6,230	7,503
Accrued Liabilities	-	277	-
Due to other funds	105	-	1,009
Deferred revenue	-	-	-
Due to brokers	4,692	1,479,798	190,301
Funds held for others	-	-	714
Other liabilities	-	245	160
Security lending liability	6,631	2,091,376	870,231
Total liabilities	11,429	3,577,926	1,069,918
NET ASSETS			
Net assets held in trust for pension	\$ 35,395	11,215,016	8,219,290

	Judicial Retirement	Volunteer Firefighters Retirement	Retiree Health Care Authority	Total
\$	5,516	2,870	8,039	1,044,664
	-	-	-	432
	5,876	3,151	-	878,685
	90,545	48,558	161,834	22,371,704
	479	166	10,353	162,313
	-	-	64	8,627
	<u>102,416</u>	<u>54,745</u>	<u>180,290</u>	<u>24,466,425</u>
\$	29	-	5,807	19,570
	-	-	45	322
	224	103	-	1,441
	-	-	6,043	6,043
	10,255	5,499	-	1,690,545
	-	-	-	714
	-	-	13,792	14,197
	14,493	7,772	-	2,990,503
	<u>25,001</u>	<u>13,374</u>	<u>25,687</u>	<u>4,723,335</u>
\$	<u>77,415</u>	<u>41,371</u>	<u>154,603</u>	<u>19,743,090</u>

**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, 2006
(IN THOUSANDS)**

	Magistrate Retirement	PERA Retirement	Education Retirement
ADDITIONS			
Employee contributions	\$ 849	169,802	178,221
Employer contributions	209	249,740	226,479
Interest and other investment income	3,719	1,176,495	943,071
Other operating revenues	-	7,431	3,867
Total additions	<u>4,777</u>	<u>1,603,468</u>	<u>1,351,638</u>
DEDUCTIONS			
Benefits and claims	1,738	467,102	494,097
General and administrative	9	10,174	4,998
Expenses and management fees	-	-	60,096
Other operating expenses	-	-	233
Refunds	-	30,246	24,062
Total deductions	<u>1,747</u>	<u>507,522</u>	<u>583,486</u>
Change in net assets	3,030	1,095,946	768,152
Net assets, beginning as restated	<u>32,365</u>	<u>10,119,070</u>	<u>7,451,138</u>
Net assets, ending	<u>\$ 35,395</u>	<u>11,215,016</u>	<u>8,219,290</u>

	Judicial Retirement	Volunteer Firefighters Retirement	Retiree Health Care Authority	Total
\$	697	-	23,220	372,789
	3,154	750	46,993	527,325
	8,137	4,326	17,435	2,153,183
	-	-	80,275	91,573
	11,988	5,076	167,923	3,144,870
	5,113	405	155,194	1,123,649
	24	-	2,280	17,485
	-	-	-	60,096
	-	-	2,864	3,097
	26	-	-	54,334
	5,163	405	160,338	1,258,661
	6,825	4,671	7,585	1,886,209
	70,590	36,700	147,018	17,856,881
\$	77,415	41,371	154,603	19,743,090

**STATE OF NEW MEXICO
EXTERNAL TRUST FUNDS
JUNE 30, 2006**

EXTERNAL TRUST FUNDS

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

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

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

**STATE OF NEW MEXICO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 EXTERNAL TRUST FUNDS
 YEAR ENDED JUNE 30, 2006
 (IN THOUSANDS)**

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and cash equivalents	\$ 31,698	649,531	681,229
Due from custodian	25	-	25
Due from brokers	2,543	-	2,543
Investments, at fair value	492,384	4,556,694	5,049,078
Receivables, net of allowance	2,320	13,619	15,939
Total assets	<u>528,970</u>	<u>5,219,844</u>	<u>5,748,814</u>
LIABILITIES			
Cash overdraft	-	-	-
Due to brokers	101,497	-	101,497
Intergovernmental payables	1,329	-	1,329
Total liabilities	<u>102,826</u>	<u>-</u>	<u>102,826</u>
NET ASSETS			
Net assets held in trust for pool participants	<u>\$ 426,144</u>	<u>5,219,844</u>	<u>5,645,988</u>

STATE OF NEW MEXICO
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 EXTERNAL TRUST FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2006
 (IN THOUSANDS)

	State Investment Council	State Treasurer	Total
ADDITIONS			
Deposits	\$ 61,606	436,881	498,487
Interest and other investment income	33,722	224,952	258,674
Total additions	<u>95,328</u>	<u>661,833</u>	<u>757,161</u>
DELETIONS			
Distributions	36,810	-	36,810
Expenses and management fees	676	384	1,060
Total deductions	<u>37,486</u>	<u>384</u>	<u>37,870</u>
Change in net assets	57,842	661,449	719,291
Net assets, beginning as restated	<u>368,302</u>	<u>4,558,395</u>	<u>4,926,697</u>
Net assets, ending	<u>\$ 426,144</u>	<u>5,219,844</u>	<u>5,645,988</u>

**STATE OF NEW MEXICO
AGENCY FUNDS
JUNE 30, 2006**

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 and 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 and Revenue, Department of Finance and Administration, Racing Commission, Livestock Board, Energy, Minerals and 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, 2006
 (IN THOUSANDS)

	Other Agency Funds	Allotment Related Funds	Culture, Recreation and Natural Resources
ASSETS			
Cash and cash equivalents	\$ 186,437	1,110,152	332
Due from other funds	47,377	2,050	-
Investments at fair value	27,522	-	-
Intergovernmental receivables	201	-	-
Other assets	37	-	-
Receivables, net of allowance	35,179	-	207
Security deposits	390,515	-	-
Total assets	\$ 687,268	1,112,202	539
LIABILITIES			
Deposits held in trust	\$ 396,306	-	-
Deferred revenues	5,539	-	-
Due to beneficiary	147,554	-	-
Due to other funds	35,710	407,645	-
Intergovernmental payables	11,814	704,557	-
Funds held for others	36,752	-	539
Other liabilities	3,485	-	-
Payables	50,108	-	-
Total liabilities	687,268	1,112,202	539
NET ASSETS	\$ -	-	-

	Receipts Pending Distribution of Funds	Suspense Related Funds	Total
\$	4,324	678,606	1,979,851
	25,239	121,125	195,791
	-	2,472	29,994
	-	4,125	4,326
	-	-	37
	14	730,433	765,833
	-	-	390,515
\$	<u>29,577</u>	<u>1,536,761</u>	<u>3,366,347</u>

\$	19	3,463	399,788
	-	-	5,539
	-	-	147,554
	2,752	993,902	1,440,009
	26,806	252,918	996,095
	-	2,802	40,093
	-	79,122	82,607
	-	204,554	254,662
	<u>29,577</u>	<u>1,536,761</u>	<u>3,366,347</u>

\$	-	-	-
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**STATISTICAL
SECTION**

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

	2006	2005	2004	2003	2002*
<u>Revenues by Source</u>					
Taxes	\$ 4,727,838	4,179,738	3,653,775	3,275,713	3,283,859
Licenses, fees and permits	212,590	98,114	79,069	113,421	92,360
Interest and other investment income	4,477,484	3,539,435	4,521,673	1,545,064	(1,112,306)
Rents and royalties	842,823	792,131	558,013	182,946	484,890
Charges for services	3,224,728	2,688,146	1,926,916	1,579,478	2,045,448
Intergovernmental	3,759,989	3,640,312	3,992,434	3,695,529	3,334,171
Contributions	900,114	832,132	849,577	805,552	674,600
Other sources	407,193	399,677	187,348	80,286	121,375
Total Revenues	<u>\$ 18,552,759</u>	<u>16,169,685</u>	<u>15,768,805</u>	<u>11,277,989</u>	<u>8,924,397</u>
<u>Expenditures by Function</u>					
Legislative	\$ 14,052	12,412	12,036	22,424	11,874
Judicial	194,452	184,319	168,013	158,362	153,391
General Control	3,670,838	3,271,862	2,741,228	2,392,404	2,589,502
Regulation, License, etc.	97,956	88,722	81,551	75,894	100,022
Culture; Recreation and Natural Resources	202,330	185,303	183,074	203,607	169,027
Health and Human Services	4,055,602	3,729,641	3,732,015	3,424,129	3,148,466
Public Safety	390,557	378,394	345,779	338,676	323,909
Highway and Transportation	1,027,618	877,638	785,042	585,187	875,972
Education	5,118,191	4,633,879	4,488,043	4,182,628	4,070,219
Total Expenditures	<u>\$ 14,771,596</u>	<u>13,362,170</u>	<u>12,536,781</u>	<u>11,383,311</u>	<u>11,442,382</u>

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

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$	3,504,194	3,127,685	2,927,032	2,952,593	2,806,839
	81,523	73,457	86,612	76,376	70,649
	(1,239,950)	3,525,310	3,702,083	2,004,432	2,164,967
	421,409	249,249	156,876	245,529	205,646
	462,562	416,302	402,942	360,410	403,074
	2,411,266	2,199,250	1,875,180	1,812,429	1,728,017
	728,773	676,252	636,762	598,660	572,371
	310,404	299,884	273,623	250,649	252,330
	<u>6,680,181</u>	<u>10,567,389</u>	<u>10,061,110</u>	<u>8,301,078</u>	<u>8,203,893</u>

\$	19,280	15,258	17,564	8,343	14,472
	174,901	133,534	116,834	108,975	104,803
	2,203,032	1,902,418	1,746,989	1,754,206	1,496,887
	88,126	88,696	84,827	74,277	71,554
	179,171	164,039	141,441	123,888	117,389
	2,847,600	2,545,270	2,227,138	2,150,013	2,168,603
	290,413	269,535	290,887	224,811	222,355
	951,306	897,716	640,222	570,785	427,310
	4,210,928	4,051,113	3,762,107	3,486,091	3,355,295
	<u>10,964,757</u>	<u>10,067,579</u>	<u>9,028,009</u>	<u>8,501,389</u>	<u>7,978,668</u>

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

	2006	2005	2004	2003	2002	2001	2000
REVENUES							
Taxes and License Fees							
General and selective sales taxes:							
Gross receipts	\$ 1,689,838	1,512,483	1,556,015	1,340,369	1,274,281	1,253,424	1,142,105
Compensating	51,835	44,117	36,718	38,398	36,009	36,593	33,502
Tobacco (luxury)	48,405	48,477	51,828	18,318	17,985	18,422	18,939
Alcoholic beverage	29,340	25,173	28,472	25,376	24,688	26,687	26,752
Insurance	103,081	95,464	102,201	53,763	50,690	44,562	47,022
Fire protection	24,589	27,157	25,765	20,756	24,587	19,953	16,414
Public utilities	8,064	8,923	8,320	7,347	8,326	4,521	6,154
Racing	362	897	1,188	1,150	1,154	1,146	1,058
Private car	411	537	476	661	336	579	346
Motor vehicle and other excise tax	121,870	118,919	115,730	111,142	106,966	97,440	97,042
Gaming tax	56,677	46,353	41,646	38,997	28,920	23,353	19,416
Leased vehicles gross receipts & surcharge	19,948	26,018	6,556	6,067	6,362	6,352	6,367
Telecommunications relay surcharge	99	100	108	94	76	68	-
Boat excise tax	581	219	307	366	537	574	-
Total general and selective sales tax	2,155,100	1,954,837	1,975,330	1,662,804	1,580,917	1,533,674	1,415,117
Income Taxes							
Gross Withholding	942,470	888,168	950,904	832,687	798,038	760,579	692,300
Final settlements	471,952	446,945	420,278	346,920	460,162	326,820	389,414
Less:							
Transfer - Retiree health care	(8,453)	(7,623)	(7,368)	(6,017)	(5,373)	(5,068)	(4,781)
Transfer - PIT suspense & others	(373,974)	(247,158)	(281,740)	(248,067)	(234,204)	(194,357)	(225,690)
Refunds - TAA suspense	(13,784)	(6,142)	(2,684)	(1,112)	(2,207)	9,513	16,191
Net personal income taxes	1,018,211	1,074,190	1,079,390	924,411	1,016,416	897,487	867,434
Corporate taxes	410,377	265,999	172,712	154,669	178,758	240,112	177,744
Less refunds	(33,192)	(23,537)	(49,269)	(51,823)	(37,085)	(20,325)	(11,942)
Net corporate income taxes	377,185	242,462	123,443	102,846	141,673	219,787	165,802
Estate taxes	3,138	4,925	8,764	28,443	21,185	24,228	16,237
Fiduciary taxes	12,960	11,825	11,033	7,003	9,331	8,607	8,644
Total income taxes	1,411,494	1,333,402	1,222,630	1,062,703	1,188,605	1,150,109	1,058,117
Severance taxes							
Oil and gas school tax	483,240	381,302	366,056	229,639	205,121	329,031	169,506
7% oil conservation	22,564	17,822	16,689	11,939	10,763	16,687	8,931
Resources excise	9,151	6,547	6,182	5,756	5,356	5,691	6,118
Natural gas processors	26,841	21,728	16,513	21,077	20,270	12,111	12,262
Total severance taxes	541,796	427,399	405,440	268,411	241,510	363,520	196,817
Total taxes	4,108,390	3,715,638	3,603,400	2,993,918	3,011,032	3,047,303	2,670,051
License Fees							
Manufactured housing	674	728	623	440	485	610	710
Franchise	33	82	121	57	17	3	5
Corporate filing	2,841	2,810	2,651	2,540	2,239	2,402	2,435
Alcoholic beverages and gaming	3,509	3,541	4,075	3,480	3,471	4,105	3,670
Financial institutions	3,073	2,845	2,585	2,288	2,123	2,029	2,038
Corporate special	8,339	4,070	4,620	4,356	4,267	7,319	4,774
Construction industries	6,825	6,800	6,432	4,881	4,846	6,315	5,084
Gaming license and permit fees	327	322	267	246	263	306	759
Securities receipts	14,840	13,830	16,273	12,307	12,454	12,749	11,866
Health facilities fees	290	175	271	329	391	75	252
Pipeline fees	11	38	55	56	71	54	30
Motor vehicles miscellaneous fees	139	142	141	123	124	402	679

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

	2006	2005	2004	2003	2002	2001	2000
REVENUES (CONTINUED)							
Taxes and License Fees (Continued)							
License Fees (Continued)							
Drivers Training Fees	\$ 39	41	46	27	31	18	0
State engineers fees	-	-	-	-	110	-	112
Total license fees	<u>40,940</u>	<u>35,424</u>	<u>38,160</u>	<u>31,130</u>	<u>30,892</u>	<u>36,387</u>	<u>32,414</u>
Total taxes and license fees	<u>4,149,330</u>	<u>3,751,062</u>	<u>3,641,560</u>	<u>3,025,048</u>	<u>3,041,924</u>	<u>3,083,690</u>	<u>2,702,465</u>
Other Revenue Sources							
Investment Income							
State land grant permanent fund income	354,156	350,285	292,235	275,684	258,049	234,280	219,820
Earnings on state balances	77,935	34,386	25,374	40,504	67,162	98,707	72,034
Severance tax permanent fund earnings	171,798	173,249	172,434	170,955	159,183	144,650	141,814
Total interest earnings	<u>603,889</u>	<u>557,920</u>	<u>490,043</u>	<u>487,143</u>	<u>484,394</u>	<u>477,637</u>	<u>433,668</u>
Rents and royalties							
Federal mineral leasing	556,541	445,004	334,883	268,366	229,323	374,464	205,321
Land office	52,696	42,044	22,061	20,727	19,919	31,239	23,815
Total rents and royalties	<u>609,237</u>	<u>487,048</u>	<u>356,944</u>	<u>289,093</u>	<u>249,242</u>	<u>405,703</u>	<u>229,136</u>
Miscellaneous Receipts and Fees							
Miscellaneous	-	-	-	-	130	-	13
Environment Department filing fees	1,272	1,181	1,492	1,449	2,300	342	372
Local Government Investment Pool administrative fees	-	-	-	-	-	-	4
Tribal revenue sharing	49,520	41,263	58,634	33,096	107,339	53	17,917
Media lease payments	18	19	18	19	-	-	0
MVD penalty assessments	5,704	5,894	5,933	6,597	6,081	5,753	5,737
Fines and forfeitures	8,425	8,243	8,041	8,443	8,223	8,605	8,442
Birth and death certificates	661	576	572	709	533	561	525
District judge receipts	986	1,032	986	968	978	1,173	1,140
Notary public fees	728	721	783	751	808	574	593
Court of appeals	-	-	-	-	-	566	0
Legislative receipts	38	59	44	61	40	65	46
Workmen's compensation fees	10	21	2	29	-	39	0
Payroll administration costs	-	-	-	-	-	-	1
Law enforcement protection	8,593	7,042	-	669	1,096	339	2,038
Small county assistance	-	1,563	1,669	2,561	3,170	2,714	4,497
Supreme court fees	-	-	-	-	-	2	1
Unclaimed property	12,501	13,456	7,463	6,201	7,415	4,823	7,736
Public Defender reimbursement	389	595	260	223	207	192	233
Small cities assistance	-	447	371	1,851	559	1,357	532
Total miscellaneous receipts and fees	<u>88,845</u>	<u>82,112</u>	<u>86,268</u>	<u>63,627</u>	<u>138,879</u>	<u>27,158</u>	<u>49,827</u>
Other revenues							
Miscellaneous non-recurring	42,209	44,653	4,896	93	-	-	-
Transfers - reversions	45,030	82,589	45,984	50,340	42,119	-	-
Total other revenues	<u>87,239</u>	<u>127,242</u>	<u>50,880</u>	<u>50,433</u>	<u>42,119</u>	<u>-</u>	<u>-</u>
Total other revenue sources	<u>1,389,210</u>	<u>1,254,322</u>	<u>984,135</u>	<u>890,296</u>	<u>914,634</u>	<u>910,498</u>	<u>712,631</u>
Total revenues	<u>\$ 5,538,540</u>	<u>5,005,384</u>	<u>4,625,695</u>	<u>3,915,344</u>	<u>3,956,558</u>	<u>3,994,188</u>	<u>3,415,096</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental Activities					
Invested in capital assets, net of related debt	\$ 7,226,617	7,830,967	7,187,781	6,689,355	5,724,003
Restricted	4,166,965	4,075,363	5,301,338	5,282,593	6,427,635
Unrestricted	1,321,140	351,759	171,430	762,177	752,605
Total governmental activities net assets	\$ 12,714,722	12,258,089	12,660,549	12,734,125	12,904,243
Business-Type Activities					
Invested in capital assets, net of related debt	\$ 874,302	892,515	955,999	885,520	945,920
Restricted	1,682,804	1,506,856	1,561,273	1,391,203	2,145,306
Unrestricted	494,137	582,996	624,269	979,918	489,772
Total business-type activities net assets	\$ 3,051,243	2,982,367	3,141,541	3,256,641	3,580,998
Primary Government					
Invested in capital assets, net of related debt	\$ 8,100,919	8,723,482	8,143,780	7,574,875	6,669,923
Restricted	5,849,769	5,582,219	6,862,611	6,673,796	8,572,941
Unrestricted	1,815,277	934,755	795,699	1,742,095	1,242,377
Total primary government net assets	\$ 15,765,965	15,240,456	15,802,090	15,990,766	16,485,241

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Program expenses					
Governmental Activities:					
General government	\$ 367,506	279,041	537,442	882,809	869,013
Culture, recreation, natural resources	169,027	203,607	183,074	185,303	202,330
Highway and transportation	875,972	585,187	785,042	877,638	1,027,618
Judicial	153,391	158,362	168,013	184,319	194,452
Legislative	11,874	22,424	12,036	12,412	14,052
Public safety	323,909	338,676	345,779	378,394	390,557
Regulation licensing etc.	100,022	75,894	81,551	88,722	97,956
Health and human services	3,148,466	3,424,129	3,732,015	3,729,641	4,055,602
Education	2,336,909	2,381,521	2,611,476	2,637,052	2,975,293
Interest	92,062	246,340	132,440	125,476	421,089
Total governmental activities expenses	<u>7,579,138</u>	<u>7,715,181</u>	<u>8,588,868</u>	<u>9,101,766</u>	<u>10,247,962</u>
Business-Type Activities:					
Unemployment insurance trust fund	135,748	174,705	159,954	129,422	-
Educational institutions	1,733,310	1,801,107	1,876,567	1,996,826	2,142,898
Nonmajor enterprise funds	419,484	344,429	374,388	395,307	533,039
Total business-type activity expenses	<u>2,288,542</u>	<u>2,320,241</u>	<u>2,410,909</u>	<u>2,521,555</u>	<u>2,675,937</u>
Total primary government expenses	<u>\$ 9,867,680</u>	<u>10,035,422</u>	<u>10,999,777</u>	<u>11,623,321</u>	<u>12,923,899</u>
Program revenues					
Governmental Activities:					
Charges for services	\$ 720,718	503,908	640,028	827,248	1,297,926
Operating grants and contributions	2,413,596	2,765,888	3,182,126	3,268,985	3,283,620
Capital grants and contributions	334,663	324,588	292,847	275,053	323,013
Total governmental activities program revenues	<u>3,468,977</u>	<u>3,594,384</u>	<u>4,115,001</u>	<u>4,371,286</u>	<u>4,904,559</u>
Business-Type Activities:					
Charge for services	1,196,953	1,053,341	1,265,229	1,807,340	1,866,396
Operating grants and contributions	-	581,150	460,203	35,418	120,205
Capital grants and contributions	6,519	13,080	20,699	30,553	28,934
Total business-type activities program revenues	<u>1,203,472</u>	<u>1,647,571</u>	<u>1,746,131</u>	<u>1,873,311</u>	<u>2,015,535</u>
Total primary government program revenues	<u>\$ 4,672,449</u>	<u>5,241,955</u>	<u>5,861,132</u>	<u>6,244,597</u>	<u>6,920,094</u>
Net (Expense)/Revenue					
Governmental activities	\$ (4,110,161)	(4,120,797)	(4,473,867)	(4,730,480)	(5,343,403)
Business-type activities	(1,085,070)	(672,670)	(664,778)	(648,244)	(660,402)
Total primary government net expense	<u>\$ (5,195,231)</u>	<u>(4,793,467)</u>	<u>(5,138,645)</u>	<u>(5,378,724)</u>	<u>(6,003,805)</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
General revenues and other changes in net assets					
Governmental Activities:					
Taxes					
Individual income tax	\$ 1,009,224	980,326	1,090,733	1,089,031	1,543,262
Corporate income tax	138,078	102,846	131,897	244,371	374,957
Sales and use tax	303,615	275,873	327,878	368,716	388,739
Business privilege	1,305,730	1,684,150	1,821,396	1,970,239	2,370,530
Severance	194,347	-	-	-	-
Other taxes	381,209	301,555	360,940	507,381	31,694
Tribal gaming revenue	107,339	-	-	-	-
Investment income	169,647	639,731	1,071,990	994,872	1,203,881
Other revenue	27,775	139,060	181,707	239,724	136,527
Transfers	(484,860)	(473,007)	(481,507)	(495,101)	(533,035)
Total governmental activities	<u>3,152,104</u>	<u>3,650,534</u>	<u>4,505,034</u>	<u>4,919,233</u>	<u>5,516,555</u>
Business-Type Activities:					
Non-operating grants and contracts	534,293	-	-	-	-
Investment income (loss)	(55,987)	77,334	134,001	115,187	129,014
Other revenue (expense)	115,727	160,058	186,383	154,389	259,303
Transfers	484,860	473,007	481,507	495,101	533,035
Total business-type activities	<u>1,078,893</u>	<u>710,399</u>	<u>801,891</u>	<u>764,677</u>	<u>921,352</u>
Total primary government	<u>\$ 4,230,997</u>	<u>4,360,933</u>	<u>5,306,925</u>	<u>5,683,910</u>	<u>6,437,907</u>
Change in net assets					
Governmental Activities	\$ (958,057)	(470,263)	31,167	188,753	173,152
Business-Type Activities	(6,177)	37,729	137,113	116,432	260,950
Total Primary Government	<u>\$ (964,234)</u>	<u>(432,534)</u>	<u>168,280</u>	<u>305,185</u>	<u>434,102</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 197,938	230,781	186,655	69,687	76,990
Unreserved	298,084	172,240	427,605	732,395	859,338
Total general fund	<u>\$ 496,022</u>	<u>403,021</u>	<u>614,260</u>	<u>802,082</u>	<u>936,328</u>
All other governmental funds					
Reserved	\$ 4,890,316	4,507,256	5,183,451	5,253,182	5,516,982
Unreserved, reported in:					
Special revenue funds	221,350	196,816	116,023	422,245	685,478
Capital projects funds	4,569	12,497	105,151	36,745	224,278
Debt service funds	11,486	177,355	889,304	621,143	1,147
Total all other governmental funds	<u>\$ 5,127,721</u>	<u>4,893,924</u>	<u>6,293,929</u>	<u>6,333,315</u>	<u>6,427,885</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$ 3,217,911	3,366,514	3,957,290	4,122,934	4,701,512
Licenses, fees and permits	92,360	113,421	79,069	98,114	212,590
Interest and other investment income	163,936	639,731	1,069,187	991,789	1,200,119
Rents and royalties	275,350	302,101	370,014	499,319	623,131
Charges for services	85,089	88,386	190,945	229,816	151,759
Intergovernmental	2,792,421	3,090,476	3,474,722	3,543,855	3,606,240
Other revenues	497,998	139,060	173,300	233,804	220,093
Total Revenues	<u>7,125,065</u>	<u>7,739,689</u>	<u>9,314,527</u>	<u>9,719,631</u>	<u>10,715,444</u>
Expenditures					
General control	359,439	272,941	343,036	852,544	488,674
Culture, recreation, natural resources	163,326	199,287	173,455	175,341	190,662
Highways and transportation	478,520	208,190	291,302	374,151	515,262
Judicial	148,217	154,441	164,519	178,863	188,703
Legislative	11,474	22,121	11,935	12,313	13,940
Public safety	312,982	330,397	325,687	359,980	373,973
Regulation, licensing, etc.	96,649	73,338	79,517	87,008	96,071
Health and human services	3,042,898	3,383,743	3,639,440	3,790,976	4,043,961
Education	2,258,083	2,321,789	2,610,544	2,636,367	2,901,712
Debt Service					
Interest	92,062	246,340	133,740	125,476	421,089
Principal	270,071	176,328	364,460	1,190,529	778,305
Bond issuance costs	-	-	10,597	3,870	445
Advance refunding escrow	-	-	7,286	651	-
Capital outlay	<u>392,205</u>	<u>563,652</u>	<u>364,113</u>	<u>371,535</u>	<u>491,493</u>
Total expenditures	<u>7,625,926</u>	<u>7,952,567</u>	<u>8,519,631</u>	<u>10,159,604</u>	<u>10,504,290</u>
Excess (deficiency) of revenues over expenditures	<u>(500,861)</u>	<u>(212,878)</u>	<u>794,896</u>	<u>(439,973)</u>	<u>211,154</u>
Other Financing Sources (Uses)					
Bonds issued	513,880	336,653	1,103,469	1,535,043	795,012
Bond premium	-	-	59,904	18,977	-
Refunding bond issue	-	-	437,950	-	-
Payment to refunded bond escrow	-	-	(408,856)	(75,077)	-
Other nonoperating revenues and expenditures	-	-	-	-	6,885
Operating transfers in	4,195,209	4,628,455	4,697,378	5,217,701	5,888,308
Operating transfers out	(4,681,988)	(5,103,650)	(5,180,257)	(5,725,723)	(6,425,666)
Total other financing sources (uses)	<u>27,101</u>	<u>(138,542)</u>	<u>709,588</u>	<u>970,921</u>	<u>264,539</u>
Net change in fund balances	<u>\$ (473,760)</u>	<u>(351,420)</u>	<u>1,504,484</u>	<u>530,948</u>	<u>475,693</u>
Debt service as a percentage of noncapital expenditures	5.01%	5.72%	6.11%	13.44%	11.98%