

# STATE OF NEW MEXICO COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017



**SUSANA MARTINEZ, GOVERNOR**

*NM State capitol building*

*Source – Pinterest.com*

DOROTHY RODRIGUEZ  
CABINET SECRETARY

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RONALD C. SPILMAN  
STATE CONTROLLER

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

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# INTRODUCTORY SECTION



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**STATE OF NEW MEXICO**  
**DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**FINANCIAL CONTROL DIVISION**  
**407 GALISTEO STREET**  
**BATAAN MEMORIAL BUILDING, ROOM 166**  
**SANTA FE, NEW MEXICO 87501**  
**(505) 827-4985 FAX (505) 827-3692**

*Susana Martinez*  
Governor

*Dorothy E. Rodriguez*  
Cabinet Secretary

*Ronald C. Spilman*  
State Controller

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

In accordance with Chapter 6-5-4.1 of the New Mexico Statutes Annotated 1978 (NMSA 1978), the Financial Control Division of the Department of Finance and Administration transmits the State of New Mexico's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017.

The CAFR presents the financial position and operating results of the State, compliant with generally accepted accounting principles (GAAP) applicable to state and local governments, as established by the Governmental Accounting Standards Board (GASB). The purpose of this report is to provide complete and reliable information as a basis for making management decisions, assessing adherence to and compliance with legal requirements, and evaluating stewardship of the state's assets. The basic financial statements and required supplemental information include a required narrative introduction, referred to as Management's Discussion and Analysis (MD&A). This transmittal letter complements the MD&A, which is located immediately following the independent auditors' report, and should be read in conjunction with it.

CliftonLarsonAllen LLP (CLA), an independent accounting firm, has audited the basic financial statements contained in this report. Their audit was conducted in accordance with the generally accepted government auditing standards and their auditor's report precedes the basic financial statements. The goal of an independent audit is to provide reasonable assurance that the State of New Mexico's basic financial statements for the fiscal year ended June 30, 2017 are free of material misstatement. Independent audit procedures include examining, on a test basis, supporting amounts and disclosures, assessing the accounting principles used, review of any significant estimates made by management, and evaluating the overall basic financial statement presentation. An audit also includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate under the circumstances, but not for expressing an opinion on the effectiveness of the State's internal controls over financial reporting. Accordingly, the independent auditor expressed no opinion on the internal controls over financial reporting.

Under statute (12.6.3 NMSA 1978), every state agency must be audited annually. To avoid duplication of effort, the CAFR audit relies and builds upon agency audits. As noted in their opinion, CLA was not engaged to audit individual agencies, therefore disclaimer of opinions issued to Office of the Superintendent of Insurance and Northern New Mexico College carried directly into the CAFR and prevented the auditor from expressing an opinion on a number of statewide opinion units. This is a known risk with the current group audit methodology. Additionally, while this year's CAFR was released a month earlier than last year, the quickest issuance yet, it is still months later than it should be. The existing group audit process also affects timeliness, as CAFR development may only commence after completion of the underlying agency audits, some that were not complete until March. Legislation to perform a single statewide financial audit was introduced during the last legislative session and while it did not make it completely through the process, it did initiate needed dialog to affect a positive change in the future.

Improvements in controls and processes over the last five years now allow for the production of a reliable and auditable CAFR and the benefits of these enhancements are perennial. Implementation of a singular CAFR audit will enable the auditor to assess the criticality of isolated issues from a statewide perspective, enabling the application of professional judgment on the materiality of items currently outside the CAFR auditors review. An addition benefit of the singular CAFR audit would be a timelier issuance as CAFR as development would commence months earlier than the current process.

## **PROFILE OF STATE OF NEW MEXICO**

New Mexico, became the forty-seventh state of the United States of America when it entered the union on January 6, 1912. Its borders encompass 121,589 square miles of the Great Plains, Rocky Mountains, and the Rio Grande River with elevations ranging from 2,842 to 13,161 feet above sea level. Nicknamed the Land of Enchantment, the state's landscape ranges from wide, rose-colored deserts to broken mesas and high, snow-capped peaks. The Sangre de Cristo Mountains, the southernmost part of the Rocky Mountains, run north to south along the east side of the Rio Grande. The state is home to the White Sands National Monument, which contains the largest gypsum dune field in the world. The State's major economic sectors include agriculture, mining, energy production, federal technology laboratories and tourism. The estimated population of the state was 2,088,070 as of July 2017.

**Structure** – The State Constitution divides the powers of government among three equal and independent branches: Legislative, Executive, and Judicial, shown in the organizational chart on page xiii. The powers and duties of each branch of government are outlined in the Constitution of the State of New Mexico, which can be amended only by a majority vote of the State's citizens. The State of New Mexico CAFR 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 education institutions created by the *Constitution of the State of New Mexico, Article XII, Section 11*, and discrete component units of the State of New Mexico.

**Internal Controls** – In accordance with the provisions of Chapter 6-5-2.C, NMSA 1978, the Financial Control Division of the Department of Finance and Administration is responsible for ensuring government agencies fulfill their responsibility for implementing and sustaining effective internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and reliability of financial records used for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from its use, and the evaluation of costs and benefits requires managerial estimates and judgments. All internal control evaluations occur within this framework. Consideration as to the adequacy of internal controls is paramount in developing and maintaining the State's accounting system, and the effectiveness and adequacy of internal controls are evaluated during internal reviews performed by the Department of Finance and Administration and annual external audits.

**Types and levels of services provided** – The State of New Mexico provides its citizens with the following governmental types of services: educational, environmental, health and human services, highway and transportation services, public safety, legislative, judicial, as well as cultural, recreational and natural resource services. The State of New Mexico also administers two cost-sharing multiple-employer public employee retirement systems and three single-employer public employee retirement systems.

**Brief summary of budget process** – The Governor is required to submit a balanced budget by agency, program, activity and category to the Legislature annually. The Legislature authorizes expenditures in the annual *General Appropriations Act* by source, which is then signed into law by the Governor. Unless otherwise indicated, annual appropriations lapse at fiscal year-end. In the event actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the Legislature to address any budget shortfalls. Adjustments to the budget may also be made throughout the year for changes in departmental or fund revenues so that departments and funds will not end the fiscal year in a deficit position. Expenditures are controlled at the program appropriation level. The budget is administered using the modified accrual basis of accounting; however, the budgetary basis is not consistent with GAAP.

## **PENSION OBLIGATIONS**

The State implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in Fiscal Year 2015. The purpose of the new statement was to improve the accounting and financial reporting of public employee pensions by state and local governments and enhance the usefulness of pension information. This change was limited to financial reporting and does not require any changes to the way actual employer plan contributions are determined. Employer contributions to the pension plans continue to be calculated per the requirements of the governing State statutes. GASB Statement No. 68 requires participating employers to recognize their proportionate share of the collective net pension liability. The State's share of the net pension liability, net of deferred items and based on a measurement date of June 30, 2017, which is required to be recorded on the financial statements, is \$4.2 billion for the primary government, an increase of \$0.3 billion.



## **ECONOMIC CONDITIONS AND OUTLOOK**

The U.S. economy continues to expand. Real Gross Domestic Product (GDP) growth remains just above 2.0 percent, and job growth at over 2 million per year. The pace of growth exceeds the economy's potential, and underutilized resources are being quickly absorbed. The unemployment rate, 4.0 percent, was the lowest since the beginning of the 21st century.

New Mexico's economy affected by the downturn in the extractives industry and employment losses in mining and energy related sectors, experienced flat Real GDP growth in fiscal year 2017. However, during second half of the year, the economy experienced a strong recovery in the oil and natural gas extraction industry and there was modest but broad based growth elsewhere.

General Fund revenues reflected this strength, and were 5.5 percent higher after declining 7.7 percent the prior fiscal year. Oil and natural gas tax revenues increased by 18 percent in fiscal year 2017 as oil prices increased throughout the year. Natural gas production increased 3.8 percent, while oil production grew 4.1 percent. State oil production has doubled over the last five years. New Mexico's general sales tax revenue, which includes gross receipts tax and compensating tax, increased 2 percent in fiscal year 2017. General sales tax revenue is the largest source of collections and accounts for approximately two billion or one-third of annual revenues.

Selective sales taxes, which include motor vehicle excise tax and insurance premiums tax, rose 2 percent as the effects of the Affordable Care Act and Medicaid expansion began to level off. Income tax revenues increased 0.4 percent in fiscal year 2017, as a 41 percent decline in corporate income tax receipts dampened growth. Personal income tax, a more significant and stable revenue source for the state, comprising about one-fifth of General Fund revenue increased 4 percent.

Employment continued to expand during the first half of Fiscal Year 2018. Nonagricultural payroll employment has grown by ten thousand job from twelve months ago or 1.2 percent with gains coming from the private sector.

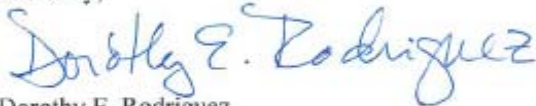
## **LONG-TERM FINANCING PLANNING**

The State of New Mexico's Constitution and laws authorize the State to issue general obligation bonds, severance tax bonds and revenue bonds to finance or refinance the cost of State capital projects. General obligation bonds are secured by the full faith and credit of the State and payable from legally restricted revenues (collection of property taxes levied by local governments receiving the funding for capital projects). No general obligation bonds were issued in FY17. Payment of severance tax bonds is provided through the collection of severance taxes levied on the mining and production of various natural resources. The State pledges income derived from the related acquired or constructed asset to pay debt service for revenue bonds. The State continues to maintain a strong creditworthiness rating from Moody's Investors Services and Standard and Poor's Corporation.

## **ACKNOWLEDGMENTS**

This report could not have been prepared without the cooperation of all State agencies, the Legislature, and the Judiciary. Executive Management of the Department of Finance and Administration would also like to express our gratitude to the dedicated professionals in the State Financial Reporting and Accountability Bureau, whose work made possible the preparation of this report. The coordinated and collaborative effort have produced a report that will provide a means for government, the financial community, decision makers, and concerned citizens to better understand and evaluate the State's financial condition.

Sincerely,



Dorothy E. Rodriguez  
Cabinet Secretary



Ronald C. Spilman  
State Controller

# STATE OF NEW MEXICO

## SELECTED STATE OFFICIALS

June 30, 2017

### Executive

**Susana Martinez, Governor**

**John A. Sanchez, Lieutenant Governor**

<b>Maggie Toulouse Oliver</b> Secretary of State	<b>Timothy Keller</b> State Auditor	<b>Tim Eichenberg</b> State Treasurer	<b>Hector H. Balderas</b> Attorney General	<b>Aubrey Dunn</b> Commissioner of Public Lands
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- **Cynthia B. Hall**, Public Regulation Commission • **Patrick H. Lyons**, Public Regulation Commission • **Valerie Espinoza**, Public Regulation Commission • **Lynda Lovejoy**, Public Regulation Commission • **Sandy Jones**, Public Regulation Commission

### Judicial

<b>Charles W. Daniels</b> Chief Justice of the Supreme Court	<b>Edward L. Chavez</b> Justice of the Supreme Court	<b>Petra Jimenez Maes</b> Justice of the Supreme Court	<b>Judith K. Nakamura</b> Justice of the Supreme Court	<b>Barbara Vigil</b> Justice of the Supreme Court
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- **Linda M. Vanzi**, Chief Judge of the Court of Appeals • **Jennifer L. Attrep**, Judge of the Court of Appeals • **Julie J. Vargas**, Judge of the Court of Appeals • **Michael E. Vigil**, Judge of the Court of Appeals • **Daniel J. Gallegos**, Judge of the Court of Appeals • **Emil J. Kiehne**, Judge of the Court of Appeals • **Stephen G. French**, Judge of the Court of Appeals • **Henry M. Bohnhoff**, Judge of the Court of Appeals • **M. Monica Zamora**, Judge of the Court of Appeals • **J. Miles Hanisee**, Judge of the Court of Appeals

### Legislative - Senate

<b>Mary Kay Papen</b> President Pro Tempore	<b>Peter Wirth</b> Majority Floor Leader	<b>Stuart Ingle</b> Minority Floor Leader	<b>Mimi Stewart</b> Majority Whip
<b>William H. Payne</b> Minority Whip			

# STATE OF NEW MEXICO

## SELECTED STATE OFFICIALS

June 30, 2017

### Legislative – House of Representatives

<b>Brian Egolf, Jr.</b> Speaker of the House	<b>Sheryl Williams Stapleton</b> Majority Floor Leader	<b>Nate Gentry</b> Minority Floor Leader	<b>Doreen Y. Gallegos</b> Majority Whip
<b>Rod Montoya</b> Minority Whip			

# STATE OF NEW MEXICO

## ORGANIZATIONAL CHART

June 30, 2017

### Citizens of New Mexico



<b>GOVERNOR'S CABINET</b>	
African American Affairs Office	Aging and Long-Term Services Department
Department of Agriculture	Children, Youth and Families Department
Corrections Department	Cultural Affairs Department
Economic Development Department	Energy, Minerals and Natural Resources Department
Office of the State Engineer	Environment Department
Department of Finance and Administration	General Services Department
Department of Health	Higher Education Department
Department of Homeland Security and Emergency Management	Human Services Department
Information Technology Department	Indian Affairs Department
Public Education Department	State Personnel Office
Regulation and Licensing Department	Department of Public Safety
Tourism Department	Taxation and Revenue Department
Department of Veterans' Services	Department of Transportation
Department of Workforce Solutions	Worker's Compensation Administration

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STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

# FINANCIAL SECTION

## MANAGEMENT'S DISCUSSION AND ANALYSIS



ALBUQUERQUE INTERNATIONAL BALLOON FIESTA, ALBUQUERQUE, NEW MEXICO  
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CliftonLarsonAllen LLP  
CLAcconnect.com

## INDEPENDENT AUDITORS' REPORT

The Honorable Susana Martinez, Governor of the State of New Mexico  
Ms. Dorothy Rodriguez, Secretary of the New Mexico Department of  
Finance and Administration,  
Mr. Ronald C. Spilman, State Controller of the New Mexico Department  
of Finance and Administration, and  
Mr. Wayne Johnson, New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain agencies and component units of the State, which represent the indicated percent of total assets and total revenues as presented in the table below. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those agencies and component units, is based solely on the reports of the other auditors.



**Percentage Audited by Other Auditors**

<b><u>Government-Wide</u></b>	<b><u>Total Assets</u></b>	<b><u>Total Revenues</u></b>
Governmental activities	13%	39%
Business-type activities	99%	99%
Aggregate discretely presented component units	98%	79%

**Fund Statements**

Major governmental fund - General Fund	52%	46%
Major governmental fund - Debt Service Fund	95%	97%
Major governmental fund - Capital Projects Fund	99%	96%
Major governmental fund - Severance Tax Permanent Fund	0%	0%
Major governmental fund - Land Grant Permanent Fund	0%	0%
Major enterprise fund - Educational Institutions Fund	100%	100%
Aggregate remaining fund information	8%	27%

Except as explained in the bases for disclaimer of opinions paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Summary of Opinions**

**Modified Opinion Section**

<u>Opinion Unit</u>	<u>Type of Opinion/Disclaimer</u>	<u>Bases for Disclaimer</u>
Governmental activities	Disclaimer	D1, D2
Business-type activities	Disclaimer	D1, D2
Major governmental fund - General Fund	Disclaimer	D1, D2
Major governmental fund – Debt Service Fund	Qualification	n/a
Major governmental fund - Capital Projects Fund	Qualification	n/a
Major enterprise fund - Educational Institutions Fund	Disclaimer	D1, D2
Aggregate remaining fund information	Disclaimer	D1, D2

**Unmodified Opinion Section**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Major governmental fund - Severance Tax Fund	Unmodified
Major governmental fund – Land Grant Fund	Unmodified
Aggregate discretely presented component units	Unmodified

**Bases for Disclaimer of Opinions**

The following issues were encountered during our engagement to audit the financial statements of the State which detail the bases for disclaimer of opinions on certain opinion units as identified in the "Modified Opinion Section" of the previous table:

- D1. The State is unable to provide sufficient appropriate audit evidence to support the accuracy, classification, completeness, existence and occurrence of the interfund activity and balances between the Educational Institutions Fund and the other funds of the State. In addition, the State has not identified all of the necessary consolidation and elimination entries for the interfund/internal activity and related balances. (see finding 2013-002 and 2013-005 in the schedule of findings and responses for additional details)
  
- D2. The component auditors of 2 components of the State (Northern New Mexico College and Office of the Superintendent of Insurance) were unable to obtain sufficient audit evidence during their audits necessary to express opinions, as a result they issued disclaimers of opinions. In addition, during our component audit of the New Mexico Department of Homeland Security and Emergency Management we were unable to obtain sufficient audit evidence to support the completeness, existence, accuracy, and valuation of the Department's federal accounts receivable/payable reported as of June 30, 2017, which was reported and included in the State's financial statements in the amounts of \$36M and 3.8M, respectively. In addition, the component auditors of the General Services Department were unable to obtain sufficient audit evidence to support the completeness, existence, accuracy, and valuation of the land owned by the Department as of June 30, 2017, which is reported and included in the State's financial statements in the amount of \$39M.

As a result of these matters, we were unable to determine the extent of additional adjustments and reclassifications, which would be necessary to the financial statements.

**Disclaimer of Opinions**

Because of the significance of the matters described in the "Bases for Disclaimer of Opinions" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on the financial statements identified with a disclaimer of opinion in the "Modified Opinion Section" schedule in the "Summary of Opinions" paragraph.

***Basis for Qualifications***

**Major governmental fund – Debt Service Fund**

The State has not identified all of the necessary consolidation and elimination entries for the interfund/internal activity within the debt service fund. As a result we were unable to obtain audit evidence to determine the extent of interfund/internal activity reported within the debt service fund that could be grossed up.

**Major governmental fund – Capital Projects Fund**

The State lacks adequate controls and processes to properly consolidate all of the financial information of the various components of the State. The extent of activity and balances between the capital projects fund and the educational institutions fund is unknown. As a result we were unable to obtain sufficient audit evidence regarding the proper classification or disclosure of all related interfund activity and balances. In addition, the State has not identified all necessary consolidation and elimination entries for interfund/internal balances and activity within the capital projects fund. As a result we were unable to obtain audit evidence to determine the extent of interfund/internal activity and balances reported within the capital projects that could be grossed up.

**Qualified Opinion**

In our opinion, based on our audits and the reports of the other auditors, except for the matters described in the "*Basis for Qualifications*" paragraphs above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major governmental fund – debt service fund and the major governmental fund – capital projects fund of the State, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the opinion units identified in the "Unmodified Opinion Section" schedule in the "Summary of Opinions" of the State, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

**Change in Accounting Principles**

As discussed in Note 9 to the financial statements the State restated beginning balances resulting from the implementation of GASB Statement No. 80, *Blending Requirements for Certain Component Units*. Our opinion is not modified with respect to that matter.

#### Correction of Errors

As described in Note 9 to the financial statements, the State restated beginning balances resulting from the correction of accounting errors that occurred in the prior period. Our opinion is not modified with respect to this matter.

#### **Other Matters**

##### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 8-24), Budgetary Comparison Schedule – General Fund and Notes to Budgetary Reporting (pages 209-216), Schedules of Changes in Net Pension Liability (pages 217-221), Schedules of Net Pension Liability (pages 222-226), Schedules of Employer Contributions (pages 227-236), Schedules of Investment Returns (pages 237-238), Schedule of Actuarial Methods and Assumptions – All Retirement Systems (page 239), Schedule of Funding Progress – Retiree Health Care Authority (page 240), Schedule of the State of New Mexico's Proportionate Share of The Net Pension Liability (pages 241-247), and Schedule of the State's Contributions (pages 249-254), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the Schedules of Changes in Net Pension Liability, Schedules of Net Pension Liability, Schedules of Employer Contributions, Schedules of Investment Returns, Schedule of Actuarial Methods and Assumptions – All Retirement Systems, and Schedule of Funding Progress – Retiree Health Care Authority, Schedule of the State of New Mexico's Proportionate Share of The Net Pension Liability, and Schedule of the State's Contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

We were unable to apply certain limited procedures to the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund and Notes to Budgetary Reporting in accordance with auditing standards generally accepted in the United States of America because of the matters described in the "Bases for Disclaimer of Opinions" paragraph. We do not express an opinion or provide any assurance on the information.

##### Supplementary and Other Information

Our audit was conducted for the purpose of forming and expressing opinions on the State's financial statements as a whole. The introductory, other supplementary and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matters discussed above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2018 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the State's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
May 31, 2018

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

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### INTRODUCTION

The following Management's Discussion and Analysis (MD&A) is required supplementary information to the State of New Mexico's financial statements. It describes and analyzes the financial performance and position of the state, and also provides an overview of the State's activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section. The subsequent information is highly summarized, and in order to gain a comprehensive understanding of the State's financial condition it should be reviewed in its entirety. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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### FINANCIAL HIGHLIGHTS

#### Government-wide

##### Net Position of the Primary Government

- ✚ The primary government (governmental activities and business-type activities) ended fiscal year 2017 with a net position of \$28.0 billion, an increase of \$2.1 billion, or 8.1 percent, from the previous year.
- ✚ The net position is comprised of \$7.7 billion in capital assets, net of related debt, \$24.5 billion in restricted, and a deficit \$4.2 billion in unrestricted, excluding component units.
- ✚ As a result of operating activities, the primary government's total net position increased by \$2.1 billion, or 8.1 percent, in fiscal year 2017 when compared to the previous year's ending net position. The net position of governmental activities increased 1.9 billion, or 8.1 percent, from previous year's ending net position.
- ✚ Program revenues for the primary government were fractionally higher up around 2.8 percent on a year to year basis. Taxes and other general revenues were up by 23.2 percent from previous year. Expenses of \$18.5 billion, decreased by \$0.9 billion, with the majority of the decrease being in Health and Human Services, Education and General Control functions.
- ✚ The net position of the business-type activities increased by \$0.2 billion or 7.6 percent, from the previous year's ending net position. The business-type activities from the prior fiscal year saw an increase in total revenue by \$306 million and an increase in expenses by \$231 million. Program revenue increased by \$440 million while transfers decreased by \$214 million.

##### Long-term Debt

- ✚ The State's long-term bonded debt decreased a net of \$245 million for both governmental and business-type activities, due to the payment on the prior year bonds exceeded the issuance of new bonds. New bond issuance was \$49 million for governmental activities; composed of \$46 million for severance tax bonds and \$3 million for revenue bonds. New bond issuance for business type activities was \$147 million in revenue bonds. See Note 8 for more detailed information on long-term liabilities. More detailed information regarding the government-wide, fund level, and long-term debt activities can be found in the capital asset and debt administration section of this management's discussion and analysis (MD&A).

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

### **Fund Level**

#### *Governmental Funds*

- ✚ As of June 30, 2017, the State's combined governmental funds reported a ending fund balance of \$23.8 billion, an increase of \$1.9 billion, or 8.8 percent, from fiscal year 2016 year's ending net position, (see the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances).
- ✚ Year to Year there was an increase in revenue of \$1.9 billion, primarily the result of higher investment and rental and royalty income and strengthened General and Selective Tax Revenues. Year to Year, expenditures decreased by \$1.6 billion. During fiscal year 2017 there was an accounting change in which expenditures for the Severance Tax and the Land Grant Funds were no longer classified as expenditures but as transfers out, this accounts for 40% of the decrease. Operationally, expenditure decrease in the areas of Health and Human Services, Education and Highway and Transportation being the primary drivers.
- ✚ The unassigned fund balance as of the end of fiscal year 2017 was \$1.6 million.

#### *Proprietary Funds*

- ✚ The proprietary funds reported net position of \$2.1 billion as of June 30, 2017, an increase of \$151 million, or 7.6 percent, from fiscal year 2016 ending net position. The majority of the increase is attributable to Educational Institutions.

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## OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of this annual report is on reporting for the state as a whole and on the major individual funds. The report presents a more comprehensive view of the state's financial activities. The Financial Section of this Comprehensive Annual Financial Report (CAFR) presents the State's financial position and activities in four parts:

- Management's Discussion and Analysis (this part)
- Basic Financial Statements
  - Government-wide Financial Statements
  - Fund Financial Statements
  - Notes to the Financial Statements
- Required Supplementary Information other than MD&A
- Other Supplementary Information presenting combining statements and schedules

This report also includes statistical data.

### **Reporting on the State as a Whole**

#### **Government-wide Statements**

The government-wide financial statements are designed to present an overall picture of the financial position of the state. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all revenues earned and expenses incurred during the year are included, regardless of when cash is received or disbursed, producing a view of financial position similar to that presented by most private sector companies.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

The statement of net position combines and consolidates the government's current financial resources with capital assets and long-term obligations. This statement includes all of the government's assets, deferred outflows, liabilities, and deferred inflows. Net position represents one measure of the state's financial health. Other indicators of the state's financial health include the condition of its facilities, roads and highways (infrastructure) and economic trends affecting the state's future tax revenues.

The statement of activities focuses on both the gross and net cost of various activities (governmental, business-type and component units). These costs are paid by the state's tax revenues, charges for services and other revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific government services and includes all current year revenues and expenses.

The government-wide statement of net position and the statement of activities divide the state's activities into the following three types:

### Governmental Activities

The state's basic services are reported here, including general government, education, transportation, health and human services, public safety and corrections, judicial, natural resources and recreation, legislative, and regulatory services. Taxes, fees and federal grants finance most of these activities.

### Business-type Activities

Activities for which the state charges a fee to customers to pay most or all of the costs of certain services it provides are reported as business-type activities. The state's institutions of higher education are included as business-type activities, as well as unemployment insurance, public schools insurance, medical centers, magazine publication, state fair, state infrastructure bank, environment department, corrections industries, and industries for the blind.

### Component Units

Component units are legally separate organizations for which the state is either financially accountable or the nature and significance of their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. The state has approximately eighty-six (86) discretely presented component units. Financial information for these entities is presented separately in the supplemental statements and in the notes.

## **Reporting on the State's Most Significant Funds**

### **Fund Financial Statements**

Fund financial statements provide additional detail about the state's financial position and activities. Some information presented in the fund financial statements differs from the government-wide financial statements due to the perspective and basis of accounting used. Funds are presented in the fund-level statements based on criteria set by the Governmental Accounting Standards Board (GASB). A fund is a separate accounting entity with a self-balancing set of accounts. The state uses funds to keep track of sources of funding and spending related to specific activities. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity.

All of the State's funds are divided into the following categories, each of which uses a different accounting approach:

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

### Governmental Funds

A majority of the state's activity is reported in the governmental funds. Reporting of these funds focuses on the flow of money into and out of the funds and amounts remaining at fiscal year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the state's general governmental operations and the basic services it provides. This information helps determine the level of resources available for the state's programs. The reconciliations following the fund financial statements explain the differences between the governmental activities column reported on the government-wide statement of net position and the government-wide statement of activities, and the governmental funds reported on the fund financial statements. The general fund, debt service fund, appropriated bond proceeds capital outlay fund, severance tax fund and land grant fund are reported as major governmental funds.

### Proprietary Funds

When the state charges customers for services it provides, these activities are generally reported in proprietary funds. Services provided to outside (non-governmental) customers are reported in enterprise funds, a type of proprietary funds, and are accounted for using the economic resources measurement focus and the accrual basis of accounting. These are the same business-type activities reported in the government-wide financial statements, but are reported here to provide information at the fund level. Activities whose customers are primarily other state agencies (e.g., motor pool) are accounted for in internal service funds. The internal service fund activities are consolidated with the governmental activities in the government-wide statements because those services predominantly benefit governmental rather than business-type activities.

### Fiduciary Funds

Fiduciary funds account for assets held in a trustee or agency capacity for others. All state fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. The activities are reported separately from other financial activities because the state cannot use the assets to finance its operations. The state's fiduciary responsibilities include ensuring that the assets reported in these funds are used for their intended purpose. Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis accounting.

### **Reconciliation between Government-wide and Fund Statements**

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

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

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

### **Notes to the Financial Statements**

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



# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

### Required Supplementary Information (RSI)

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

### Other Supplementary Information

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

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## ADJUSTMENTS TO BEGINNING NET POSITION AND FUND BALANCES

While adjustments were made to the opening balances of a number of entities that are part of the primary government none individually or collectively were significant to merit discussion.

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## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

### Net Position

- ✚ Total assets of the State as of June 30, 2017, were \$39.8 billion, an increase of \$3.3 billion or 9.1 percent from prior fiscal year. The majority of the increase is due to investment value gains and increased receivables.
  - For governmental activities, total assets were \$34.2 billion, an increase of \$3.0 billion, or 9.5 percent.
  - For business-type activities, total assets were \$5.6 billion, an increase of \$375 million or 7.1 percent.
  
- ✚ Total liabilities and Deferred Inflows as of June 30, 2017 were \$13.2 billion, an increase of 2.0 billion or 18.1 percent from prior fiscal year. The increase reflects a higher GASB 68 net pension liability and timing of a broker payable.
  - Total liabilities and deferred inflows for governmental activities were \$9.3 billion, up \$1.7 billion, or 21.8 percent.
  - For business-type activities, total liabilities and deferred inflows were \$3.8 billion, an increase of \$341 million or 9.8 percent.
  
- ✚ The State's total net position of \$28 billion was \$2.1 billion or 8.1 percent higher in fiscal year 2017 compared to the prior year. Of the State's net position, \$7.6 billion was invested in capital assets, net of related debt, while \$24.5 billion was restricted by state statute or other legal requirements and was not available to finance day-to-day operations of the state. Unrestricted net position was a \$4.2 billion deficit.

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

State of New Mexico						
Net Position as of June 30, 2017						
<i>(Expressed in Thousands)</i>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and Other Assets \$	26,890,740	\$ 23,817,768	\$ 3,100,190	\$ 2,905,795	\$ 29,990,930	\$ 26,723,562
Capital Assets	7,275,606	7,389,417	2,552,237	2,371,439	9,827,843	9,760,856
Total Assets	<u>\$ 34,166,346</u>	<u>\$ 31,207,185</u>	<u>\$ 5,652,427</u>	<u>\$ 5,277,234</u>	<u>39,818,773</u>	<u>36,484,419</u>
Deferred Outflow of Resources	1,033,965	372,424	334,827	217,893	1,368,792	590,317
Current Liabilities	3,283,095	2,149,548	559,414	547,126	3,842,509	2,696,674
Long-term Liabilities	6,017,544	5,396,531	3,228,485	2,879,718	9,246,029	8,276,249
Total Liabilities	9,300,639	7,546,079	3,787,899	3,426,844	13,088,538	10,972,923
Deferred Inflows of Resources	38,164	118,267	52,345	72,170	90,509	190,437
Net Position:						
Net Investment in Capital Assets	5,904,225	5,930,820	1,742,100	1,654,691	7,646,325	7,585,511
Restricted	23,268,593	18,311,421	1,251,369	1,317,251	24,519,962	19,628,672
Unrestricted	(3,311,310)	(326,978)	(846,459)	(975,829)	(4,157,769)	(1,302,807)
Total Net Position	<u>\$ 25,861,508</u>	<u>\$ 23,915,263</u>	<u>\$ 2,147,010</u>	<u>\$ 1,996,113</u>	<u>\$ 28,008,518</u>	<u>\$ 25,911,376</u>
Percentage change in total net position from prior year	<u>8.1 %</u>		<u>7.6 %</u>		<u>8.1 %</u>	

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

### **Changes in Net Position**

The State's net position as of June 30, 2017, was \$28.0 billion which was \$2.1 billion greater than the 2016 net position restated. The State earned program revenues of \$11.6 billion, collected tax revenue of \$5.7 billion, and received \$3 billion of general revenues. Total revenues for 2017 were \$20.3 billion, an increase of \$1.7 billion, or 9.1 percent, from fiscal year 2016. Increased revenue was primarily attributable to the \$1.2 billion increase in other general revenues while higher tax revenue account for the remainder. The expenses of the State were \$18.5 billion, a decrease of \$898 million from fiscal year 2016. Further analysis of results of changes in the State's financial condition follows in the analysis of the State's funds. Net program expenses exceeded net program revenues by \$5.9 billion, whereas in fiscal year 2016 this amount was \$6.9 billion, a \$1.0 billion decrease in comparing fiscal years. The tax collections of the State provided additional funding, which when added to program revenues, supported payment for governmental services.

The following schedule and charts summarize the State's total revenues, expenses, and changes in net position for fiscal year 2017:

STATE OF NEW MEXICO

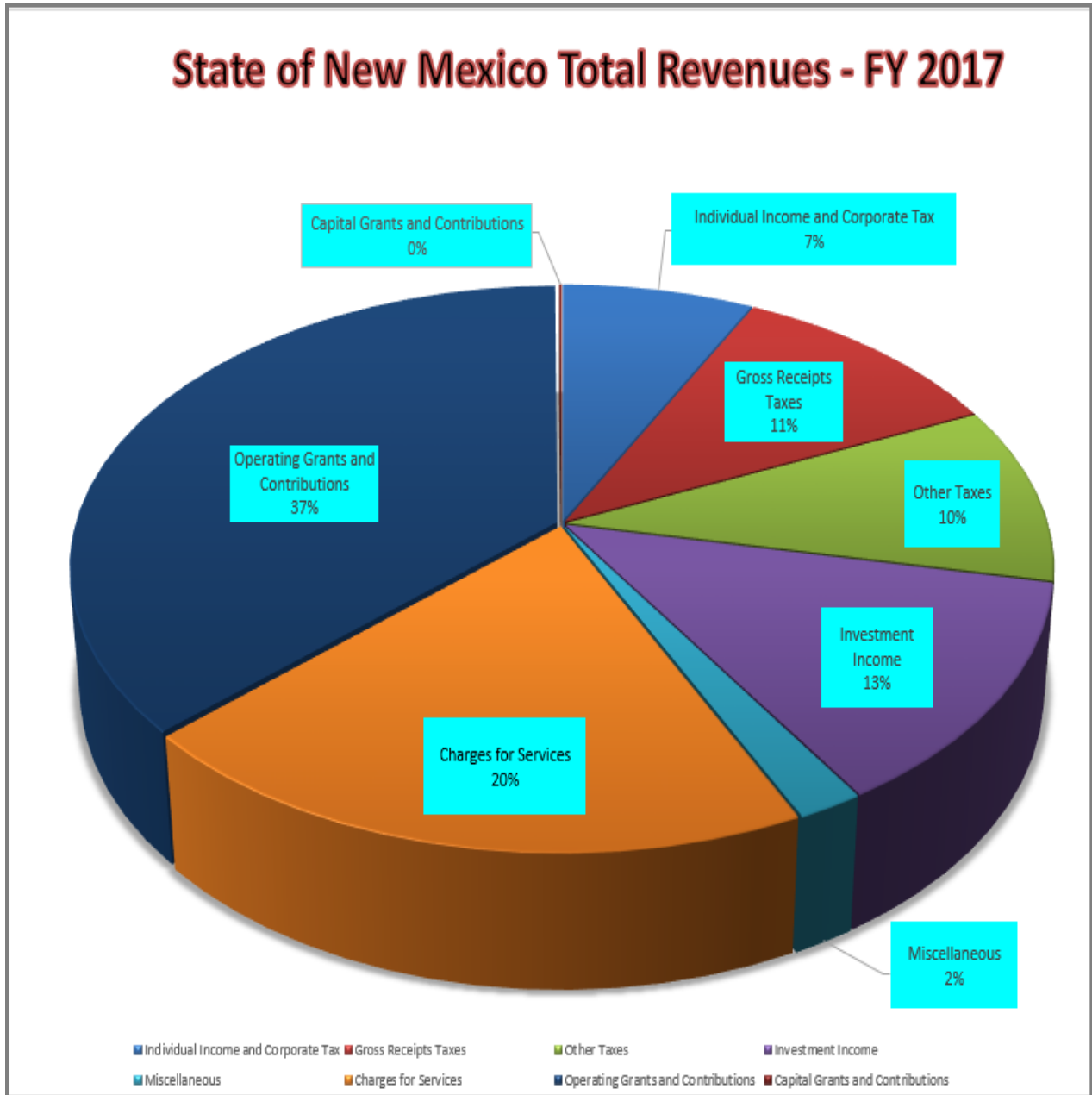
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

State of New Mexico Changes in Net Position							
For the Fiscal Year Ended June 30, 2017 (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2016 to 2017
	2017	2016	2017	2016	2017	2016	
<b>Revenues</b>							
General Revenues:							
Taxes	\$ 5,536,312	\$ 5,197,083	\$ 205,143	\$ 342,487	\$ 5,741,455	\$ 5,539,569	3.6 %
Other General Revenues	2,726,091	1,539,839	277,682	274,075	3,003,773	1,813,914	65.6 %
Program Revenues:							
Charges for Services	1,984,065	1,846,498	2,072,459	1,938,324	4,056,525	3,784,823	7.2 %
Operating Grants and Contributions	6,595,050	6,855,526	896,071	595,058	7,491,121	7,450,585	0.5 %
Capital Grants and Contributions	-	-	11,607	6,906	11,607	6,906	68.1 %
<b>Total Revenues</b>	<b>16,841,518</b>	<b>15,438,946</b>	<b>3,462,962</b>	<b>3,156,850</b>	<b>20,304,481</b>	<b>18,595,796</b>	<b>9.2 %</b>
<b>Expenses</b>							
General Control	1,211,027	1,706,181	-	-	1,211,027	1,706,181	(29.0) %
Culture, Recreation, and Natural Resources	247,510	239,104	-	-	247,510	239,104	3.5 %
Highway and Transportation	824,522	987,512	-	-	824,522	987,512	(16.5) %
Judicial	304,097	315,829	-	-	304,097	315,829	(3.7) %
Legislative	26,834	23,184	-	-	26,834	23,184	15.7 %
Public Safety	552,421	498,391	-	-	552,421	498,391	10.8 %
Regulation and Licensing	124,269	118,405	-	-	124,269	118,405	5.0 %
Health and Human Services	7,756,544	8,008,413	-	-	7,756,544	8,008,413	(3.1) %
Education	3,286,148	3,554,909	-	-	3,286,148	3,554,909	(7.6) %
Indirect Interest on Long-term Debt							
	115,594	123,083	-	-	115,594	123,083	(6.1) %
Special Items	-	3,396	-	-	-	3,396	- %
Educational Institutions	-	-	3,383,288	3,126,892	3,383,288	3,126,892	8.2 %
Public Schools Insurance	-	-	383,282	395,579	383,282	395,579	(3.1) %
Environmental Loans	-	-	1,949	2,266	1,949	2,266	100.0 %
Miners' Colfax Medical Center	-	-	33,180	31,295	33,180	31,295	6.0 %
Unemployment Insurance	-	-	178,334	195,506	178,334	195,506	(8.8) %
State Fair	-	-	16,124	15,707	16,124	15,707	2.7 %
Other Business-type Activities	-	-	18,869	16,524	18,869	16,524	14.2 %
<b>Total Expenses</b>	<b>14,448,966</b>	<b>15,578,407</b>	<b>4,015,026</b>	<b>3,783,769</b>	<b>18,463,993</b>	<b>19,362,175</b>	<b>(4.6) %</b>
Excess Before Transfers	2,392,552	(139,461)	(552,064)	(626,919)	1,840,488	(766,379)	
Transfers	(616,992)	(1,084,495)	616,992	831,243	(1)	(253,252)	
<b>Change in Net Position</b>	<b>1,775,560</b>	<b>(1,223,955)</b>	<b>64,928</b>	<b>204,324</b>	<b>1,840,487</b>	<b>(1,019,631)</b>	<b>(280.5) %</b>
Net Position -							
Beginning, as Restated	24,085,948	25,139,218	2,082,082	1,791,789	26,168,030	26,931,007	
<b>Net Position - Ending</b>	<b>\$ 25,861,508</b>	<b>\$ 23,915,263</b>	<b>\$ 2,147,010</b>	<b>\$ 1,996,113</b>	<b>\$ 28,008,517</b>	<b>\$ 25,911,376</b>	<b>8.1 %</b>

MANAGEMENT'S DISCUSSION AND ANALYSIS

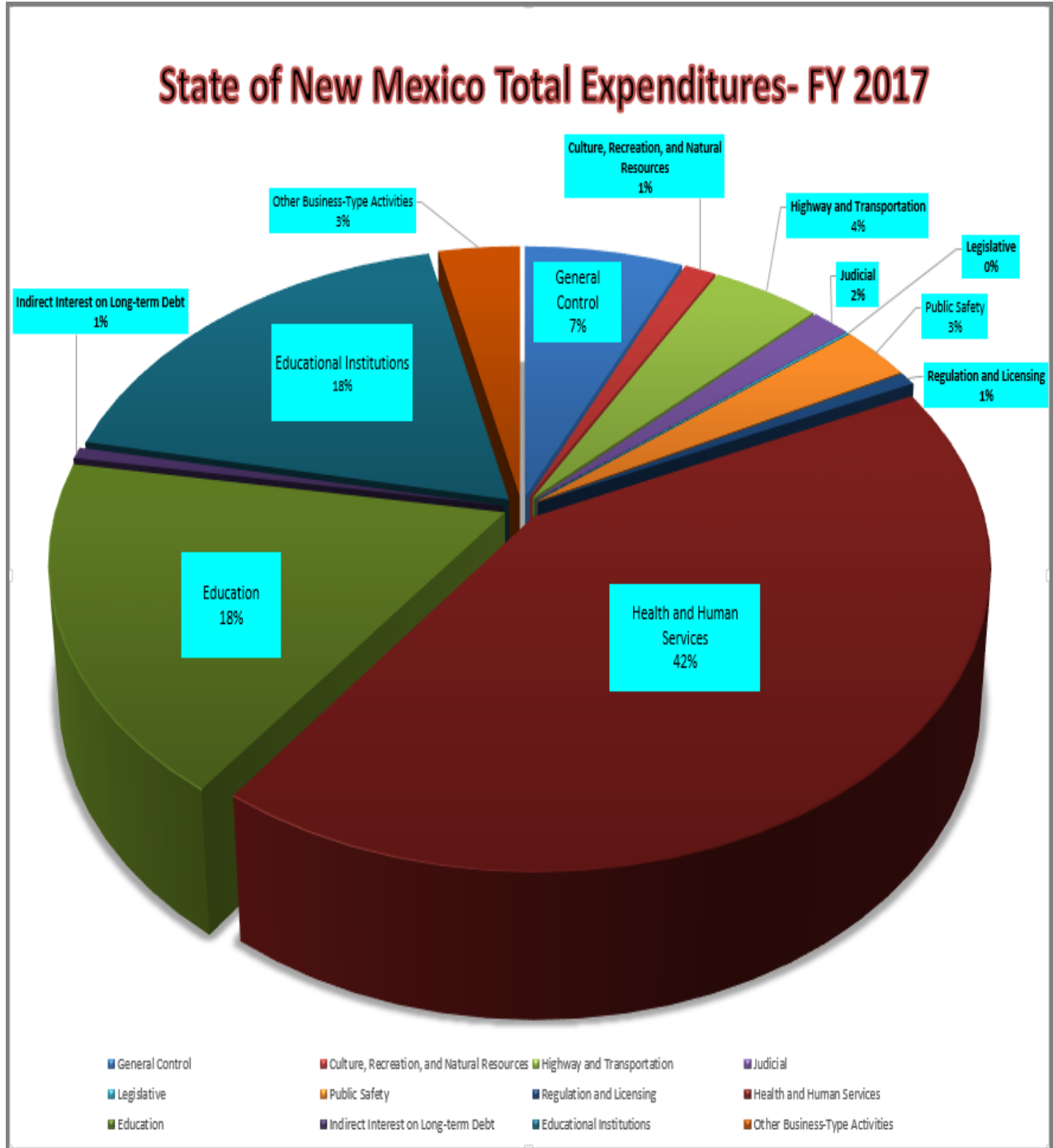
For the Year Ended June 30, 2017



STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017



# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

### Governmental Activities

Governmental activities program revenue was \$8.6 billion, consisting of operating grants and contributions of \$6.6 billion and \$2.0 billion in service charges. Program revenues decreased \$123 million from the prior fiscal year the result of a \$260 million decrease in operating grants and contributions, offset by a \$138 million increase in charges for services. Governmental activities expenses decreased by \$1.1 billion year to year bring the total to \$14.4 billion. All governmental activities in the government-wide statement of activities had expenses which exceeded program revenues. The health and human services function and education function account for three-quarters of governmental activities expenses and net cost. The operating grants and contributions increased due to additional federal funding for the health and human services and education functions.

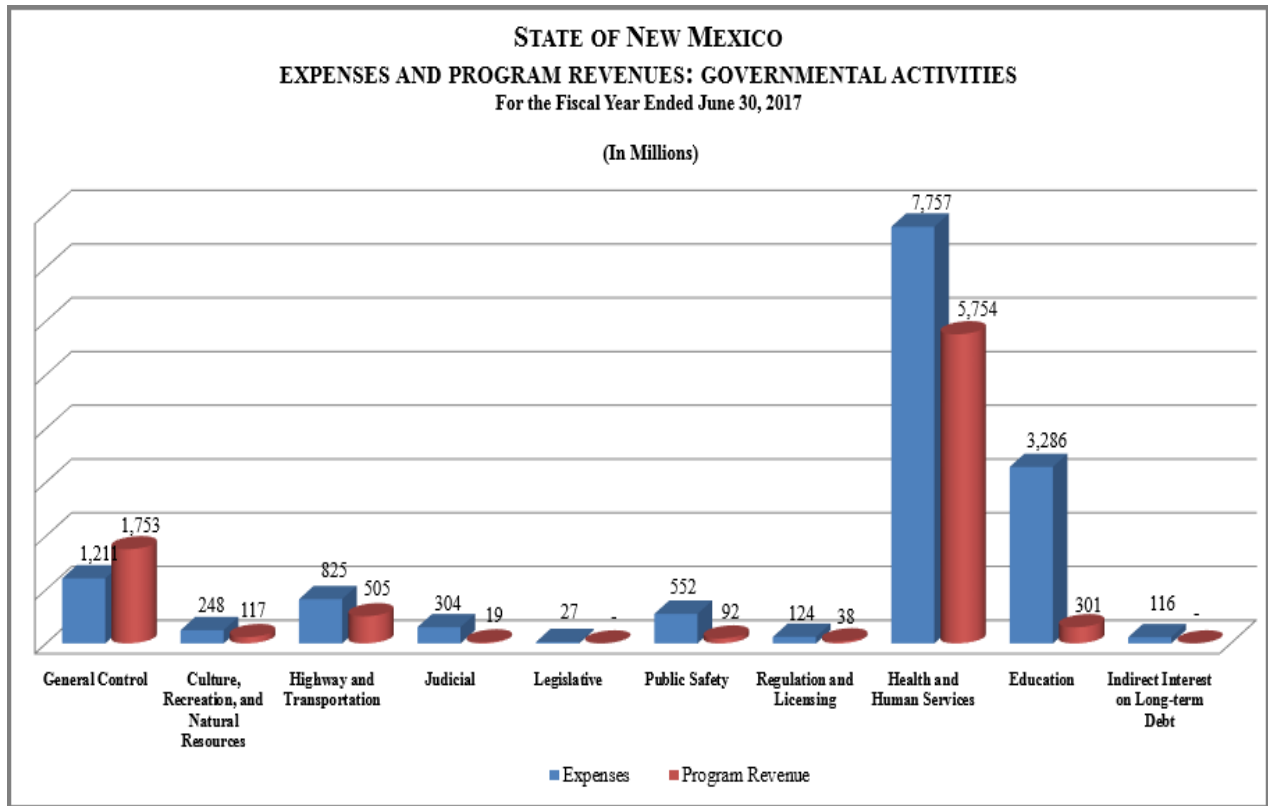
The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2017, state taxes and other general revenues covered 40.6 percent of expenses. The remaining \$8.6 billion, or 59.4 percent of the total expenses, was covered by charges for services and grants and contributions.

State of New Mexico						
Net Program Costs as of June 30, 2017						
<i>(Expressed in Thousands)</i>						
	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
	2017	2017	2017	2016	2017	2016
General Control	\$ 1,211,027	\$ (1,753,019)	\$ (541,992)	\$ 228,843	144.8 %	86.6 %
Culture, Recreation, and Natural Resources	247,510	(116,886)	130,625	136,153	47.2 %	43.1 %
Highway and Transportation	824,522	(505,049)	319,473	470,149	61.3 %	52.4 %
Judicial	304,097	(19,268)	284,828	298,448	6.3 %	5.5 %
Legislative	26,834	0	26,834	23,184	- %	- %
Public Safety	552,421	(92,198)	460,222	399,106	16.7 %	19.9 %
Regulation and Licensing	124,269	(37,792)	86,477	79,532	30.4 %	32.8 %
Health and Human Services	7,756,544	(5,753,561)	2,002,983	2,041,030	74.2 %	74.5 %
Education	3,286,148	(301,342)	2,984,806	3,071,973	9.2 %	13.6 %
Indirect Interest on Long-term Debt	115,594	-	115,594	123,083	- %	- %
	<u>\$ 14,448,966</u>	<u>\$ (8,579,115)</u>	<u>\$ 5,869,850</u>	<u>\$ 6,871,500</u>	<u>59.4 %</u>	<u>55.9 %</u>

**STATE OF NEW MEXICO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2017



**Business-type Activities**

Business-type activities generated program revenues of \$3.0 billion, including charges for services of \$2.1 billion, operating grants and contributions of \$896 million and \$12 million in capital grants and contributions. This was \$440 million more than the prior year, attributable to the education function. The total expenses for business-type activities were \$4.0 billion, an increase of \$232 million from the prior year. The largest change occurred in the education function, where expenses increase by \$256 million versus prior year, offsetting this by \$29M was a decrease in public schools insurance and unemployment insurance. Net expenses exceeded program revenues from the primary government’s business-type activities by \$1.0 billion, a decrease of \$208 million from the prior year.



**STATE OF NEW MEXICO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2017

**FINANCIAL ANALYSIS OF THE STATE’S GOVERNMENTAL FUNDS**

**Fund Balances**

At June 30, 2017, the State’s governmental funds reported combined ending fund balances of \$23.8 billion. The State reported \$23.3 billion, or 98 percent, as restricted, including \$16.5 billion related to the Land Grant Permanent Fund, \$4.9 billion associated with the Severance Tax Fund and \$746 million attributable to the Capital Projects Fund, all established by state laws. Note 1.G.14 contains more details about the fund balance classifications at June 30, 2017. Committed, assigned, nonspendable and unassigned totaled \$461 million, or 2 percent.

State of New Mexico						
Fund Balances as of June 30, 2017						
<i>(Expressed in Thousands)</i>						
	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax	Land Grant	Totals Governmental Funds
Nonspendable	\$ 59,626	\$ -	\$ -	\$ -	\$ -	\$ 59,626
Restricted	835,483	333,212	747,807	4,931,000	16,491,722	23,339,224
Committed	388,030	3	1,956	-	-	389,989
Assigned	9,088	-	-	-	-	9,088
Unassigned	4,895	-	(3,329)	-	-	1,566
<b>Total</b>	<b><u>\$ 1,297,122</u></b>	<b><u>\$ 333,215</u></b>	<b><u>\$ 746,434</u></b>	<b><u>\$ 4,931,000</u></b>	<b><u>\$ 16,491,722</u></b>	<b><u>\$ 23,799,493</u></b>
Percent Change from Prior Year						<u>8.8 %</u>

Note: Due to presentation change in the financials statements, individual fund percent change from prior year cannot be calculated.

**Governmental Funds**

**General Fund**

General Fund balance at June 30, 2017 totaled \$1.3 billion. Net change in General Fund balance, was an increase \$203 million. The General Fund ended the fiscal year 2017 with unassigned fund balance of \$4.9 million.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

### **Budgetary Highlights – General Fund**

The initial fiscal year 2017 budget was adopted by the Legislature during the 2016 Regular Session. The General Fund original budgeted revenues for fiscal year 2017 were 1.5 percent higher than the fiscal year 2016 final budget basis revenues. During the year, federal revenue was \$875 million less than the final approved budget. After budget amendments, the actual expenditures in the General Fund were \$1,387 million below the final budgeted amounts. This was mainly the result of agency-mandated measures to reduce expenditures. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

### **Severance Tax Fund**

Fund balance at June 30, 2017, totaled \$4.9 billion, an increase of \$372 million, or 8.2 percent, related increase in investment earnings.

### **Land Grant Fund**

Fund balance at June 30, 2017, totaled \$16.5 billion, an increase \$1.8 billion, or 12.3 percent, reflective of increased investment earnings compared to the portfolio in the prior year.

## FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

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Exclusive of Internal Service Funds, the State's proprietary funds reported Net Position of \$2.1 billion, an increase of \$151 million from the prior year fund balance.

### **Educational Institutions**







Net Position at June 30, 2017, totaled \$1.3 billion. Current period activity increased the Net Position of the State's educational institutions by \$128 million, or 11 percent. For the fiscal year 2017 the State transferred \$726 million to the State's educational institutions, a decrease of \$104 million, or 12.5 percent decrease from fiscal year 2016.

## DISCRETE COMPONENT UNITS

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These are operations for which the State has financial accountability or the nature and significance of their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. All 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
-  New Mexico Lottery Authority
-  University of New Mexico Foundation, Inc.
-  New Mexico State University Foundation, Inc.
-  Charter Schools and Charter School Foundations

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

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

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### CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

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#### **Capital Asset Activity**

As of June 30, 2017, the State's investment in capital assets, net of accumulated depreciation, for governmental activities totaled \$7.3 billion and \$2.5 billion for its business-type activities. The state's capital assets include 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 modest increase of 0.7 percent in total, for governmental activities decrease of 1.5 percent and increase of 7.6 percent for business-type activities.

The State has elected to use the depreciation method to account for infrastructure assets (roads and bridges). Under this method, the State allocates the cost of infrastructure assets over their estimated useful lives as depreciation expense. Expenditures to refurbish infrastructure are capitalized and cost depreciated. Under the allowable methodology, termed the modified approach, infrastructure is capitalized and all expenditures except those adding to capacity are expensed. The state did not elect to use the modified approach for infrastructure assets.

Refer to Note 6 of the financial statements for additional information on capital assets.

#### **Long-term Debt Activity**

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

## STATE OF NEW MEXICO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

The State had the following bond ratings at June 30, 2017:

<b>State of New Mexico Bond Ratings at June 30, 2017</b>		
<b>Bonds</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
General Obligation Bonds	AA/Negative	Aa1/Negative
Severance Tax Bonds	AA/Stable	Aa2/Stable
Supplemental Severance Tax Bonds	A+/Stable	Aa3/Stable
State Transportation Revenue Bonds Senior Lien	Aa1/Stable	AAA/Stable
State Transportation Revenue Bonds Subordinate Lien	Aa2/Stable	AAA/Stable

Impacted by two 2016 series bonds issued early in fiscal year 2017, Severance Tax Bonds issuances during the year totaled \$46 million while Revenue Bonds totaling \$47.9 million were issued during the same period. No General Obligation Bonds were issued by the state in fiscal year 2017.

Refer to Note 8 to the financial statements for additional information on the State's long-term debt and other liabilities.

<b>State of New Mexico Net Outstanding Bonded Debt as of June 30, 2017 (Expressed in Thousands)</b>							
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Total Percentage Change</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016 to 2017</b>
General Obligation Bonds, Net	\$ 260,760	\$ 326,755	\$ -	\$ -	\$ 209,365	\$ 326,755	(35.9) %
Severance Tax Bonds, Net	876,115	955,045	-	-	751,640	955,045	(21.3) %
Revenue Bonds, Net	1,367,542	1,281,950	869,404	653,372	2,089,150	1,935,322	7.9 %
Bond Premium, Discount, Net	237,638	279,305	43,961	42,649	244,050	321,954	(24.2) %
<b>Total Bonds Payable</b>	<b>\$ 2,742,055</b>	<b>\$ 2,843,055</b>	<b>\$ 913,364</b>	<b>\$ 696,021</b>	<b>\$ 3,294,205</b>	<b>\$ 3,539,075</b>	<b>(6.9) %</b>

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2017

### ECONOMIC CONDITIONS AND OUTLOOK

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#### **Fiscal Year 2017: Sharp Energy Sector Declines**

Real Gross Domestic Product (GDP) for New Mexico was flat in fiscal year 2017, as broad based growth, and a strong recovery in the oil and natural gas extraction industry that occurred during the second half of the year offset early weakness.

General Fund revenues affected by this second-half growth were 5.5 percent higher after declining 7.7 percent the prior fiscal year.

Oil and natural gas tax revenues increased by 18 percent in fiscal year 2017 as oil prices increased throughout the year. Natural gas production increased 3.8 percent, while oil production grew 4.1 percent. State oil production has doubled over the last five years.

New Mexico's general sales tax revenue, which includes gross receipts tax and compensating tax, increased 2 percent in fiscal year 2017. General sales tax revenue is the largest source of collections and accounts for approximately two billion or one-third of annual revenues.

Selective sales taxes, which include motor vehicle excise tax and insurance premiums tax, rose 2 percent as the effects of the Affordable Care Act and Medicaid expansion began to level off.

Income tax revenues increased 0.4 percent in fiscal year 2017, as a 41 percent decline in corporate income tax receipts dampened growth. Personal income tax, a more significant and stable revenue source for the state, comprising about one-fifth of General Fund revenue increased 4 percent.

#### **First-half Fiscal Year 2018:**

Economic activity in the state was strong in the first half of fiscal year 2018 as taxable gross receipts increased 12 percent compared to the same period the prior fiscal year. Oil and gas related activity is largely responsible for the growth as rig count increased 124 percent and mining taxable gross receipts (which includes oil and natural gas related extraction activity) increased 106 percent. Recent rig counts continue to rise, a leading indicator that the oil and gas industry in New Mexico will contribute to increased tax revenues for the second half of the year, providing optimism.

The broader economy demonstrated stability and some growth as overall employment increased 0.6 percent and the unemployment rate improved from 6.8 percent over the first half of fiscal year 2017 to 6.0 percent in the first half of fiscal year 2018.

### CONTACT THE STATE'S FINANCIAL MANAGEMENT

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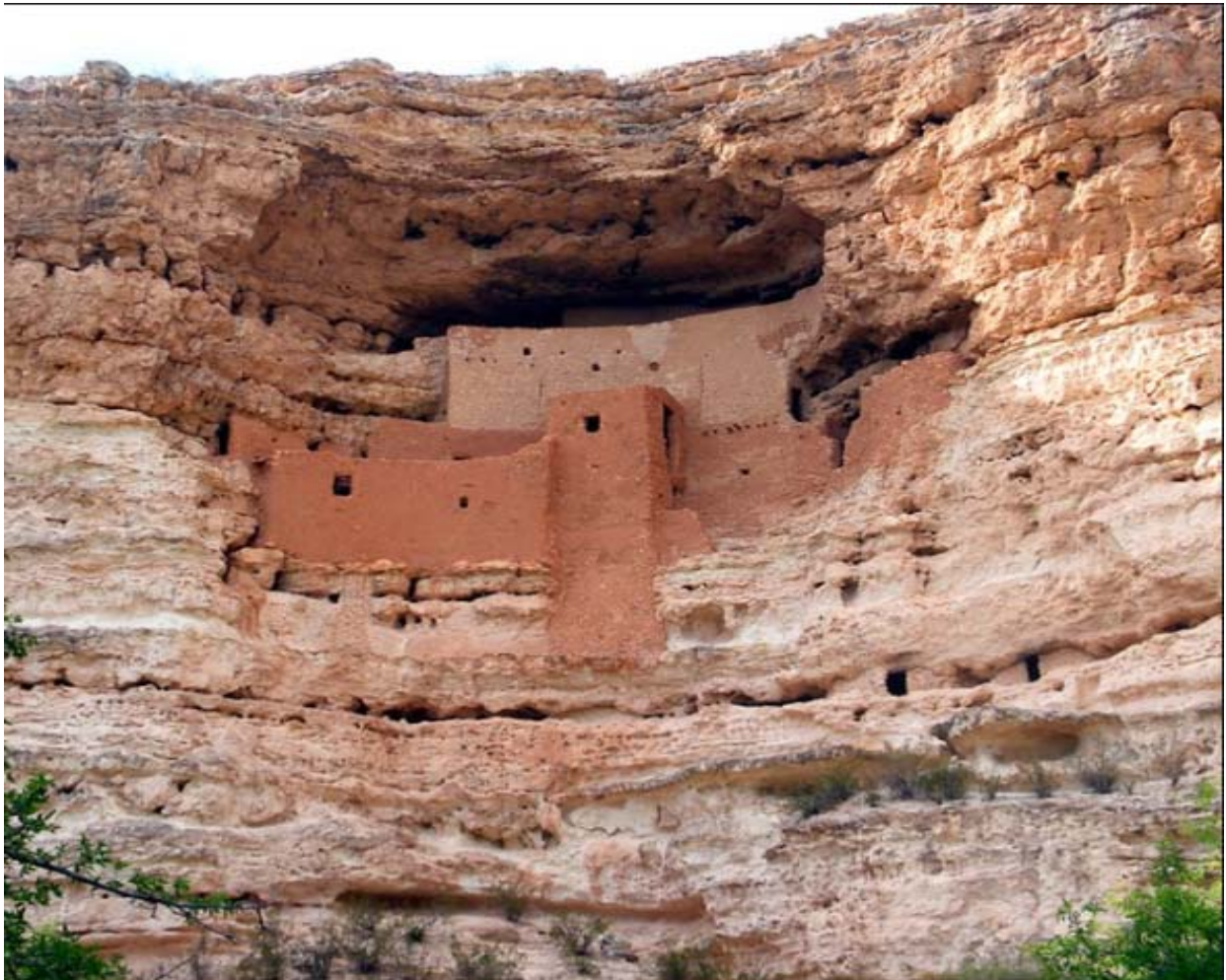
The Department of Finance and Administration prepared this report. Questions concerning the information provided or requests for additional financial information may be addressed to:

State of New Mexico  
Department of Finance and Administration  
Financial Control Division  
407 Galisteo Street  
Bataan Memorial Building, Room 166  
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

# FINANCIAL SECTION

## BASIC FINANCIAL STATEMENTS



GILA CLIFF DWELLINGS  
SOURCE - WWW.PINTEREST.COM

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION

June 30, 2017

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,106,759	\$ 969,729	\$ 2,076,488	\$ 161,467
Cash and Cash Equivalents - Restricted	-	37,859	37,859	224,559
Investment in State General Fund Investment Pool	2,291,001	183,437	2,474,438	-
Investment in Local Government Investment Pool	7,768	75,454	83,222	12,513
Internal Balances	(521)	521	-	-
Due From Component Units	3,045	9,386	12,431	-
Due From Primary Government	-	-	-	534
Receivables, Net	1,490,183	418,245	1,908,428	29,730
Loans Receivable, Net	22,249	9,142	31,391	137,377
Investments	5	437,871	437,876	39,659
Due from Broker	469,325	-	469,325	-
Prepaid Expenses	13,405	4,380	17,785	1,134
Inventories	32,002	30,905	62,907	374
Other Current Assets	2	16,111	16,113	3,768
Total Current Assets	5,435,223	2,193,040	7,628,263	611,115
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	-	113,952	113,952	9,814
Restricted Investments	-	-	-	1,188,948
Loans Receivable, Net	30,063	189,187	219,250	1,592,055
Due From Component Units	-	5,109	5,109	-
Investments	21,413,342	540,870	21,954,212	271,456
Derivative Instruments - Interest Rate Swaps	-	882	882	-
Net Pension Assets	12,114	-	12,114	-
Other Noncurrent Assets	-	57,150	57,150	59,640
Nondepreciable Capital Assets	1,087,223	246,390	1,333,613	21,691
Other Capital Assets, Net	6,188,383	2,305,847	8,494,230	72,555
Total Noncurrent Assets	28,731,125	3,459,387	32,190,512	3,216,159
Total Assets	34,166,348	5,652,427	39,818,775	3,827,274
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Interest Rate Swaps	51,918	8,604	60,522	-
Deferred Charge on Refunding	47,037	5,800	52,837	1,469
Deferred Outflows - Pension	935,010	320,423	1,255,433	47,547
Total Deferred Outflows of Resources	1,033,965	334,827	1,368,792	49,016

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION (CONTINUED)

June 30, 2017

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 394,453	\$ 228,887	\$ 623,340	\$ 10,502
Accrued Liabilities	121,951	98,271	220,222	16,008
Accrued Interest	247	24	271	-
Unearned Revenue	22,348	78,396	100,744	2,150
Due to Primary Government	-	-	-	12,432
Due to Component Units	431	103	534	-
Due To Broker	1,429,910	-	1,429,910	-
Intergovernmental Payables	112,922	-	112,922	-
Other Obligations	188,934	-	188,934	26,607
Funds Held for Others	441,191	14,510	455,701	10,513
Bonds Payable - Current Portion:				
Payable to External Parties	320,477	40,738	361,215	138,094
Other Liabilities - Current Portion	250,234	98,484	348,718	324,294
Total Current Liabilities	<u>3,283,098</u>	<u>559,413</u>	<u>3,842,511</u>	<u>540,600</u>
Noncurrent Liabilities:				
Bonds Payable, Net of Current Portion:				
Payable to External Parties	2,421,578	872,626	3,294,204	1,802,772
Due to Primary Government	-	-	-	5,109
Net Pension Liability	3,264,743	2,125,342	5,390,085	174,709
Other Liabilities, Net of Current Portion	331,223	230,517	561,740	107,010
Total Noncurrent Liabilities	<u>6,017,544</u>	<u>3,228,485</u>	<u>9,246,029</u>	<u>2,089,600</u>
Total Liabilities	<u>9,300,642</u>	<u>3,787,898</u>	<u>13,088,540</u>	<u>2,630,200</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow - pension	38,164	51,495	89,659	5,384
Deferred Inflow - other	-	850	850	6,570
	<u>38,164</u>	<u>52,345</u>	<u>90,509</u>	<u>11,954</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,904,225	1,742,100	7,646,325	40,413
Restricted for:				
Nonexpendable:				
Financial Aid	-	144,988	144,988	-
Endowment	-	85,660	85,660	-
Other Purposes	-	12,973	12,973	334,750
Expendable:				
Education	-	189	189	-
Debt Service	-	63,255	63,255	75,378
Capital Projects	-	39,801	39,801	-
Scholarships	-	25,471	25,471	-
Loan Programs	-	352,467	352,467	-
Other Purposes	23,268,593	526,565	23,795,158	655,637
Unrestricted Net Position	<u>(3,311,311)</u>	<u>(846,458)</u>	<u>(4,157,769)</u>	<u>127,958</u>
Total Net Position	<u>\$ 25,861,507</u>	<u>\$ 2,147,011</u>	<u>\$ 28,008,518</u>	<u>\$ 1,234,136</u>



STATE OF NEW MEXICO

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Control	\$ 1,722,399	\$ 1,581,393	\$ 171,626	\$ -
Culture, Recreation, and Natural Resources	247,510	64,956	51,930	-
Highway and Transportation	824,522	109,835	395,214	-
Judicial	304,097	17,011	2,257	-
Legislative	26,834	-	-	-
Public Safety	552,421	9,326	82,872	-
Regulation and Licensing	124,269	34,304	3,488	-
Health and Human Services	7,756,544	159,894	5,593,667	-
Education	3,286,148	7,346	293,996	-
Interest on Long-term Debt	115,594	-	-	-
<b>Total Governmental Activities</b>	<b>14,960,338</b>	<b>1,984,065</b>	<b>6,595,050</b>	<b>-</b>
Business-type Activities:				
Educational Institutions	3,383,288	1,642,869	884,590	11,607
Public Schools Insurance	383,282	378,957	-	-
Environmental Loans	1,949	-	6,525	-
Miners' Colfax Medical Center	33,180	21,396	634	-
Unemployment Insurance	178,334	235	4,322	-
State Fair - EXPO	16,124	11,722	-	-
Other Business-type Activities	18,869	17,280	-	-
<b>Total Business-type Activities</b>	<b>4,015,026</b>	<b>2,072,459</b>	<b>896,071</b>	<b>11,607</b>
<b>Total Primary Government</b>	<b>\$ 18,975,364</b>	<b>\$ 4,056,524</b>	<b>\$ 7,491,121</b>	<b>\$ 11,607</b>
<b>Discretely Presented Component Units</b>				
New Mexico Finance Authority	\$ 132,342	\$ 53,566	\$ 8,511	\$ -
New Mexico Mortgage Finance Authority	38,228	12,916	19,370	-
Other Major Component Units	333,898	128,965	83,066	-
Nonmajor Component Units	21,411	6,094	11,430	-
<b>Total Component Unit Activities</b>	<b>\$ 525,879</b>	<b>\$ 201,541</b>	<b>\$ 122,377</b>	<b>\$ -</b>

General Revenues:  
Taxes:  
Individual Income  
Corporate Income  
Gross Receipts Taxes  
Business Privilege  
Unemployment Insurance  
Other Taxes  
Payment to the State of New Mexico  
Payment From State of New Mexico  
Operating Investment Income  
Non Operating Investment Income and Other  
Miscellaneous  
Transfers, Net  
Total Net General Revenues and Transfers

**Change in Net Position**  
**Net Position - Beginning, as Restated -**  
**See Note 9.C.**  
**Net Position - Ending**

STATE OF NEW MEXICO

STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2017

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>				
Governmental Activities:				
General Control	\$ 30,620	\$ -	\$ 30,620	\$ -
Culture, Recreation, and Natural Resources	(130,624)	-	(130,624)	-
Highway and Transportation	(319,473)	-	(319,473)	-
Judicial	(284,829)	-	(284,829)	-
Legislative	(26,834)	-	(26,834)	-
Public Safety	(460,223)	-	(460,223)	-
Regulation and Licensing	(86,477)	-	(86,477)	-
Health and Human Services	(2,002,983)	-	(2,002,983)	-
Education	(2,984,806)	-	(2,984,806)	-
Interest on Long-term Debt	(115,594)	-	(115,594)	-
<b>Total Governmental Activities</b>	<b>(6,381,223)</b>	<b>-</b>	<b>(6,381,223)</b>	<b>-</b>
Business-type Activities:				
Educational Institutions	-	(844,222)	(844,222)	-
Public Schools Insurance	-	(4,325)	(4,325)	-
Environmental Loans	-	4,576	4,576	-
Miners' Colfax Medical Center	-	(11,150)	(11,150)	-
Unemployment Insurance	-	(173,777)	(173,777)	-
State Fair - EXPO	-	(4,402)	(4,402)	-
Other Business-type Activities	-	(1,589)	(1,589)	-
<b>Total Business-type Activities</b>	<b>-</b>	<b>(1,034,889)</b>	<b>(1,034,889)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>(6,381,223)</b>	<b>(1,034,889)</b>	<b>(7,416,112)</b>	<b>-</b>
<b>Discretely Presented Component Units</b>				
New Mexico Finance Authority	-	-	-	(70,265)
New Mexico Mortgage Finance Authority	-	-	-	(5,942)
Other Major Component Units	-	-	-	(121,867)
Nonmajor Component Units	-	-	-	(3,887)
<b>Total Component Unit Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(201,961)</b>
	1,418,070	-	1,418,070	-
	76,274	-	76,274	-
	2,168,168	-	2,168,168	-
	1,863,055	-	1,863,055	-
	7,200	205,143	212,343	-
	3,545	-	3,545	-
	-	-	-	(48,242)
	-	-	-	205,686
	2,548,331	13,742	2,562,073	-
	68	47,928	47,996	49,523
	781,115	123,961	905,076	24,657
	(709,044)	709,044	-	-
	<u>8,156,782</u>	<u>1,099,818</u>	<u>9,256,600</u>	<u>231,624</u>
	1,775,559	64,929	1,840,488	29,663
	24,085,948	2,082,082	26,168,030	1,204,473
	<u>\$ 25,861,507</u>	<u>\$ 2,147,011</u>	<u>\$ 28,008,518</u>	<u>\$ 1,234,136</u>

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# STATE OF NEW MEXICO

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

### **General Fund**

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

### **Debt Service Fund**

This fund accumulates resources in order to pay the debt service on the State's long-term debt.

### **Capital Projects Fund**

This fund accounts for all resources used to fund the capital improvement projects in the State.

### **Severance Tax Fund**

This fund accounts for the annual portion of severance taxes generated from the production of minerals and other natural resources and distributes the monies to the State General Fund.

### **Land Grant Fund**

This fund accounts for all of the resources of the Land Grant Fund.

# STATE OF NEW MEXICO

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2017  
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 156,639	\$ 29,775	\$ -
Investment in the Local Government Investment Pool	7,768	-	-
Investment in the State General Fund Investment Pool	975,249	245,630	809,211
Prepaid Expenses	13,405	-	-
Due From Other Funds	1,078,898	60,177	7,033
Due From Component Unit	3,045	-	-
Receivables, Net	1,479,165	1,256	3,608
Investments	95,003	-	-
Inventories	31,993	-	-
Other Assets	2	-	-
<b>Total Assets</b>	<b>3,841,167</b>	<b>336,838</b>	<b>819,852</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 318,218	\$ 34	\$ 59,982
Accrued Liabilities	64,824	-	57
Due To Other Funds	1,144,786	3,588	3,847
Due to Component Unit	431	-	-
Due to Brokers	1,870	-	-
Intergovernmental Payables	109,039	-	3,883
Funds Held For Others	439,525	-	131
Other Obligations	336,581	1	4,364
Unearned Revenue	22,447	-	176
<b>Total Liabilities</b>	<b>2,437,721</b>	<b>3,623</b>	<b>72,440</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues	106,324	-	978
	<b>106,324</b>	<b>-</b>	<b>978</b>
<b>FUND BALANCES</b>			
Nonspendable	59,626	-	-
Restricted	835,483	333,212	747,807
Committed	388,030	3	1,956
Assigned	9,088	-	-
Unassigned (Deficit)	4,895	-	(3,329)
<b>Total Fund Balances</b>	<b>1,297,122</b>	<b>333,215</b>	<b>746,434</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,841,167</b>	<b>\$ 336,838</b>	<b>\$ 819,852</b>

# STATE OF NEW MEXICO

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2017  
(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 201,995	\$ 718,350	\$ 1,106,759
Investment in the Local Government Investment Pool	-	-	7,768
Investment in the State General Fund Investment Pool	1,936	91,085	2,123,111
Prepaid Expenses	-	-	13,405
Due From Other Funds	-	76,452	1,222,560
Due From Component Unit	-	-	3,045
Receivables, Net	109,316	403,162	1,996,507
Investments	4,959,627	16,358,717	21,413,347
Inventories	-	-	31,993
Other Assets	-	-	2
<b>Total Assets</b>	<u>5,272,874</u>	<u>17,647,766</u>	<u>27,918,497</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 378,234
Accrued Liabilities	-	-	64,881
Due To Other Funds	16,704	53,173	1,222,098
Due to Component Unit	-	-	431
Due to Brokers	325,170	1,102,871	1,429,911
Intergovernmental Payables	-	-	112,922
Funds Held For Others	-	-	439,656
Other Obligations	-	-	340,946
Unearned Revenue	-	-	22,623
<b>Total Liabilities</b>	<u>341,874</u>	<u>1,156,044</u>	<u>4,011,702</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues	-	-	107,302
	<u>-</u>	<u>-</u>	<u>107,302</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	59,626
Restricted	4,931,000	16,491,722	23,339,224
Committed	-	-	389,989
Assigned	-	-	9,088
Unassigned (Deficit)	-	-	1,566
<b>Total Fund Balances</b>	<u>4,931,000</u>	<u>16,491,722</u>	<u>23,799,493</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 5,272,874</u>	<u>\$ 17,647,766</u>	<u>\$ 27,918,497</u>

# STATE OF NEW MEXICO

## RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017  
(In Thousands)

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 23,799,493</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds: (See Note 6.)	
Land and Other Nondepreciable Assets	\$ 1,067,286
Buildings, Equipment, Infrastructure and Other Depreciable Assets (not including \$ 48,108 in Internal Service Fund balances)	17,095,529
Accumulated Depreciation	<u>(10,935,317)</u> 7,227,498
Assets (receivables) not available to provide current resources are offset with deferred inflows of resources in the fund statements. The reduction of the deferred inflows and recognition of revenue increases net position in the Statement of Net Position.	107,302
The deferred loss on bond refunding issues is not recognized in the governmental funds, but is recognized in the government-wide statements.	47,037
The net pension asset for the pension fund which has a positive net position is not reported in the funds statements	12,114
The pension-related deferred outflows of resources are not recognized in the government-wide statements, and neither are the deferred outflows of resources. less \$13,537 and (534) for ISF	935,010 (38,164) <u>(13,003)</u> 883,843
Internal service funds (ISF) are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, and telecommunications. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	(4,669)
Accrued interest payable is not recognized in the governmental funds statements	(247)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the fund financial statements:	
Net pension liability	\$ (3,264,743)
Bonds payable, including bond premium and loans payable to component unit	(2,742,055)
Capital leases, compensated absences, notes payable, contingent liabilities, and other liabilities	(487,101)
Less: Def. Outflow - Int. Rate Swaps	51,918
Less: Amounts already included in Internal Service Funds balances	<u>228,600</u> (6,213,381)
Unreconciled differences	2,520
Rounding	<u>(3)</u>
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 25,861,507</u></b>

The accompanying notes are an integral part of the financial statements.

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# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2017  
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
<b>REVENUES</b>			
Taxes:			
General and Selective Taxes	\$ 3,578,527	\$ 437,225	5,519
Income Taxes	1,450,831	-	-
Total Taxes	<u>5,029,358</u>	<u>437,225</u>	<u>5,519</u>
Other Revenues:			
Federal Revenue	6,581,350	-	14,490
Investment Income (Loss)	22,370	14,687	76
Rentals and Royalties	533,576	-	561
Charges for Services	160,776	3,756	33
Licenses, Fees, and Permits	292,351	2,131	-
Assessments	13,820	-	-
Miscellaneous and Other	770,362	281	10,605
<b>Total Revenues</b>	<u>13,403,963</u>	<u>458,080</u>	<u>31,284</u>
<b>EXPENDITURES</b>			
Current:			
Culture, Recreation, and Natural Resources	210,173	107	20,198
Education	3,216,973	-	68,325
General Control	948,726	884	31,662
Health and Human Services	7,674,641	-	62,700
Highway and Transportation	436,812	-	11,589
Judicial	297,841	30	353
Legislative	26,725	-	-
Public Safety	532,856	-	2,978
Regulation and Licensing	109,098	-	7,154
Capital Outlay	276,746	103	75,355
Debt Service:			
Principal	89,681	17,718	190,769
Interest and Other Charges	61,647	13,401	48,762
<b>Total Expenditures</b>	<u>13,881,919</u>	<u>32,243</u>	<u>519,845</u>
<b>Excess Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>(477,956)</u>	<u>425,837</u>	<u>(488,561)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds Issued	\$ -	\$ -	\$ 45,815
Bond Premium	-	-	5,463
Proceeds from the Sale of Capital Assets	1,226	-	-
Transfers In	7,204,023	175,717	650,750
Transfers to Higher Ed	(726,183)	-	-
Transfers Out	(5,844,290)	(564,093)	(720,101)
<b>Total Other Financing Sources (Uses)</b>	<u>634,776</u>	<u>(388,376)</u>	<u>(18,073)</u>
<b>Net Change in Fund Balances</b>	156,820	37,461	(506,634)
<b>Fund Balances - Beginning, as Restated -</b>			
<b>See Note 9.C.</b>	1,140,302	295,754	1,253,068
<b>Fund Balances - Ending</b>	<u>\$ 1,297,122</u>	<u>\$ 333,215</u>	<u>746,434</u>

# STATE OF NEW MEXICO

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2017

(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
General and Selective Taxes	\$ -	\$ -	\$ 4,021,271
Income Taxes	-	-	1,450,831
Total Taxes	-	-	5,472,102
Other Revenues:			
Federal Revenue	-	-	6,595,840
Investment Income (Loss)	583,432	1,919,952	2,540,517
Rentals and Royalties	-	468,555	1,002,692
Charges for Services	-	-	164,565
Licenses, Fees, and Permits	-	-	294,482
Assessments	-	-	13,820
Miscellaneous and Other	-	-	781,248
<b>Total Revenues</b>	<b>583,432</b>	<b>2,388,507</b>	<b>16,865,266</b>
<b>EXPENDITURES</b>			
Current:			
Culture, Recreation, and Natural Resources	-	-	230,478
Education	-	-	3,285,298
General Control	-	-	981,272
Health and Human Services	-	-	7,737,341
Highway and Transportation	-	-	448,401
Judicial	-	-	298,224
Legislative	-	-	26,725
Public Safety	-	-	535,834
Regulation and Licensing	-	-	116,252
Capital Outlay	-	-	352,204
Debt Service:			
Principal	-	-	298,168
Interest and Other Charges	-	-	123,810
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>14,434,007</b>
<b>Excess Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>583,432</b>	<b>2,388,507</b>	<b>2,431,259</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds Issued	\$ -	\$ -	\$ 45,815
Bond Premium	-	-	5,463
Proceeds from the Sale of Capital Assets	-	-	1,226
Transfers In	-	-	8,030,490
Transfers to Higher Ed	-	-	(726,183)
Transfers Out	(211,601)	(673,412)	(8,013,497)
<b>Total Other Financing Sources (Uses)</b>	<b>(211,601)</b>	<b>(673,412)</b>	<b>(656,686)</b>
<b>Net Change in Fund Balances</b>	<b>371,831</b>	<b>1,715,095</b>	<b>1,774,573</b>
<b>Fund Balances - Beginning, as Restated -</b>			
<b>See Note 9.C.</b>	<b>4,559,169</b>	<b>14,776,627</b>	<b>22,024,920</b>
<b>Fund Balances - Ending</b>	<b>\$ 4,931,000</b>	<b>\$ 16,491,722</b>	<b>\$ 23,799,493</b>

The accompanying notes are an integral part of the financial statements.

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2017

(In Thousands)

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	1,774,573
The change in Net Position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$	375,341
Depreciation expense (less \$8,966 ISF)		<u>(498,483)</u>
Excess of capital outlay over depreciation expense		(123,142)
Loss on disposal of capital assets is not reported in the funds statements		(3,134)
Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.		63,473
Internal service funds are used by management to charge for certain activities, such as fleet operations, risk management, printing and records, communications services, and information processing. The net revenue (expense) of the internal service funds is reported with governmental activities.		(81)
Bond proceeds, notes, and capital leases provide current financial resources to governmental activities by issuing debt, which increases long-term liabilities in the Statement of Net Position. Repayments of the bond, notes, and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position:		
Payment of Bond, Note, and Capital Lease Principal	312,249	
Bond and Note Proceeds, Net	<u>(45,815)</u>	266,434
Governmental funds report the effect of bond premium and discount items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.		62,232
The deferred loss on refunding bond issues is capitalized and the amortization is reported in the Statement of Activities.		(6,098)
Pension expense of governmental funds is recognized in the Statement of Activities, but not in the funds statements.		(222,396)
Expenditures are recognized in the governmental funds when paid or due for items normally paid with available financial resources; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net change of the following balances:		
Compensated Absences Expense	\$	(101)
Pollution Remediation Obligation		(1,627)
Accrued Interest on Bonds Payable		(26)
Native American Water Rights Liability		(1,250)
Contingent Liability		(16,373)
Change in Ineffective Swaps - Derivatives change in liability of \$34,925 offset by decrease in deferred outflow of \$20,637)		<u>(14,288)</u>
Rounding		(3)
Unreconciled Differences		<u>(2,634)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>1,775,559</u></b>

The accompanying notes are an integral part of the financial statements.

# STATE OF NEW MEXICO

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## PROPRIETARY FUND FINANCIAL STATEMENTS

### **Educational Institutions Fund**

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

### **Non-major Enterprise Funds**

Non-major enterprise funds are presented in the Financial Section - Required and Supplemental Information.

### **Internal Service Fund**

Combining financial statements for the internal service funds are presented in the Financial Section - Required and Supplemental Information.

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2017  
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 504,718	\$ 465,011	\$ 969,729	\$ -
Cash and Cash Equivalents - Restricted	37,859	-	37,859	-
Investment in the State General Fund Investment Pool	-	183,953	183,953	168,110
Investment in the Local Government Investment Pool	43,529	31,925	75,454	-
Due From Other Funds	-	537	537	26,202
Due From Component Unit	9,386	-	9,386	-
Receivables, Net	359,015	68,372	427,387	15,008
Investments	437,871	-	437,871	-
Inventories	28,784	2,121	30,905	9
Other Current Assets	20,161	330	20,491	-
<b>Total Current Assets</b>	<b>1,441,323</b>	<b>752,249</b>	<b>2,193,572</b>	<b>209,329</b>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	113,952	-	113,952	-
Loans Receivable	23,437	165,750	189,187	-
Investments	514,374	26,496	540,870	-
Due From Component Units	5,109	-	5,109	-
Derivative Instruments - Interest Rate Swaps	882	-	882	-
Other Noncurrent Assets	57,150	-	57,150	-
Nondepreciable Capital Assets	244,624	1,766	246,390	19,937
Capital Assets, Net	2,236,709	69,138	2,305,847	28,171
<b>Total Noncurrent Assets</b>	<b>3,196,237</b>	<b>263,150</b>	<b>3,459,387</b>	<b>48,108</b>
<b>Total Assets</b>	<b>4,637,560</b>	<b>1,015,399</b>	<b>5,652,959</b>	<b>257,437</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Interest Rate Swaps	8,604	-	8,604	-
Deferred Charge on Refunding	5,800	-	5,800	-
Deferred Outflows - Pension	309,288	11,135	320,423	13,537
<b>Total Deferred Outflows of Resources</b>	<b>323,692</b>	<b>11,135</b>	<b>334,827</b>	<b>13,537</b>

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION PROPRIETARY FUNDS (CONTINUED)

June 30, 2017  
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 225,536	\$ 3,352	\$ 228,888	\$ 16,242
Deficiency in SGFIP	-	516	516	-
Accrued Liabilities	92,044	6,251	98,295	2,052
Unearned Revenue	66,726	11,670	78,396	1,010
Due to Other Funds	-	16	16	27,185
Due to Component Unit	103	-	103	-
Funds Held for Others	14,106	404	14,510	6
Bonds Payable:				
Payable to External Parties	39,758	980	40,738	-
Other Liabilities	60,192	38,292	98,484	97,373
<b>Total Current Liabilities</b>	<b>498,465</b>	<b>61,481</b>	<b>559,946</b>	<b>143,868</b>
Noncurrent Liabilities:				
Bonds Payable				
Payable to External Parties	862,596	10,030	872,626	-
Net Pension Liability	2,085,758	39,584	2,125,342	48,450
Other Liabilities	162,399	68,118	230,517	82,791
<b>Total Noncurrent Liabilities</b>	<b>3,110,753</b>	<b>117,732</b>	<b>3,228,485</b>	<b>131,241</b>
<b>Total Liabilities</b>	<b>3,609,218</b>	<b>179,213</b>	<b>3,788,431</b>	<b>275,109</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow - Pension	51,058	437	51,495	534
Deferred Inflow - Other	850	-	850	-
<b>Total Deferred Inflows of Resources</b>	<b>51,908</b>	<b>437</b>	<b>52,345</b>	<b>534</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,682,343	59,757	1,742,100	48,108
Restricted:				
Nonexpendable:				
Scholarships and Student Loans	144,988	-	144,988	-
Endowment	85,660	-	85,660	-
Other Purposes	12,973	-	12,973	-
Expendable:				
Debt Service	63,255	-	63,255	-
Capital Projects	38,300	1,501	39,801	-
Scholarships	25,471	-	25,471	-
Loans	17,006	335,461	352,467	-
Education	189	-	189	-
Other Purposes	38,966	487,599	526,565	47,489
Unrestricted (Deficit)	(809,025)	(37,434)	(846,459)	(100,266)
<b>Total Net Position</b>	<b>\$ 1,300,126</b>	<b>\$ 846,884</b>	<b>\$ 2,147,010</b>	<b>\$ (4,669)</b>

The accompanying notes are an integral part of the financial statements.

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2017  
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 185,449	\$ 429,591	\$ 615,040	\$ 508,976
Unemployment Insurance	-	205,143	205,143	-
Federal Revenue	372,114	10,847	382,961	-
State, Local, and Private Grants and Contracts	143,694	-	143,694	-
Loans and Other Income	-	13,742	13,742	759
Student Tuition and Fees, Net	266,170	-	266,170	-
Patient Services/Clinical Operations	1,191,251	-	1,191,251	-
Other Operating Revenues	96,026	6,596	102,622	27
<b>Total Operating Revenues</b>	<u>2,254,704</u>	<u>665,919</u>	<u>2,920,623</u>	<u>509,762</u>
<b>OPERATING EXPENSES</b>				
Benefits, Claims, and Premiums	6,474	246,776	253,250	-
Education and General	2,612,741	53,843	2,666,584	474,601
Insurance Losses	-	313,223	313,223	-
Depreciation and Amortization	173,080	5,280	178,360	8,966
Other Operating Expenses	558,234	12,618	570,852	-
<b>Total Operating Expenses</b>	<u>3,350,529</u>	<u>631,740</u>	<u>3,982,269</u>	<u>483,567</u>
<b>Operating Income (Loss)</b>	<u>(1,095,825)</u>	<u>34,179</u>	<u>(1,061,646)</u>	<u>26,195</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Private Grants and Gifts	43,886	-	43,886	-
Government Grants and Contracts	277,395	634	278,029	-
Interest and Investment Income	43,636	4,293	47,929	68
Interest and Other Expenses on Capital				
Interest-related Debt	(32,760)	-	(32,760)	-
Gain (Loss) on Sale of Capital Assets	1,931	-	1,931	396
Intergovernmental Grants	47,503	-	47,503	-
Other Revenue (Expense)	18,911	495	19,406	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>400,502</u>	<u>5,422</u>	<u>405,924</u>	<u>464</u>
<b>Income (Loss) Before Transfers and Other Revenues (Expenses)</b>	<u>(695,323)</u>	<u>39,601</u>	<u>(655,722)</u>	<u>26,659</u>
<b>CAPITAL CONTRIBUTIONS AND ENDOWMENTS</b>				
Capital Grants and Gifts	3,996	-	3,996	-
Permanent Fund/Endowment Contributions	7,611	-	7,611	-
<b>Total Capital Contributions and Endowments</b>	<u>11,607</u>	<u>-</u>	<u>11,607</u>	<u>-</u>
<b>TRANSFERS</b>				
Transfers In	726,183	16,428	742,612	39,688
Transfers Out	-	(33,568)	(33,568)	(66,428)
<b>Total Transfers</b>	<u>726,183</u>	<u>(17,140)</u>	<u>709,044</u>	<u>(26,740)</u>
<b>Change in Net Position</b>	42,467	22,461	64,928	(81)
<b>Net Position - Beginning, as Restated - See Note 9.C.</b>	1,257,659	824,423	2,082,082	(4,588)
<b>Net Position - Ending</b>	<u>\$ 1,300,126</u>	<u>\$ 846,884</u>	<u>\$ 2,147,010</u>	<u>\$ (4,669)</u>

The accompanying notes are an integral part of the financial statements.

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# STATE OF NEW MEXICO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2017  
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from:				
Fees for Service	\$ 274,880	\$ 417,236	\$ 692,116	\$ 506,843
Sale of Products	137,376	10,769	148,145	-
Gifts, Grants, and Contracts	507,315	8,865	516,180	-
Loan and Note Repayments	2,147	(264,123)	(261,976)	-
Unemployment Insurance	-	255,501	255,501	-
Other Sources	1,384,282	12,692	1,396,974	759
Cash Payments to or for:				
Suppliers	(955,622)	(81,856)	(1,037,478)	(471,239)
Employees	(1,960,305)	(24,597)	(1,984,902)	(23,942)
Unemployment Benefits	-	(180,469)	(180,469)	-
Student Loans and Loan Losses	(94,959)	-	(94,959)	-
Other Payments	(92,343)	(45,875)	(138,218)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(797,229)</b>	<b>108,143</b>	<b>(689,086)</b>	<b>12,421</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	639,503	10,576	650,079	25,690
Transfers Out	-	(26,347)	(26,347)	(57,655)
Gifts for Other Than Capital Purposes	92,081	-	92,081	-
Intergovernmental Receipts	264,158	(823)	263,335	-
Other	(2,015)	817	(1,198)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>993,727</b>	<b>(15,777)</b>	<b>977,950</b>	<b>(31,965)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(193,935)	(3,977)	(197,912)	(10,017)
Capital Gifts, Grants, and Contracts	-	-	-	-
Capital Debt Service Payments - Principal	(42,130)	(1,045)	(43,175)	-
Capital Debt Service Payments - Interest	(30,832)	-	(30,832)	-
Capital Contributions and Debt Proceeds	127,031	-	127,031	-
Proceeds from Sale of Capital Assets	3,278	-	3,278	417
Other	9,133	-	9,133	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(127,455)</b>	<b>(5,022)</b>	<b>(132,477)</b>	<b>(9,600)</b>

# STATE OF NEW MEXICO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2017  
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts of Interest and Dividends of Investments	\$ 26,269	\$ 4,257	\$ 30,526	\$ 68
Purchase of Investments	(366,695)	-	(366,695)	-
Receipts of Rent	-	132	132	-
Proceeds from Sale and Maturity of Investments	368,456	-	368,456	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>28,030</u>	<u>4,389</u>	<u>32,419</u>	<u>68</u>
<b>Net Increase (Decrease) in Cash</b>	97,073	91,733	188,806	(29,076)
<b>Cash and Cash Equivalents at Beginning of Year</b>	559,456	589,156	1,148,612	197,186
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 656,529</u>	<u>\$ 680,889</u>	<u>\$ 1,337,418</u>	<u>\$ 168,110</u>
<b>Cash and Cash Equivalents</b>				
Unrestricted	\$ 504,717	\$ 465,011	\$ 969,728	\$ -
Restricted	151,812	-	151,812	-
Investment in the Local Government Investment Pool	-	31,925	31,925	-
Investment in the State General Fund Investment Pool	-	183,953	183,953	168,110
<b>Total Cash and Cash Equivalents</b>	<u>\$ 656,529</u>	<u>\$ 680,889</u>	<u>\$ 1,337,418</u>	<u>\$ 168,110</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (1,095,825)	\$ 34,179	\$ (1,061,646)	\$ 26,195
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	173,079	5,280	178,359	8,967
Bad Debt Expense	145,042	2,559	147,601	-
Realized (Gain) Loss on Disposal of Assets	(56)	-	(56)	-
Unrealized (Gain) Loss on Investments	(137)	-	(137)	-
Change in Net Pension Liability	152,191	3,634	155,825	1,808
Change in Deferred Outflow of Resources	(69,569)	-	(69,569)	-
Change in Deferred Inflow of Resources	(14,671)	-	(14,671)	1,010
Net Changes in Assets and Liabilities Related to Operating Activities:				
Short-term Investments	(138)	-	(138)	-
Receivables/Due From Other Funds	(84,277)	59,574	(24,703)	(2,146)
Inventories	(811)	(106)	(917)	-
Prepaid Items/Other Assets	2,786	6,185	8,971	3
Insurance Claims Payable	-	-	-	(15,322)
Accounts Payable/Accrued Liabilities/Due To Other Funds	(2,908)	(3,139)	(6,047)	(8,094)
Unearned Revenue	(1,935)	(23)	(1,958)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (797,229)</u>	<u>\$ 108,143</u>	<u>\$ (689,086)</u>	<u>\$ 12,421</u>

The accompanying notes are an integral part of the financial statements.

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# STATE OF NEW MEXICO

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## FIDUCIARY FUNDS FINANCIAL STATEMENTS

### **Pension and Other Employee Benefits Trust Funds**

These funds account for the resources accumulated and held for the payment of retirement and other benefits under plans operated by the Public Employees Retirement Association, the Educational Retirement Board, and the Retiree Health Care Authority. Pension trust funds are presented in the Financial Section - Required and Supplemental Information.

### **External Investment Trust Funds**

These funds account for assets held by the State in a trustee capacity. The funds are held in custody for external participants in the New Mexico State Treasurer's Investment Trust Funds and the State Investment Council External Investment Trust Funds. External trust funds are presented in the Financial Section - Required and Supplemental Information.

### **Private Purpose Trust Funds**

These funds account for resources held under trust arrangements and which benefit individuals, organizations, and other governmental units. These funds include the Scholarship Fund, the Education Trust Fund, the Water Trust Fund, and the Bartlett Trust Fund. Private purpose trust funds are presented in the Financial Section - Required and Supplemental Information.

### **Agency Funds**

These funds are used to report resources held by various State agencies in a purely custodial capacity for distribution to external parties. Agency funds are presented in the Financial Section - Required and Supplemental Information.

The accompanying notes are an integral part of the financial statements.

# STATE OF NEW MEXICO

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

June 30, 2017

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,110,600	\$ 1,388	\$ 11,744	\$ 30,108
Investment in State General Fund Investment Pool	49,099	-	12,955	183,898
Investment in Local Government Investment Pool	100,596	-	-	2,624
Investments:				
U.S. Government and Agency Securities	1,231,781	-	-	-
International Securities	4,314,566	-	-	-
Corporate Equity Securities	6,716,827	-	-	-
Corporate and Municipal Bonds	4,059,468	-	-	-
Partnerships and Other Investments	11,209,095	-	-	-
Securities Lending Collateral Investments	456,766	-	-	-
Investment Pools	-	-	2,513,362	-
Long Term Investments	-	742,771	-	4,366
Receivables:				
Brokers	198,921	4,189	1,333	-
Contributions	861	-	-	-
Accrued Interest and Other	620,120	-	1,693	-
Participant Loans	11,318	-	-	103
Other Receivables	126,444	1,316	555,961	162,642
Other Assets	-	-	-	1
Capital Assets, Net	15,836	-	-	-
<b>Total Assets</b>	<b>30,222,298</b>	<b>749,664</b>	<b>3,097,048</b>	<b>383,742</b>
<b>LIABILITIES</b>				
Investment in State General Fund Investment Pool - Deficit	-	-	-	-
Accounts Payable	17,092	-	280	504
Securities Lending	456,666	-	-	-
Accrued Liabilities	1,471	-	5,692	-
Due to Brokers	949,518	-	-	-
Intergovernmental Payables	-	-	-	318,977
Unearned Revenue	443	-	-	-
Deposits Held in Trust	1,223	-	-	44,596
Due to Component Units	-	-	-	13,980
Other Liabilities	150,935	7,383	554,982	5,685
Other Obligations	26	-	66,401	-
<b>Total Liabilities</b>	<b>1,577,374</b>	<b>7,383</b>	<b>627,355</b>	<b>383,742</b>
<b>NET POSITION</b>				
Restricted for:				
Pension Benefits	27,496,622	-	-	-
Other Postemployment Benefits	579,469	-	-	-
Defined Contribution	568,833	-	-	-
External Investment Pool Participants	-	742,281	-	-
Other Purposes	-	-	2,469,693	-
<b>Net Position</b>	<b>\$ 28,644,924</b>	<b>742,281</b>	<b>2,469,693</b>	

# STATE OF NEW MEXICO

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Year Ended June 30, 2017

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employee Contributions	\$ 720,343	\$ -	\$ -
Employer Contributions	862,735	-	-
Member Contributions	47,753	-	723,194
Other	8	-	-
Total Contributions	<u>1,630,839</u>	<u>-</u>	<u>723,194</u>
Pool Participant Deposits	<u>-</u>	<u>702,004</u>	<u>-</u>
Investment Income (Loss):			
Net Increase (Decrease) in Fair Value of Investments	2,682,250	11,094	199,641
Interest and Dividends	471,841	2,160	41,616
	<u>3,154,091</u>	<u>13,254</u>	<u>241,257</u>
Less Investment Expense	-	-	-
Net Investment Income	<u>3,154,091</u>	<u>13,254</u>	<u>241,257</u>
Other Additions			
Other Operating Revenues	62,110	-	21,589
Total Other Additions	<u>62,110</u>	<u>-</u>	<u>21,589</u>
<b>Total Additions</b>	<u>4,847,040</u>	<u>715,258</u>	<u>986,040</u>
<b>DEDUCTIONS</b>			
Benefits and Claims	2,159,752	-	-
Distributions	-	519,225	803,171
Refunds	78,183	-	-
General and Administrative Expenses	480,854	260	33,647
Other Operating Expenses	1,292	-	-
<b>Total Deductions</b>	<u>2,720,081</u>	<u>519,485</u>	<u>836,818</u>
<b>Special Item</b>	<u>1</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	2,126,960	195,773	149,222
<b>Net Position - Beginning, as Restated</b>	<u>26,517,964</u>	<u>546,508</u>	<u>2,320,471</u>
<b>Net Position - Ending</b>	<u>\$ 28,644,924</u>	<u>\$ 742,281</u>	<u>\$ 2,469,693</u>

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# STATE OF NEW MEXICO

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## COMPONENT UNIT FINANCIAL STATEMENTS

June 30, 2017

### **New Mexico Finance Authority**

The New Mexico Finance Authority coordinates the planning and financing of state and local public projects, provides for long-term planning and assessment of state and local capital needs, and improves 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 assists in the financing of housing for persons of low and moderate income in the State.

### **New Mexico Lottery Authority**

The Lottery Authority was created and organized for establishing and conducting the lottery to provide revenues for the public purposes designated in the Lottery Act, which benefits the educational institutions created by the State Constitution.

### **University of New Mexico Foundation**

The foundation is a nonprofit corporation organized to solicit, receive, hold, invest, and transfer funds for the benefit of the University of New Mexico.

### **New Mexico State University Foundation**

The foundation is a nonprofit corporation organized to solicit, receive, hold, invest, and transfer funds for the benefit of the New Mexico State University.

### **Charter Schools**

There were sixty-three state-authorized Charter Schools at June 30, 2017, financially accountable to the State Public Education Department.

### **Non-major Component Units**

There were seventeen non-major component units at June 30, 2017. Their financial information is presented in total. They are as follows: UNM Alumni Association; UNM Lobo Club; UNM Anderson School of Management Foundation; New Mexico Institute of Mining and Technology Research Foundation; New Mexico Tech Research Park Corporation; New Mexico Highlands University (NMHU) Foundation; NMHU Stable Isotopes Corporation; Western New Mexico University Foundation; Eastern New Mexico University (ENMU) Foundation; ENMU Roswell Foundation; ENMU Ruidoso Foundation; Northern New Mexico College Foundation; New Mexico Military Institute Foundation; New Mexico School for the Visually Impaired Foundation; Cumbres & Toltec Scenic Railroad Commission; New Mexico Renewable Transmission Authority; and the New Mexico Small Business Investment Corporation.



# STATE OF NEW MEXICO

## COMBINING STATEMENT OF NET POSITION

### COMPONENT UNITS

June 30, 2017

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	University of New Mexico Foundation	New Mexico State University Foundation	Charter Schools	Nonmajor Component Units	Total
<b>ASSETS</b>								
Current Assets:								
Cash and Cash Equivalents	\$ 22,762	\$ 59,975	\$ 4,661	\$ 3,096	\$ 11,876	\$ 43,817	\$ 15,280	\$ 161,467
Investment in Local Government								
Investment Pool	-	4,338	-	-	-	-	8,175	12,513
Restricted Cash and Cash Equivalents	218,398	-	3,218	2,678	-	-	265	224,559
Investments	-	-	-	-	385	69	39,205	39,659
Due From Primary Government	-	-	-	-	-	-	534	534
Due From Other Components	-	-	-	-	-	-	-	-
Receivables, Net	5,829	3,084	736	1,237	11,710	5,577	1,557	29,730
Loans Receivable, Current	115,007	22,268	-	-	-	-	102	137,377
Prepaid Expenses	20	-	158	-	-	811	145	1,134
Other Assets	-	2,914	-	625	-	229	-	3,768
Inventory	-	-	188	-	-	-	186	374
<b>Total Current Assets</b>	<b>362,016</b>	<b>92,579</b>	<b>8,961</b>	<b>7,636</b>	<b>23,971</b>	<b>50,503</b>	<b>65,449</b>	<b>611,115</b>
Noncurrent Assets:								
Restricted Cash and Cash Equivalents	-	7,810	-	-	-	1,755	249	9,814
Restricted Investments	385,451	591,020	-	203,624	-	-	8,853	1,188,948
Loans Receivable, Net	1,375,061	195,258	-	1,102	-	-	20,634	1,592,055
Due From Primary Government	-	-	-	-	-	-	-	-
Investments	-	50,587	-	5,633	128,264	-	86,972	271,456
Other Noncurrent Assets	-	3,896	-	5,856	47,112	-	2,776	59,640
Nondepreciable Capital Assets	406	661	744	-	-	11,921	7,959	21,691
Other Capital Assets, Net	211	393	2,485	39	60	54,088	15,279	72,555
<b>Total Noncurrent Assets</b>	<b>1,761,129</b>	<b>849,625</b>	<b>3,229</b>	<b>216,254</b>	<b>175,436</b>	<b>67,764</b>	<b>142,722</b>	<b>3,216,159</b>
<b>Total Assets</b>	<b>2,123,145</b>	<b>942,204</b>	<b>12,190</b>	<b>223,890</b>	<b>199,407</b>	<b>118,267</b>	<b>208,171</b>	<b>3,827,274</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred Charge on Refunding	844	625	-	-	-	-	-	1,469
Deferred Outflows - Pension	-	-	-	-	-	47,547	-	47,547
<b>Total Deferred Outflows</b>	<b>844</b>	<b>625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,547</b>	<b>-</b>	<b>49,016</b>

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF NET POSITION (CONTINUED)

### COMPONENT UNITS

June 30, 2017

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	University of New Mexico Foundation	New Mexico State University Foundation	Charter Schools	Nonmajor Component Units	Total
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts Payable	303	6,114	1,980	229	63	1,147	666	10,502
Accrued Liabilities	572	2,875	-	1,681	2,715	7,838	327	16,008
Unearned Revenue	-	-	-	-	-	513	1,637	2,150
Due to Primary Government	-	-	3,045	3,518	1,501	-	4,368	12,432
Funds Held for Others	-	10,248	-	-	-	-	265	10,513
Bonds Payable	123,840	14,254	-	-	-	-	-	138,094
Other Liabilities	317,712	25,774	3,988	791	497	1,135	1,004	350,901
<b>Total Current Liabilities</b>	<b>442,427</b>	<b>59,265</b>	<b>9,013</b>	<b>6,219</b>	<b>4,776</b>	<b>10,633</b>	<b>8,267</b>	<b>540,600</b>
Noncurrent Liabilities:								
Bonds Payable	1,170,459	632,313	-	-	-	-	-	1,802,772
Due to Primary Government	-	-	-	4,654	-	-	455	5,109
Net Pension Liability	-	-	-	-	-	174,709	-	174,709
Other Liabilities	-	3,682	506	1,882	45,411	52,578	2,951	107,010
<b>Total Noncurrent Liabilities</b>	<b>1,170,459</b>	<b>635,995</b>	<b>506</b>	<b>6,536</b>	<b>45,411</b>	<b>227,287</b>	<b>3,406</b>	<b>2,089,600</b>
<b>Total Liabilities</b>	<b>1,612,886</b>	<b>695,260</b>	<b>9,519</b>	<b>12,755</b>	<b>50,187</b>	<b>237,920</b>	<b>11,673</b>	<b>2,630,200</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unearned Revenue	5,664	-	-	-	-	-	906	6,570
Deferred Inflows - Pension Liability	-	-	-	-	-	5,384	-	5,384
<b>Total Deferred Inflows</b>	<b>5,664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,384</b>	<b>906</b>	<b>11,954</b>
<b>NET POSITION</b>								
Net Investment in Capital Assets	617	1,054	2,482	39	60	13,276	22,885	40,413
Restricted:								
Nonexpendable	-	-	-	189,529	94,406	-	50,815	334,750
Expendable:								
Debt Service	-	56,472	-	18,906	-	-	-	75,378
Other Purposes	486,992	27,974	-	-	51,720	24,182	64,769	655,637
Unrestricted Net Position (Deficit)	17,830	162,069	189	2,661	3,034	(114,948)	57,123	127,958
<b>Total Net Position (Deficit)</b>	<b>\$ 505,439</b>	<b>\$ 247,569</b>	<b>\$ 2,671</b>	<b>\$ 211,135</b>	<b>\$ 149,220</b>	<b>\$ (77,490)</b>	<b>\$ 195,592</b>	<b>\$ 1,234,136</b>

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF ACTIVITIES COMPONENT UNITS

For the Year Ended June 30, 2017

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	University of New Mexico Foundation	New Mexico State University Foundation	Charter Schools	Nonmajor Component Units	Total
Expenses	\$ 132,342	\$ 38,228	\$ 87,082	\$ 49,457	\$ 12,509	\$ 184,850	\$ 21,411	\$ 525,879
Program Revenues:								
Charges for Services	53,566	12,916	126,058	-	1,718	1,189	6,094	201,541
Operating Grants and Contributions	8,511	19,370	-	34,711	14,796	33,559	11,430	122,377
Total Program Revenues	62,077	32,286	126,058	34,711	16,514	34,748	17,524	323,918
Nonoperating Revenues:								
Grant Revenue	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	(70,265)	(5,942)	38,976	(14,746)	4,005	(150,102)	(3,887)	(201,961)
Other Revenues & Expenses:								
Payment from State of New Mexico	79,522	-	-	-	-	126,046	118	205,686
Payment to State of New Mexico	(10,407)	-	(37,835)	-	-	-	-	(48,242)
Other	-	(9)	(12)	9,667	-	13,861	1,150	24,657
Investment Income	947	-	34	22,239	13,600	-	12,703	49,523
Total General Revenues	70,062	(9)	(37,813)	31,906	13,600	139,907	13,971	231,624
<b>Change in Net Position</b>	(203)	(5,951)	1,163	17,160	17,605	(10,195)	10,084	29,663
<b>Net Position - Beginning, as Restated</b>	505,642	253,520	1,508	193,975	131,615	(67,295)	185,508	1,204,473
<b>Net Position - Ending (Deficit)</b>	\$ 505,439	\$ 247,569	\$ 2,671	\$ 211,135	\$ 149,220	\$ (77,490)	\$ 195,592	\$ 1,234,136

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

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# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of New Mexico (the State) and its component units have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The State's significant accounting policies are described below. All dollar amounts are in thousands, except when stated.

##### **A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Primary government activities are distinguished between *governmental and business-type activities*. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. The governmental activities column incorporates data from the internal service funds as well as the governmental funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

##### **B. 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, and the educational institutions created by the *Constitution of the State of New Mexico*, Article XII, Section 11). The annual financial report does not include the financial statements of the community colleges or public schools.

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

##### **Blended Component Units**

The following blended component units are considered to be component units of the State Institutions of Higher Education, and are thus component units of the State. Each is financially accountable to the respective institution, and the Board of Regents (governing board) of each institution controls the finances and has appointment power over the unit's governing authority.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **University of New Mexico Retiree Welfare Benefit Trust**

The University of New Mexico Retiree Welfare Benefit Trust is a voluntary employees' beneficiary association (VEBA) trust that is tax-exempt under Section 501(c)(9) of the IRC and is presented as a fiduciary fund in the financial statements. The trust was established to provide a funding vehicle to which participants and the University contribute to prefund, in part, the cost of other postemployment benefits (OPEB) for eligible retirees of the University.

- **STC.UNM**

STC.UNM (formerly known as Science & Technology Corporation @ UNM) is a nonprofit corporation formed under the auspices of the 1989 New Mexico University Research Park Act and the New Mexico Nonprofit Corporation Act. The business of the corporation is to manage the commercialization of technologies developed by the University's faculty and manage the real estate development of the Science & Technology Park at the University of New Mexico on the South Campus. STC.UNM, 101 Broadway Blvd. NE, Suite 1100, Albuquerque, NM 87102.

- **Lobo Development Corporation**

Lobo Development Corporation (LDC) was established in October 2007, under the State of New Mexico's University Research Park and Economic Development Act. LDC was established to benefit UNM's Regents in the management and development of University-Owned real estate. The activities of LDC include the acquisition, development, disposition, and rental of University real estate. Lobo Development Corporation, 801 University Blvd. SE, Suite 207, Albuquerque, NM 87106.

- **Lobo Energy, Inc.**

Lobo Energy, Inc. (LEI) was formed by the UNM Regents in June 1998, under the University Research Park Act to be a separate 501(c)(3) corporation wholly owned by UNM. Its responsibilities include the procurement of natural gas and electricity, operations and maintenance of all production facilities, and energy measurement and management systems. Lobo Energy, Inc., 800 Bradbury Dr. SE, Suite 216, Albuquerque, NM 87106.

- **University of New Mexico Medical Group (UNMMG)**

The UNM Medical Group, Inc., was organized in 2007. The Laws of 1989, Chapter 264, as amended created University Research Park and Economic Development Act (the Act). UNMMG is a nonprofit corporation that was organized under the Act. UNMMG's purpose is to promote, advance and support the clinical, scientific, educational, research and charitable purposes of the School of Medicine and the University of New Mexico Health Sciences Center. UNMMG is responsible for the delivery of patient clinical services, practice oversight, and management of the professional medical practice of UNM. The UNMMG operates 20 clinics in addition to attending at the 76 clinics of the UNM Hospital. University of New Mexico Medical Group, 933 Bradbury Street, Suite 2222, Albuquerque, NM 87106.

- **UNM - Sandoval Regional Medical Center (SRMC)**

In 2009, the UNM Regents approved formation of the Medical Center. The Laws of 1989, Chapter 264, as amended created University Research Park and Economic Development Act (the Act). SRMC is a not-for-profit corporation that was organized under the Act. The creation of SRMC resulted from collaborations between the University of New Mexico Medical Group and University of New Mexico Hospital and hold representation on the SRMC board of directors. SRMC purpose is to serve as a community based academic healthcare facility. The administrative offices are located at 3001 Broadmoor Blvd. NE, Rio Rancho, NM 87144.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **Innovate ABQ, Inc.**

Innovate ABQ, Inc. is a nonprofit corporation established under the provisions of the New Mexico Nonprofit Corporation Act and the State of New Mexico University Research Park and Economic Development Act which is operated exclusively for charitable, scientific, and educational purposes under Section 501(c)(3) of the IRC. Innovate ABQ, Inc., a public/private partnership, is a research and high technology business district located between the main University campus and downtown Albuquerque, New Mexico that serves as a catalyst for a new innovation economy in New Mexico and other educational initiatives for the University. Innovate ABQ, Inc., 801 University Blvd. SE, Suite 207, Albuquerque, NM 87106.

- **Arrowhead Center, Inc.**

Arrowhead Center, Inc. was organized pursuant to the provisions of the State of New Mexico University Research Park Act of 1989. It provides a financial benefit to New Mexico State University (NMSU) and was established to foster economic development within the State through the development of research parks and University real property as well as to protect, license and market intellectual property developed by faculty, staff and students of NMSU, as well as members of the community. Arrowhead Center, Inc., MSC 3CR, P.O. Box 30001, Las Cruces, NM 88003.

- **New Mexico Institute of Mining & Technology Employee Benefit Trust**

This trust is a single-employer benefit plan organized as a legally formed trust that is tax exempt under section 501(c)(9) of the Internal Revenue Code. The trust was established to provide a funding vehicle to which participants and the Institute contribute to prefund, in part, the cost of other postemployment benefits for eligible retirees of the Institute.

#### **Discrete Component Units**

In the government-wide financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the State. These component units are entities that are legally separate from the State, but are financially accountable to the State. Complete financial statements are available at the address given.

#### **Major Component Units**

- **New Mexico Finance Authority (NMFA)**

The Laws of 1992, Chapter 61, as amended, created the NMFA. The purpose of the New Mexico Authority Act is to create a governmental instrumentality to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects. The NMFA is considered a component unit of the State as the Governor appoints a majority of its Board. The NMFA is composed of eleven members, at which a majority of those members serve at the pleasure of the Governor. New Mexico Finance Authority, 207 Shelby Street, Santa Fe, NM 87501.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **New Mexico Mortgage Finance Authority (NMMFA)**

The Laws of 1975, Chapter 303, as amended, created the NMMFA. The purpose of the NMMFA act is to create a separate public body apart from the State to facilitate programs to assist in the financing of housing for persons of low and moderate income within the State. The NMMFA is considered a component unit of the State because the Governor appoints a majority of its Board. The NMMFA is composed of seven members, at which a majority of those members serve at the pleasure of the Governor. NMMFA fiscal year-end is September 30. This year-end differs for all other state entities, which have a June 30 fiscal year-end. New Mexico Mortgage Finance Authority, 344 Fourth Street SW, Albuquerque, NM 87102.

- **New Mexico Lottery Authority (Lottery Authority)**

The Laws of 1995, Chapter 155, as amended, created the Lottery Authority Act. The purpose of the Lottery Authority Act is to create a separate public body apart from the State, to conduct the New Mexico state lottery and provide revenues for public purposes designated by the Act. The State's higher education institutions receive financial benefit. The Lottery Authority is considered a component unit of the State because the Governor appoints members of its Board. The Board is composed of seven members, at which those members serve at the pleasure of the Governor. New Mexico Lottery Authority, 4511 Osuna Rd NE, Albuquerque, NM 87109.

The following two component units are considered to be component units of the State Institutions of Higher Education, and are thus component units of the State. Each is financially accountable to the respective institution, and the Board of Regents (governing board) of each institution controls the finances and has appointment power over the unit's governing authority.

- **University of New Mexico Foundation, Inc. (UNM Foundation)**

UNM Foundation is a nonprofit corporation, organized in 1979 to solicit, receive, distribute, invest, and manage funds for the benefit of the University of New Mexico. The majority of the Foundation's investments are managed by the University. The University of New Mexico Foundation, Inc., Two Woodward Center, 700 Lomas NE, Bldg. 2-203, Albuquerque, NM 87102.

- **New Mexico State University Foundation, Inc. (NMS Foundation)**

NMS Foundation is a nonprofit corporation formed for the purpose of acquiring and managing charitable gifts, including endowed funds, to be used for the sole benefit of New Mexico State University. The Foundation reports on the FASB basis of accounting. New Mexico State University Foundation, Inc., P.O. Box 3590, Las Cruces, NM 88003-3590.

- **Charter Schools**

The Laws of 1999, Chapter 281, as amended created the Charter School Act (Charter School). Charter Schools provide elementary and secondary educational services to encourage the use of different and innovative teaching methods. The Charter Schools are approved by the Public Education Department. The State is financially accountable for these schools. At June 30, 2017, there were 63 state chartered schools. The division of Charter Schools can be located at the New Mexico Public Education Department, Office of the Secretary, 300 Don Gaspar, Santa Fe, NM 87501.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

#### Non-major Component Units

The State's non-major component units have been determined to be financially accountable to the State. Non-major component units are: University of New Mexico Alumni Association, University of New Mexico Lobo Club, University of New Mexico - Anderson Schools of Management Foundation, Inc., The New Mexico Tech Research Foundation, The New Mexico Tech University Research Park Corporation, New Mexico Highlands University Foundation, Inc., New Mexico Highlands University – Highlands Stable Isotopes Corporation, The Western New Mexico University Foundation, Inc., The Eastern New Mexico University Foundation, Eastern New Mexico University Roswell Foundation, Eastern New Mexico University Ruidoso Foundation, Northern New Mexico College Foundation, New Mexico Military Institute (NMMI) Foundation, Inc., New Mexico School for the Blind and Visually Impaired Foundation, Cumbres & Toltec Scenic Railroad Commission, The New Mexico Renewable Transmission Authority, and the New Mexico Small Business Investment Corporation.

#### C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporates data from the State's Enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the State has six discretely presented component units and twenty-one non-major component units. Component units are shown in total in the government-wide financial statements with a combining statement to show the details. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### D. Basis of Presentation – Fund Financial Statements

**Fund Financial Statements** The fund financial statements provide information about the State's funds, including its fiduciary funds. Separate statements are presented for each fund category – governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining enterprise funds are aggregated and reported as non-major funds. The internal service fund is reported in a separate column on the proprietary funds financial statements. The accounts of the State are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenditures.

The State reports the following governmental funds:

Major 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **Debt Service Fund** – Debt Service Fund accounts are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations and other contractual obligations.
- **Capital Projects Fund** – The Capital Projects Fund accounts for funds appropriated by the State Legislature for capital outlay, including severance tax and general obligation bond proceeds and State General Appropriation capital outlay funds.
- **Severance Tax Fund** – The Severance Tax Fund accounts for the proceeds of severance taxes, which are 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 Severance Tax Fund, administered by the State Investment Council. Distributions from this fund are stipulated by the State Constitution.
- **Land Grant Fund** – The Land Grant Fund receives royalties and income from trust lands distributed to various entities assigned by the Ferguson Act of 1898.

The State reports the following enterprise funds:

Major fund:

- **Educational Institutions Fund** – The Educational Institutions Fund accounts for the activities of the State’s ten educational institutions created by the *Constitution of the State of New Mexico* in Article XII, Section 11: University of New Mexico, New Mexico State University, Eastern New Mexico University, New Mexico Institute of Mining and Technology, Western New Mexico University, New Mexico Highlands University, Northern New Mexico College, New Mexico Military Institute, New Mexico School for the Blind and Visually Impaired, and the New Mexico School for the Deaf.

Non-major funds:

The State’s ten non-major enterprise funds include the following: Unemployment Insurance, Public Schools Insurance, Miners’ Colfax Medical Center, New Mexico Magazine, State Fair, Environment Department Clean Water, Corrections Industries, Industries for the Blind, State Infrastructure Bank and the Department of Cultural Affairs.

The State reports the following internal service fund:

- **Internal Service Fund** – The State reports the internal service fund type in the proprietary funds statements. The activities accounted for in the internal service fund include fleet operations, risk management, printing and records, communications services, and information processing. In the government-wide financial statements, the Internal Service Fund is included with governmental activities.

Additionally, the State reports the following fiduciary fund types:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **Pension and Other Employee Benefits Trust Funds** – These funds are 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 Employees Retirement Association (PERA), Educational Retirement Board (ERB), the Retiree Health Care Authority (RHCA), and the Deferred Compensation Plan.
- **External Investment Trust Funds** – These 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 external participants in the New Mexico State Treasurer’s Investment Pools and the State Investment Council’s Investment Pools.
- **Private Purpose Trust Funds** – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. These funds include the Scholarship Fund, the Water Trust Fund, and the Higher Education Savings Plan.
- **Agency Funds** – These funds are used to report resources held by the State in a purely custodial capacity for external parties. Agency funds account for receipt of various taxes, refundable deposits, and other monies collected or recovered to be held until the State has the right or obligation to distribute them to various entities or individuals.

#### E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State generally considers revenues available if they are collected within 60 days of the end of the current fiscal period. All other revenues are recognized when they are received if they are not susceptible to accrual. Expenditures are generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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.

Proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described previously. Proprietary funds include both enterprise and internal service fund types. Enterprise funds report the activities for which fees are charged to external users for goods and services. Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public. Proprietary funds distinguish operating revenues and expenses from non-operating 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 student tuition and fees, net of scholarship discounts and allowances, patient services, sales and services, interest on loans, and most federal, state, and local contracts and grants. 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 non-operating revenues and expenses.

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

#### **F. Budgetary Information**

##### **1. Budgetary Basis of Accounting**

The budget is adopted on the modified accrual basis of accounting, per statute, in accordance with procedures prescribed by the Financial Control Division (FCD), Department of Finance and Administration. Per these procedures, accounts payable which are not recorded in a timely manner (before the statutory fiscal year-end deadline) will not be paid from the current year appropriation, and they are thus not recorded as a budgetary expenditure. Instead, permission must be obtained from FCD to pay the obligation out of the next year's budget. This budgetary basis is not consistent with generally accepted accounting principles (GAAP). 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. Encumbrances do not carry over to the next year for operating budgets.

Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated. The General Fund presented herein includes the general funds of all state agencies. The largest of these general funds are the component appropriation accounts. These appropriation accounts are part of the Department of Finance and Administration. The State's component appropriation accounts do not adopt an annual appropriated budget; however, the expenditures of the component appropriations by law must equal the individual amounts appropriated in the various appropriation acts. Other activities designated as non-appropriated (not budgeted) by the Legislature are the Severance Tax Permanent Fund, the Land Grant Permanent Fund, and the following Enterprise Funds: the Educational Institutions, State Fair Commission, Environment Department, State Infrastructure Bank, and Unemployment Insurance Funds.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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#### **2. Budget to GAAP Reconciliation**

The budgetary comparison schedules of the various funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Both the budget and actual amounts represent single year activity based on the budget reference assigned to the particular transaction. Since accounting principles applied for the purposes of developing data on a budgetary basis, differ significantly from those used to present financial statements in conformity with GAAP, a budget to GAAP reconciliation is presented following the budgetary comparison schedules.

#### **3. Multiple Year Appropriation – Capital Projects Budgets and Special Appropriation Budgets**

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

#### **4. Excess of Expenses/Expenditures Over Budget**

For the fiscal year ended June 30, 2017, the State is reporting expenses/expenditures exceeding for one function (Legislature) by \$12 million. More information can be found in the Budgetary Comparison Schedule in the Financial Section.

#### **G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

##### **1. Cash and Cash Equivalents**

Cash and cash equivalents represent cash on hand, cash on deposit with banks, investment in the State General Fund Investment Pool, Local Government Investment Pool, 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. Cash balances not held by the New Mexico State Treasurer (State Treasurer) and controlled by various State officials are generally deposited in interest-bearing accounts or other legally stipulated investments.

##### **2. Investments**

Investments are under the control of the State Treasurer, the State Investment Council, and other administrative bodies as determined by law. In certain instances, investments are restricted by law or other legal instruments. Investments are valued at fair value. The fair value of investments is based on published prices and quotations from major investment brokers at current exchange rates as available. For investments where no readily ascertainable fair value exists, management in consultation with their investment advisors, have determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk. The change in fair value is recognized as a component of investment income in the current year.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

The Education Trust Board calculates the net asset value of its units as of the close of The New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The net asset values of the investments are determined as of the close of the Exchange on each day the Exchange is open for trading. Short-term money market-type debt securities with remaining maturities of sixty days or less are valued at amortized cost (which approximates market value).

#### 3. Investment Pools

*State Treasurer* - The State is required by statute to deposit any money received with the State Treasurer. Balances maintained at the end of the day are pooled and invested by the State Treasurer in overnight repurchase agreements. All repurchase agreements are collateralized by U.S Treasury Securities held by the State Treasurer's custodian bank. These pooled balances are collectively called the State General Fund Investment Pool (SGFIP), which also includes the deposits in the Tax-Exempt Bonds Proceeds Investment Pool and Taxable Bond Proceeds Investment Pool. The State General Fund is the State of New Mexico's main operating account. All State revenues are credited to the General Fund. Income taxes, sales taxes, rents and royalties, and other recurring revenues are deposited into the fund. The fund also comprises numerous State agency accounts whose assets, by statute, must be held at the State Treasury. Expenditures are disbursed only in accordance with appropriations authorized by the State Legislature. The Bond Proceeds Pools consist of pooled assets received through the issuance of taxable and tax-exempt bonds. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the SGFIP are reported as a cash equivalent.

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

In addition to the SGFIP pooled cash account, the State Treasurer maintains the Local Government Investment Pool (LGIP). The LGIP also includes the deposits in the Reserve Contingency Fund. Cities, counties, other non-state agencies, and state agencies invest monies with the State Treasurer in the LGIP. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the LGIP are reported as a cash equivalent.

The LGIP, an external investment pool, is not registered with the Security and Exchange Commission (SEC) as an investment company. The investments are recorded at fair value based on quoted market price; however, individual participant balances remain at their carrying cost. The LGIP does not have unit shares. Per Chapter 6-10-10.1F, New Mexico Statutes Annotated (NMSA) 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. At June 30, 2017, the LGIP carrying cost approximated the fair value. Participation in the LGIP is voluntary. The external portion of LGIP is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the State and its component units, has been included in the various funds and component units.

A copy of the New Mexico State Treasurer's audited financial statements can be obtained by writing the New Mexico State Treasurer, P.O. Box 5135, Santa Fe, NM 87505 or online at [http://www.saonm.org/audit\\_reports/detail/9836](http://www.saonm.org/audit_reports/detail/9836).

*Public Employees Retirement Association* - The Public Employees Retirement Association created a short-term investment pool (Pool) to maximize the benefits of the investment diversification and investment earnings. The

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

*State Investment Council* - The State Investment Council (Council) is responsible for the investment activities of certain state trust funds. The Council's investments are reported in the following categories: governmental activities, business-type activities, private-purpose trust funds, and external investment trust funds. Each of the fund types are participants in the Council's pools. Each pool is composed of units of participation of unlimited quantity. Each unit of participation represents an equal beneficial interest in the respective pool and no unit has priority over any other. Each purchase or sale of units requires written authorization as defined in the joint powers agreements executed between the Council and each participant. All units are purchased by cash payment. Each unit of participation is recorded in book entry form by the Council.

The external portion of the Council's investment pools are reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the State and its component units, has been included in the various funds and component units.

A copy of the Council's report can be obtained by writing the New Mexico State Investment Council, 41 Plaza la Prensa, Santa Fe, NM 87507.

#### **4. Inventories**

The governmental funds use both the purchases method and the consumption method of accounting for inventories. Each state agency determines which method is more appropriate for its circumstances. Under the purchase method, inventories are recorded as expenditures when purchased. For the consumption method, costs are recorded as expenditures when consumed rather than when purchased.

Inventories of the proprietary funds are valued by agencies as either; using the average cost, retail inventory, or first-in-first-out (FIFO) methods.

#### **5. Receivables and Loan Receivables**

Receivables, net of allowance, in the governmental, business-type activities and fiduciary activities consist mainly of amounts due from the federal government, local governments, customers, patients and applicable insurance companies, taxpayers, students, and others.

Various reimbursement procedures are used for federal awards received by the State. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed. Loans are stated at their principal amount. Interest

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. Certain loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements.

#### 6. Capital Assets

Capital assets, which include automobiles, buildings and improvements, furniture and fixtures, software, library books, infrastructure (e.g., roads, bridges, sidewalks, and similar items), machinery and equipment, and portable buildings are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The State defines capital assets as costing at least five thousand dollars or more when acquired and having an estimated useful life greater than one year.

Capital assets purchased by governmental funds are recorded as expenditures in the governmental fund financial statements. Interest expense for capital asset construction related to governmental activities is not capitalized. Interest expense incurred during construction of capital facilities related to business-type activities and component units is immaterial and is not capitalized in all cases. There is no depreciation recorded for land and infrastructure (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 acquisition 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.

There is no depreciation recorded for land, and construction in progress. Buildings, equipment, infrastructure and other depreciable assets are depreciated using the straight-line method over the following estimated useful lives:

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

As provided by GASB standards, the State elected to use the depreciation method to account for infrastructure assets (roads and bridges). This method requires the State to allocate the cost of infrastructure assets over their estimated useful lives as depreciation expense.

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.

#### 7. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.



# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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#### **8. Accrued Liabilities**

Accrued liabilities include accrued current payroll and fringe benefits payable at year end. These benefits consist of the employee and employer portions of taxes, insurance, retirement, and other compensation-related withholdings.

#### **9. Compensated Absences**

Qualified employees' vacation leave is accrued at a graduated schedule of 80 to 160 hours per year, depending upon the length of service and employees' 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. Qualified employees sick leave accrued at the rate of 3.7 hours per bi-weekly pay period. There is no limit to the amount of sick leave, which an employee may accumulate. Employees are paid for accumulated sick leave annually, or upon retirement or other termination, but only for accumulated sick leave in excess of 600 hours. Annually, employees may be paid 50.0 percent of the excess over 600 hours, up to a maximum of 120 hours. Upon retirement or other termination, employees are paid 50.0 percent of the excess over 600 hours, up to maximum of 400 hours. The total liability of the governmental activities for compensated absences is recorded in the government-wide Statement of Net Position as part of long-term liabilities. However, in accordance with GAAP, the liability is not recorded in the Governmental funds financial statements. See additional disclosure in the detailed notes.

#### **10. Unearned Revenue**

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, unearned revenue is recorded when cash or other assets are received prior to being earned. In the governmental fund statements, unearned revenue is recorded when revenue is either unearned or unavailable. *GASB Statement No. 65* requires resources received from another government under voluntary or government-mandated non-exchange transactions before time restrictions are met, but after all other eligibility requirements are met, should be classified as deferred inflows of resources.

#### **11. Bonds Payable**

Bond premiums and discounts and deferred amounts on refunding are deferred and amortized over the life of the bonds using the bonds outstanding method or straight-line method, which approximates the effective interest method. Bonds payable are reported at face amount, with the applicable bond premium or discount and deferred amount on refunding reported separately. In accordance with GASB Statement 65, bond issuance costs are expensed. In the governmental fund financial statements, total bond premium or discount is recognized when the bonds are first issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **12. Insurance Losses and Loss Adjustment Expense**

*Public Schools Insurance Authority* – The New Mexico Public Schools Insurance Authority (PSIA) insurance losses and related adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses are determined based upon case-basis evaluations and actuarial projections, and include a provision for

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

claims incurred but not reported. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of PSIA's experience and benefits, property, casualty, and workers' compensation insurance industry data, which supplements PSIA's historical experience and includes the effects of inflation and other factors. Losses are reported net of estimated amounts recoverable from excess insurance, salvage and subrogation, and the deductible portion of claims. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations as made.

*Retiree Health Care Authority* - The amount shown for the Retiree Health Care Authority as reserve for losses and loss adjustment expenses is an actuarially calculated estimate of the ultimate costs of settling all incurred but not reported claims as of the fiscal year-end, while the amount shown on the accompanying fiduciary statement of changes in fiduciary Net Position as losses and loss adjustment expenses represents the change in this estimate during the fiscal year. These reserves represent, in management's opinion, the best estimate of the ultimate cost of settling all reported and unreported claims. There exists a range of variability around the best estimate of the ultimate cost of settling all unpaid claims. Accordingly, the amount reflected in the accompanying financial statements may not ultimately be the actual cost of settling all unpaid claims and the difference may be significant.

#### 13. Interfund Transactions

##### Government-Wide Financial Statements

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

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

##### Governmental Fund Financial Statements

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

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

#### 14. Net Position and Fund Balance

*Net Investment in Capital Assets* consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets. Significant unspent related debt proceeds are not included in the calculation of Net Investment in Capital Assets. The unspent portion of the debt is included in restricted for capital projects. The State issues General Obligation bonds and Severance Tax bonds to finance projects for the State

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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and local governments. The Legislature appropriates the bond proceeds from each bond issue to projects throughout the State. Only bonds issued for projects appropriated to State agencies and recognized as a State asset are included in this calculation.

The State reports Net Position as restricted when constraints placed on Net Position are a) externally imposed by creditors, grantors, contributors or laws, or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

*Restricted Net Position* is designated as either expendable or nonexpendable. Expendable Restricted Net Position includes those funds that may be expended either for a stated purpose or for a general purpose subject to externally imposed stipulations. Nonexpendable Restricted Net Position includes those funds that are required to be retained in perpetuity. Restricted Net Position includes the State's permanent endowment funds subject to externally imposed restrictions governing their use.

*Unrestricted Net Position* consists of net position that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

When both restricted and unrestricted net position are available for use, it is the State's policy to use restricted resources first and then unrestricted resources, as they are needed.

In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, committed, assigned, or unassigned. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed by outside parties or internally imposed by law through constitutional provision or enabling legislation.

Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature, such as an appropriation or legislation. The State Legislature is the highest level of decision-making authority that can, by passage of legislation, commit fund balance that is not already restricted. Once adopted, the limitation remains in place until similar action takes place, usually in the form of a new budget bill or other legislation.

Assigned fund balance is constrained by the Legislature's intent to be used for specific purposes by directive of the Legislative Finance Committee of the Legislature or in some cases by legislation. Legislative directives dictate that all fund balances remaining at the end of the fiscal year shall be reverted back to the State General Fund unless the fund is stipulated as non-reverting by the Legislature or by laws or regulations imposed by grantors. If the fund is non-reverting, the agency governing board or department head has the authority to assign a fund balance for a specific use.

The State has not adopted a formal flow assumption policy and therefore uses the GASB recommendations; that is, it is the State's policy to use restricted fund balance before using components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is used first, followed by assigned fund balance, and lastly, unassigned fund balance.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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#### **H. Revenues and Expenditures/Expenses**

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

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

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

In the governmental fund financial statements, expenditures are reported by character: Current, Capital Outlay, or Debt Service. Current expenditures are sub-classified by function and are for items such as salaries, grants, supplies, and services.

Revenues and expenses of proprietary funds are classified as operating or non-operating and are sub-classified by object (e.g. depreciation, benefits, claims and premiums, and game expense). Operating revenues consist of sales of goods or services, interfund services provided/used, grant revenues for specific activities that are considered operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions, and other miscellaneous revenue that should be classified as operating. For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. An example of this would include interest income on loans. All other revenues that do not meet the above criteria should be classified as non-operating.

#### **Grants**

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

#### **Investment Income**

Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, securities lending income, rental income, and investment expenses (which includes investment management and custodial fees, securities lending expense, and all other significant investment related costs). Negative investment income is reported where the decrease in fair value of investments due to market conditions exceeded the other components of investment income.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

#### Endowments

Net appreciation on the Educational Institutions' investments of donor-restricted endowments are available for authorization for expenditure by the governing boards of the universities with endowments, which are reported in Net Position as restricted for purposes for which the endowments were established. Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Management of Institutional Funds Act, Chapters 46-9-1 to 46-9-12, NMSA 1978, except where a donor has specified otherwise. Distributions shall not exceed 6.0 percent nor be less than 4.0 percent of the average market value of the endowment. The universities use the total-return policy for authorizing and spending investment income. The universities review the investment earnings designed to support distributions from the pool and to protect the purchasing power of the endowment principal.

#### Retirement and Employee Benefit Costs

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

#### I. 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 these estimates.

#### J. New Accounting Standards

For the fiscal year ended June 30, 2017, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

##### *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The statement was adopted by the State for the fiscal year ending June 30, 2017.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

#### *GASB Statement No. 77, Tax Abatement Disclosures*

This statement provides disclosure guidance for governments that enter into tax abatement agreements with individuals or businesses. Its requirements of this Statement improves financial reporting by giving users of financial statements essential information that was not consistently or comprehensively reported to the public in prior years. This statement was adopted by the State for the fiscal year ending June 30, 2017. This statement does have a significant impact on state financial reporting.

#### *GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

This statement establishes accounting and reporting requirements for certain governments and pension plans that fit the definitions enumerated in the statement. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local government employers through a cost-sharing multiple-employer defined benefit pension plan as defined. This statement was adopted by the State for the fiscal year ending June 30, 2017.

#### *GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*

This statement applies to certain specific component units as defined in the statement. The statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. This statement was adopted by the State for the fiscal year ending June 30, 2017.

#### *GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*

This statement addresses certain specific financial reporting issues which have arisen due to the implementation of GASB Statements No. 67, No. 68, and No. 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement was adopted by the State for the fiscal year ending June 30, 2017.

### **K. Future Accounting Standards**

The following pronouncements of the Governmental Accounting Standards Board (GASB) are due to be implemented by the State in the year indicated. For all of these new standards, the State has not determined the effect on the financial statements that implementation of the standards will entail.

#### *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

This statement establishes new standards for accounting and financial reporting for governments whose employees are provided with postemployment benefits other than pensions. Statements No. 74 and No. 75 will have a significant impact on the financial statements of most state and local governments, including the State of New Mexico. This statement is due to be adopted by the State for the fiscal year ending June 30, 2018.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

#### *GASB Statement No. 83, Certain Asset Retirement Obligations*

This statement addresses the accounting and financial reporting for legally enforceable liabilities resulting from the retirement of certain tangible capital assets, mainly those which are large and/or not easily disposed, such as sewage plant facilities or nuclear reactors. The statement is due to be adopted by the State for the fiscal year ending June 30, 2019.

#### *GASB Statement No. 84, Fiduciary Activities*

This statement establishes criteria for identifying fiduciary activities of all state and local governments, and describes those fiduciary funds which should be reported, if applicable. The statement is due to be adopted by the State for the fiscal year ending June 30, 2020.

#### *GASB Statement No. 86, Certain Debt Extinguishment Issues*

This statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The statement is to be adopted by the State for the fiscal year ending June 30, 2018.

#### *GASB Statement No. 87, Leases*

This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is due to be adopted by the State for the fiscal year ending June 30, 2021.

#### *GASB Statement No. 88, Certain Disclosure Related to Debt, Including Direct Borrowings and Direct Placements*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is due to be adopted by the State for the fiscal year ending June 30, 2019.

#### **L. State Auditor Rule Disclosure**

The Office of the State Auditor Rule requires that audit reports contain a schedule of Joint Powers Agreements (JPA) and Memoranda of Understanding (MOU) that are significant to the State as a whole. There are none that meet this criterion.

Disclosure of these schedules may be found in the stand-alone audit reports which have been issued by the individual State agencies. These are available from the Office of the State Auditor at [www.saonm.org](http://www.saonm.org).

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2

#### NOTE 2. Cash

##### Primary Government

##### New Mexico State Treasurer

All monies, except with specific authority, must be deposited with the State Treasurer. These operating funds are commingled in the State Investment Pool, managed by the Treasurer. Every State agency reports its operating cash as “Investment in State General Fund Investment Pool”, and this pool is reported in Note 3, “Investments”. The issues concerning the reconciliation of the State General Fund Investment Pool and the resolution are reported in Note 17, “State General Fund Investment Pool.”

Cash on deposit represents the demand deposit account with the fiscal agent bank. Current year transactions reflect all banking activity for the fiscal year as well as the activity of investments purchased and disposed of during the fiscal year. The State Treasurer invests all public monies, with the exception of the New Mexico Lottery and the university funds. The university funds are entirely under the control of the universities. These funds are held in excess of the minimum compensating balance maintained with the fiscal agent bank in accordance with an investment policy approved by the State Board of Finance (BOF). The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund Appropriations Account.

All State agencies, unless otherwise excepted, must have specific approval from the State Treasurer in order to maintain separate bank accounts. These accounts are mainly used for agency fund purposes, either as a collection fund until final distribution, or when the funds are being held by the agency in a fiduciary capacity and the funds do not belong to the State.

***Custodial Credit Risk.*** 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. The State Treasurer’s Office collateral manager reviews and tracks all state funds held in state depository institutions. Deposits and collateral are reviewed almost daily and a statutorily required risk assessment is performed quarterly. Balances are collateralized in compliance with NMAC 2.60.4.

The State Treasurer invests all public monies held in excess of the minimum compensating balance maintained with the fiscal agent bank in accordance with an investment policy approved by the State Board of Finance. The Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250 thousand in federal deposit insurance. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50.0 percent to 102.0 percent of the par value of the investment, dependent on the institution’s operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50.0 percent of the average investment balance.

As of June 30, 2017, the funds held by the State Treasurer in the fiscal agency account were exposed to custodial credit risk as follows:



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

**Office of the State Treasurer**  
**Custodial Credit Risk**  
*(Expressed in Thousands)*

	<b>Balance at June 30, 2017</b>
Cash in Banks	\$ 341,748
Less: Deposit of Institutions Which are Fully Insured and Collateralized	125,374
Deposits of Institutions Not Fully Collateralized	216,374
Less: Total FDIC Insurance Coverage	1,500
Collateral Pledged:	
Surety Bond	5,575
Securities	106,574
<b>Subject to Custodial Credit Risk</b>	<b>\$ 102,725</b>

In the table above, FDIC insurance coverage and collateral pledged relate only to those institutions whose deposits are not fully insured and/or collateralized.

As of June 30, 2017, collateral pledged to public money deposits was as follows:

**Office of the State Treasurer**  
**Statutory Collateral Compliance**  
*(Expressed in Thousands)*

	<b>Fiscal Agent Account</b>	<b>Certificates of Deposit</b>
Cash in Bank *	\$ 35,537	\$ 20,700
Less: FDIC Insurance Coverage	-	1,000
Total Unsecured Public Funds	\$ 35,537	\$ 19,700
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	\$ 17,769	\$ 9,850
Collateral Pledged:		
U.S. Government Securities	\$ 90,911	\$ 8,306
Surety Bond	-	5,000
Collateral Pledged	90,911	13,306
<b>Over Collateralized</b>	<b>\$ 73,142</b>	<b>\$ 3,456</b>

\* Fiscal agent bank is required to collateralize the monthly average balance.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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The cash deposits of the State Investment Council, the Public Employees Retirement Association, the Educational Retirement Board, the Retiree Health Care Authority, and the Education Trust Board are monitored by their individual Boards in conjunction with contracted professional investment firms. The respective Boards of these agencies have instituted policies and procedures to safeguard the public assets under their control.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3

#### NOTE 3. Investments

The following schedule lists the total investments reported in the financial statements:

	<b>Balance at June 30, 2017</b>
Primary Government:	
Current:	
Investment in State General Fund Investment Pool	\$ 2,474,438
Investment in Local Government Investment Pool	83,222
Investments	437,876
Noncurrent:	
Investments	21,954,212
Fiduciary Funds:	
Investment in State General Fund Investment Pool	245,952
Investment in Local Government Investment Pool	103,220
Investments	31,249,002
Component Units:	
Investments	1,512,576
Subtotal	<u>58,060,498</u>
Less: Investments in Deferred Compensation Plan not Included in Reported Investments	<u>(556,654)</u>
<b>Total Investments</b>	<b><u>\$ 57,503,845</u></b>
 <i>Reconciliation to Investments presented</i>	
Total presented above	\$ 57,503,845
Less - Information presented separately:	
Component Unit Invest. Excluding LGIP	(1,500,062)
Securities Lending Collateral	(456,766)
Add: Other investments	<u>162,372</u>
Total separately held investments	<b><u>\$ 55,709,389</u></b>

There are six different agencies or groups which report investments for the State, each of them with separate authority and different objectives. They are: a) the Office of the State Treasurer; b) the State Investment Council; c) the Public Employee and Educational Employee Retirement Plans; d) the State universities and colleges; e) Education Trust Board; and f) State agencies with separately-held investments. In addition, the component units also report separately-held investments.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### State Treasurer

The State Treasurer operates four separate investment pools. They are as follows:

##### *General Fund Investment Pool*

The General Fund is the State of New Mexico's main operating account. All State revenues are credited to the State General Fund. Income taxes, sales taxes, rents and royalties, and other recurring revenues are deposited into the fund. The fund also comprises numerous State agency accounts whose assets, by statute, must be held at the State Treasury. Expenditures are disbursed only in accordance with appropriations authorized by the State Legislature.

##### *Consolidated Investment Pool (Tax-Exempt Bond Proceeds Investment Pool #1)*

The Tax-Exempt Bond Proceeds Investment Pool is comprised of pooled assets received through the issuance of tax-exempt State of New Mexico general obligation, severance tax, and supplemental severance tax bonds. The fund's objective is to preserve capital, provide liquidity, and generate returns relative to the true interest cost of all State of New Mexico debt outstanding and in accordance with the Investment Policy of the Office of the State Treasurer.

##### *Consolidated Investment Pool (Taxable Bond Proceeds Investment Pool #2)*

The Taxable Bond Proceeds Investment Pool is comprised of pooled assets received through the issuance of State of New Mexico severance tax bonds. The fund's objective is to preserve capital, provide liquidity, and generate returns relative to a benchmark and in accordance with the State Treasurer's Investment Policy.

##### *Local Government Investment Pool (LGIP; Short-term Investment Pool)*

Cities, counties, and other agencies invest monies in the State Treasurer external investment pool (LGIP). In fiscal year 2016, LGIP implemented a portion of GASB No. 79, Certain External Investment Pools and Pool Participants, which permits external investment pools to elect to measure all of their investments at amortized cost. The LGIP investments are presented at fair value based on the valuation date in the financial statements. The individual participant balances remain at their amortized cost. As of June 30, 2017, LGIP amortized cost approximated fair value, difference is immaterial.

The LGIP is not SEC registered. Chapter 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and adhere to the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the LGIP is voluntary. As of June 30, 2017, the WAM(R) of the LGIP was 58 days, and the WAM(F) was 106 days. The fund was rated AAAM by Standard & Poor's as of June 30, 2017.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### *Investment Guidelines and Limitations*

The Investment Policy is a comprehensive guide governing the investment functions of the New Mexico State Treasurer with respect to all financial assets of the State of New Mexico invested by the State Treasurer in the exercise of their authority and for which the State Treasurer acts as the investing authority. These assets include, as examples only, the State General Fund, the LGIP, bond proceeds, bond debt service funds, and those pension and permanent Note 12 funds and other special funds with respect to which the State Treasurer is the investing authority.

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

- Preservation of Principal – to ensure the performance of basic governmental functions, the first priority must be accorded to the preservation and protection of the principal of the funds to be invested;
- Maintenance of Liquidity – the second level of priority must be accorded to maintaining sufficient liquidity to satisfy the reasonable anticipated, continuing operational requirements of State Government, and
- Maximum Return – the third priority must be accorded to maximizing investment return, through budgetary and economic cycles, consistent with the higher priority accorded to the security and liquidity of principal.

#### **State Investment Council**

The State of New Mexico Investment Council (Council) is responsible for the investment activities of certain State trust funds. The Council is composed of eleven members, and currently manages the Land Grant, Severance Tax, and Tobacco Settlement Permanent Funds, the Water Trust Fund, and various investment pools for the benefit of state agencies and other political entities within the State of New Mexico.

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

#### **Pension Benefits Funds**

The two pension benefits agencies are the Public Employees Retirement Association of New Mexico (PERA) and the Educational Retirement Board (ERB). PERA operates four separate cost-sharing multiple-employer public employee retirement systems, and ERB operates one such system for the benefit of educational employees in the State. More information on each of these agencies can be found elsewhere in these Notes. Each is governed by a separate Board, and each has specific investment policies and guidelines to which they must adhere.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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#### State Universities and Colleges

As mentioned in Note 1. B, the ten educational institutions created by the *Constitution of the State of New Mexico* are included in the State reporting entity. Eight of these institutions maintain separate investment portfolios, as permitted by statute, with some of the investments held and managed by State agencies and some managed by the institutions themselves. Each has investment policies and guidelines which are similar.

#### Education Trust Board

The Education Trust Board (ETB) is responsible for the management of the two higher education savings plans: Scholar's Edge, and The Education Plan (Plans). The Plans are savings vehicles for higher education expenses under Section 529 of the U.S. Internal Revenue Code. The funds are managed by a private company under contract agreement.

#### A. Fair Value

**Fair Value Measurement** – The State categorizes fair value measurements within the fair value hierarchy established by *GASB Statement No. 72, Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

**Level 1** inputs are quoted prices (unadjusted) for identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal-to-principal markets.

**Level 2** inputs are inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.

**Level 3** inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the State considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment	State of New Mexico Fair Value of Investments (Expressed in Thousands)			
	Fair Value June 30, 2017	Quoted Prices, Active Markets (Level 1)	Observable Inputs	
			Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
<b>Investments By Fair Value Level</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 16,785,807	\$ 16,777,697	\$ 3,179	\$ 4,931
Domestic preferred stock	13,131	631	12,500	-
International common stock	3,337,119	3,337,119	-	-
International preferred stock	28,806	28,806	-	-
Domestic Equity Derivatives	(868)	(868)	-	-
International Equity Derivatives	(200)	(200)	-	-
Money Market Funds	74	74	-	-
Mutual Funds	16,745	16,745	-	-
Pooled Funds - Mutual Funds	83,863	38	83,825	-
Public MLP	286,426	286,426	-	-
Public REIT	702,329	648,529	53,800	-
Exchange-traded Funds	10,243	10,243	-	-
Total Equity Securities	21,263,475	21,105,240	153,304	4,931
<b>Debt Securities:</b>				
U.S. Government Bonds	2,979,070	650,178	2,328,892	-
US Treasuries	1,132,265	138,967	993,298	-
US Agency Securities	489,099	1,769	487,330	-
Non- U.S. Government Bonds	586,808	938	585,870	-
Municipal Bonds	110,915	302	110,613	-
Corporate Bonds	3,297,426	1,478	3,266,796	29,152
Non-U.S. Corporate Bonds	168,822	-	166,804	2,018
Domestic Fixed Income	899,789	899,789	-	-
Global Fixed Income	121,118	121,118	-	-
Mutual Funds - Fixed	55,142	50,142	-	5,000
Certificates of Deposit	47,362	9,305	38,057	-
Commercial Paper	268,206	-	268,206	-
Mortgage-backed Securities	1,990,697	-	1,990,697	-
Asset-backed Securities	644,697	-	644,047	650
Commercial Mortgage-backed Securities	76,209	-	76,209	-
Repurchase Agreements	1,099,000	-	1,099,000	-
Discounted Notes	293,609	-	293,609	-
Bankers' Acceptances	1,118	-	1,118	-
Bank Loans	341,732	-	341,732	-
CMO/REMIC	12,894	-	12,894	-
Sovereign Debt	30,334	-	30,334	-
Fixed Income Derivatives	(13)	(226)	213	-
Balanced Funds	800	800	-	-
Cash in Banks	204,875	-	204,875	-
Miscellaneous Cash	30	-	30	-
Fiscal Agency Account	47,031	-	47,031	-
Total Debt Securities	14,899,035	1,874,560	12,987,655	36,820
<b>Alternative Investments:</b>				
Master Limited Partnerships	348,055	348,055	-	-
Total Alternative Investments	348,055	348,055	0	0

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

<b>Investments in Derivative Instruments:</b>			
Credit Derivatives	962	-	962
Equity Derivatives	(9)	(16)	7
Foreign Exchange Derivatives	1,627	88	1,539
Interest Rate Derivatives	7,286	(164)	7,450
Other Derivatives	1,156	-	1,156
<b>Total Derivative Instruments</b>	<b>11,022</b>	<b>(92)</b>	<b>11,114</b>
<b>Total Investments Measured At Fair Value</b>	<b>36,521,587</b>	<b>\$ 23,327,763</b>	<b>\$ 13,152,073</b>
<b>\$ 41,751</b>			
<b>Investments Measured At Net Asset Value (NAV):</b>			
		<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>
			<b>Redemption Notice Period</b>
Commingled Domestic Equity	509,187	\$ -	Monthly
Portable Alpha Hedge Funds	43,290	-	Redeeming
Commingled International Equity	1,661,194	-	Monthly
Comm. Emerging Market Debt Fund	524,260	-	Daily
Absolute Return (Hedge) Funds	1,539,674	-	Monthly
Private Equity Partnerships	2,809,828	1,041,309	Illiquid
Private Debt Partnerships	749,445	282,449	Illiquid
Real Estate Equity Partnerships	2,186,766	620,707	Illiquid
Real Estate Debt Partnerships	109,083	164,691	Illiquid
Real Asset Funds	1,267,810	864,340	Illiquid
Real Asset Partnerships	453,765	576,055	Illiquid
Commingled Bond Funds	101,070	-	Monthly
Commingled Global Asset Allocation	1,230,524	-	Monthly
Opportunistic Credit Funds	2,327,458	695	Daily, Monthly
Private Equity Funds	1,442,384	1,391	N/A
Private Real Estate Funds	1,303,440	856	N/A
Hedge Fund Investments	559	-	In Liquidation
Event-driven Hedge Funds	76,168	-	Quarterly
Relative Value Hedge Funds	73,092	-	Quarterly
Special Purpose Vehicles	836,360	-	Quarterly
Non-core Fixed Income	41,246	160,000	Illiquid
Marketable Alternatives	81,710	-	Monthly
Private Equity	39,171	41,479.00	-
Illiquid Funds	9,886	1,747.00	-
Mutual Funds - Fixed	35,868	-	-
Mutual Funds - Equity	195,630	-	-
Commingled Cash Equivalent Funds	708,477	-	Daily
Less: Short -term Investments	(593,477)	-	-
Less: PERA Deferred Comp.	(432,982)	-	-
<b>Investments Measured at NAV</b>	<b>19,330,886</b>		
<b>Investments Measured at Amortized Cost:</b>			
Guaranteed Investment Contract	99,138		
Money Market	33,434		
<b>Investments at Amortized Cost</b>	<b>132,572</b>		
<b>Other Investments:</b>			
Guaranteed Investment Contracts	26,546		
Equity	17,462		
Cash	6,495		
Unidentified	937		
<b>Total Other Investments</b>	<b>51,440</b>		
Subtotal - Investments	56,036,485		
Less: Investments Held in Consol. Pool	(203,624)		
Held in Fiduciary Fund	(24,334)		
IGuaranteed Investment Contract	(99,138)		
<b>Total Investments</b>	<b>\$ 55,709,389</b>		



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### **B. Custodial Credit Risk**

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

The State Treasurer's investment policy for safekeeping and custody states that all investment securities purchased by the State, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for the State account will be held free and clear of any lien and all transactions will be conducted in compliance with Chapter 6-10-100, NMSA 1978, which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports, which list all transactions that occurred during the month, and all securities held for the State at month-end, including the book and market value of holdings. The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping, and custody process of the State shall be bonded in such a fashion as to protect from losses from malfeasance and misfeasance. All investment and collateral securities were held by the State Treasurer or its Custodian in the name of the State Treasurer.

All of the PERA's and ERB's securities are held by the third party custodian, independent of any counterparty; therefore, there is minimal risk that PERA and ERB will not be able to recover the value of its investments or collateral securities held by a counterparty.

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

ERB's investment policy limits holding of securities by counterparties to those involved with securities lending. In the event of the failure of the counterparty to deliver back the borrowed securities, ERB will sell the collateral securities and offset any gains or losses with the counterparty. All of the investments of the Retiree Health Care Authority were held by the State Investment Council.

#### **C. Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. obligations or investments guaranteed by the U.S. Government are excluded from this requirement. The quality rating of PERA's investment policy restricts investments to specific investment ratings issued by nationally recognized statistical rating organizations.

ERB requires that noncash, interest-paying securities in the high-yield bond portfolios may not exceed 5.0 percent of the market value of the portfolio and that investments in cash may represent no more than 5.0 percent of each individual fund. Credit risk is managed through diversification and by operating within defined parameters versus a benchmark index.

ETB invests directly in Underlying Investments. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-IA of the Investment Company Act of 1940. Form N-IA discloses information

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the Participation Agreement provide greater detail about the credit risk, if any, by certain nonregistered Underlying Investments.

The quality ratings of investments in fixed income securities at June 30, 2017, were as follows:

**State of New Mexico**  
**Quality Ratings of Investments**  
*(Expressed in Thousands)*

<b>Investment</b>	<b>Rating</b>	<b>Fair Value</b>	
Investments Subject to Credit Risk - S&P Ratings:			
Government Bonds	AAA	\$ 1,141,501	
	AA+	1,397,695	
	AA	16,601	
	AA-	60,027	
	A+	18,824	
	A	2,472	
	BBB+	15,592	
	BBB	8,309	
	BBB-	17,482	
	BB+	2,239	
	BB	1,394	
	BB-	1,986	
	B+	3,288	
	B	7,381	
	B-	1,928	
		Not Rated	54,543
	Foreign Government Bonds	AAA	32,322
AA+		14,472	
AA		8,072	
AA-		3,200	
A+		14,988	
A		21,346	
BBB+		23,642	
BBB		31,627	
BB		17,140	
B		17,656	
CCC		2,068	
	Not Rated	177,702	
Municipal Bonds	AAA	9,042	
	AA+	6,213	
	AA	18,016	
	AA-	32,773	
	A+	8,671	
	A	6,263	
	A-	8,069	
	BBB+	4,951	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

**State of New Mexico**  
**Quality Ratings of Investments (Continued)**  
*(Expressed in Thousands)*

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Municipal Bonds (Continued)	BBB-	\$ 665
	Not Rated	16,623
Corporate Bonds	AAA	53,776
	AA+	66,855
	AA	56,459
	AA-	110,706
	A+	111,231
	A	346,204
	A-	258,483
	BBB+	532,435
	BBB	643,116
	BBB-	353,575
	BB+	102,581
	BB	90,135
	BB-	137,098
	B+	111,388
	B	107,205
	B-	38,873
	CCC+	23,557
	CCC	12,383
	CCC-	820
	CC	2,582
	D	155
	Not Rated	262,311
Mortgage-backed Securities	AAA	11,895
	AA+	1,209,920
	AA-	32,125
	A+	172
	A-	235
	BBB+	488
	BBB	969
	BBB-	1,582
	BB-	319
	Not Rated	361,739
Residential Mortgage-backed Securities	AA	264,946
	Not Rated	48

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

**State of New Mexico**  
**Quality Ratings of Investments (Continued)**  
*(Expressed in Thousands)*

<b>Investment</b>	<b>Rating</b>	<b>Fair Value</b>
Commercial Mortgage-backed Securities	AAA	\$ 35,929
	AA+	22,120
	AA	1,347
	AA-	1,764
	A+	159
	A	5,268
	A-	1,701
	BBB+	1,649
	BBB	1,245
	BBB-	4,178
	BB+	252
	BB-	888
	B-	761
	D	200
	Not Rated	114,720
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Asset-backed Securities	AAA	197,080
	AA+	10,119
	AA	44,347
	AA-	1,809
	A+	35,834
	A	58,529
	A-	1,135
	BBB+	12,061
	BBB	19,936
	BBB-	4,032
	BB+	10,341
	BB	2,491
	BB-	1,166
	B+	275
	B	1,507
B-	2,735	
CCC	30,075	
CC	3,336	
D	8,198	
Not Rated	207,954	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

**State of New Mexico**  
**Quality Ratings of Investments (Continued)**  
*(Expressed in Thousands)*

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Collateralized Mortgage Obligations/REMIC	AAA	\$ 761
	AA+	37,792
	AA	1,712
	AA-	605
	A+	711
	A	1,663
	A-	939
	BBB+	993
	BBB	2,067
	BBB-	82
	BB+	89
	BB	1,405
	BB-	490
	B+	1,664
	B	206
	B-	2,933
CCC	16,622	
D	15,895	
Treasury Bills	Not Rated	61,840
	AA+	63
	AA	308,839
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Mutual Funds - Fixed	AAA	69
	AA	153
	B	27
	Not Rated	4,050
Preferred Stock	BBB	274
	BB+	555
	B	102
	D	197
Derivatives	Not Rated	46,570
	Not Rated	(12)
Total Subject to Risk - S & P Ratings		9,887,646

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico  
Quality Ratings of Investments (Continued)  
(Expressed in Thousands)

Investment	Rating	Fair Value
Investments Subject to Credit Risk - Moody's Ratings:		
U. S. Government Agencies	Aaa	\$ 96,468
Corporate Bonds	Aaa	3,028
	Aa1	1,993
	Aa2	7,822
	Aa3	6,197
	A1	34,530
	A2	13,899
	A3	30,894
	A-P	784
	Baa1	42,775
	Baa2	14,951
Certificates of Deposit	A1	2,104
	A2	702
Commercial Paper	A1+	87,833
	A1	24,889
	A2	109,474
	A3	8,583
	Not Rated	4,784
Municipal Bonds	Aaa	978
	Aa1	1,236
	Aa2	2,642
	Aa3	5,078
	A1	724
Mutual Funds	Aaa	3,440
Discounted Notes	A1+	224,804
U.S. Treasuries	A1+	54,438
Bankers' Acceptances	A1+	1,119
Money Market Funds	Aaa	607
	Not Rated	18,282
Guaranteed Investment Contract	Not Rated	99,138
Investments Subject to Credit Risk: Moody's Ratings		904,196

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

**State of New Mexico**  
**Quality Ratings of Investments (Continued)**  
*(Expressed in Thousands)*

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Other Investments Subject to Credit Risk - Not Rated:		
U.S. Government Agencies	Not Rated	\$ 11,257
Commercial Paper	Not Rated	19,990
Discounted Notes	Not Rated	34,764
Equity Securities and Real Estate	Not Rated	2,063
Repurchase Agreements	Not Rated	1,099,000
Certificates of Deposit	Not Rated	41,319
Fiscal Agent Account		47,031
Cash in Banks		204,875
Miscellaneous Cash	Not Rated	30
Investment in LGIP	Not Rated	26,770
Unidentified	Not Rated	1
Other Investments Subject to Credit Risk: Not Rated		<u>1,487,100</u>
Total Investments Subject to Credit Risk		12,278,942
Investments Not Subject to Credit Risk		41,357,014
Less: Interfund Investments		(26,770)
Foundation Investments Held in Consol. Inv. Pool		(203,624)
Investments in Fiduciary Fund		(24,334)
Guaranteed Investment Contract		(99,138)
Add: Education Trust Board (presented elsewhere)		<u>2,427,299</u>
<b>Total Investments</b>		<b><u>\$ 55,709,389</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

The credit ratings for the Education Trust Board are shown separately as follows:

#### New Mexico Education Trust Board Quality Rating of Investments

<u>Scholar's Edge Plan</u>	<b>Oppen- heimer Global Strategic Income Fund</b>	<b>Oppen- heimer Limited- Term Govt Fund</b>	<b>Oppen- heimer Int'l Bond Fund</b>	<b>American Century Diversified Bond Fund</b>	<b>Mainstay High Yield Corporate Bond Fund</b>	<b>Limited Term Bond Fund</b>
<u>Investment/Rating</u>						
Investments Subject to Credit Risk - NRSRO						
AAA	17.2%	91.3%	10.0%	57.6%	-	19.1%
AA	2.2%	1.4%	5.6%	4.6%	-	5.90%
A	7.0%	0.6%	14.4%	11.1%	0.2%	19.1%
BBB	21.8%	4.4%	27.2%	21.0%	6.6%	46.3%
BB and Lower	48.5%	0.3%	30.2%	4.6%	88.4%	8.7%
NRSRO-rated Total	96.7%	98.0%	87.4%	98.9%	95.2%	99.1%
Not Rated	3.3%	2.0%	12.6%	1.1%	4.8%	0.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<u>The Education Plan</u>	<b>Dreyfus Bond Market Index Fund</b>	<b>Oppenheimer Limited-Term Government Fund</b>
<u>Investment/Rating</u>		
Investments Subject to Credit Risk - NRSRO		
AAA	72.5%	91.3%
AA	5.6%	1.4%
A	13.0%	0.6%
Baa	8.9%	4.4%
BBB	-	0.3%
BB and lower	-	-
NRSRO-rated Total	100.0%	98.0%
Not Rated	-	2.0%
Total	100.0%	100.0%



# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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#### **D. Custodial Credit Risk**

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the State, and are held by either the counterparty or the counterparty's trust department or agent but not in the State's name. All of the State's securities are held directly or by third party custodians, independent of any counterparty, in the name of the State.

#### **E. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. It is the policy of the State to diversify its investments portfolios. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. At June 30, 2017, there were no holdings with a single issuer comprising five percent or more of total net investments. It should be noted that 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.

#### **F. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. Investment managers attempt to match investments with anticipated cash requirements so as to lessen this risk.

PERA's interest rate risk is controlled by the duration guidelines provided in the Investment Guidelines for each fixed income manager. Duration is loosely defined as the dollar weighted average time to recover all of principal and fixed-income investment. PERA's fixed-income managers are typically limited to duration of plus or minus one year or 20.0 percent of the duration of the applicable portfolio benchmark. ERB does not have a policy for interest rate risk management. However, interest rate risk is managed through duration by operating within defined risk parameters versus a benchmark index.

Maturities on investment at June 30, 2017, were as follows:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico						
Maturities on Investments						
(Expressed in Thousands)						
Investment	Fair Value	Total				
		< 1 year	1-5 years	6-10 years	> 10 Years	Life Not Avail.
Investments Subject to Interest Rate Risk:						
U.S. Treasuries	\$ 1,140,097	\$ 418,848	\$ 412,410	\$ 308,839	\$ -	\$ -
U.S. Government Agencies	2,587,290	929,331	1,230,020	214,574	213,365	-
Corporate Bonds	3,659,245	330,074	804,856	2,334,140	190,061	114
Municipal/Provincial Bonds	110,723	30,801	14,954	9,064	55,904	-
Certificates of Deposit	47,384	31,381	15,731	272	-	-
Repurchase Agreements	1,099,000	1,098,775	225	-	-	-
CMO/REMIC	172,715	129,916	143	238	42,418	-
Asset-backed Securities	644,697	260,197	72,561	282,347	28,390	1,202
Commercial Mortgage-backed	193,306	41,532	1,072	66	150,636	-
Commercial Paper	257,953	253,159	-	-	-	4,794
Discounted Notes	293,610	293,610	-	-	-	-
Derivative/Interest Rate Swap	(12)	(12)	-	-	-	-
Mutual Funds - Fixed	6,825	0	69	6,756	-	-
Government Bonds	660,827	0	0	660,827	-	-
Money Market	23,587	23,041	0	-	-	546
Government Mortgage-backed Secs.	1,970,654	38,415	2,250	286,415	1,643,574	-
Preferred Stock	47,698	0	0	0	0	47,698
Forward Contracts	193	0	0	0	0	193
Futures	(858)	(626)	(232)	0	0	-
Options	69	69	0	0	0	-
International Government Obligations	413,684	0	0	413,684	0	-
Bankers' Acceptances	1,119	1,119	0	0	0	-
Cash Collateral	1,740	0	0	0	961	779
Swaps	7,370	(66)	3,984	1,732	1,720	-
Swaptions	1,245	(1,475)	921	516	1,283	-
Guaranteed Investment Contract	99,137	30,272	68,865	0	0	-
Investment in LGIP	26,770	26,770	0	0	0	-
Investments Subject to Interest Rate Risk	13,466,068	<u>\$ 3,935,131</u>	<u>\$ 2,627,829</u>	<u>\$ 4,519,470</u>	<u>\$ 2,328,312</u>	<u>\$ 55,326</u>
Investments Not Subject to Interest Rate Risk						
Interest Rate Risk	40,169,888					
Less: Interfund Investments	(26,770)					
Foundation Investments Held in Consolidated Pool	(203,624)					
Investments Held in Fiduciary Fund	(24,334)					
Guaranteed Investment Contract	(99,138)					
Add: Education Trust Board - Presented Elsewhere	2,427,299					
<b>Total Investments</b>	<u>\$ 55,709,389</u>					

Calculations based on weighted-average method (WAM)

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

The maturities on investments for the Education Trust Board are shown separately as follows:

**New Mexico Education Trust Board  
Maturities on Investments**

<u>Investment</u>	<u>1-5 years</u>	<u>6-10 years</u>
<b>The Scholar's Edge:</b>		
Oppenheimer Global Strategic Income Bond Fund	x	
Oppenheimer Limited-Term Government Fund	x	
Oppenheimer International Bond Fund	x	
American Century Diversified Bond Fund		x
Mainstay High Yield Corporate Bond Fund	x	
Oppenheimer Limited Term Bond Fund	x	
<b>The Education Plan:</b>		
Dreyfus Bond Market Index Fund		x
Oppenheimer Limited-Term Government Fund	x	

#### **G. Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Exposure to foreign currency risk at June 30, 2017 was as follows:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico  
Foreign Currency Risk  
International Investment Securities at Fair Value  
(Expressed in Thousands)

Foreign Currency	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Ptshps., Wrnts.	Derivatives	Total Investments	Cash and Cash Equivalents (Overdraft)
Argentine Peso	\$ 672	\$ 3,893	\$ -	\$ -	\$ 4,565	\$ -
Australian Dollar	268,753	13,464	10,726	(27)	292,916	1,852
Bangladeshi Taka	1,347	-	-	-	1,347	25
Botswana Pula	677	-	-	-	677	3
Brazilian Real	88,309	1,222	28,988	490	119,009	821
British Pound Sterling	831,428	40,792	100,874	(2,013)	971,081	7,171
Bulgarian New Lev	181	-	-	-	181	1
Canadian Dollar	396,792	7,658	1,372	38	405,860	3,397
Chilean Peso	16,228	-	153	177	16,558	229
Chinese Yuan Renminbi	1,559	-	-	107	1,666	39
Colombian Peso	6,446	2,141	-	(16)	8,571	20
Croatian Kuna	1,443	-	-	-	1,443	28
Czech Koruna	3,956	-	-	169	4,125	360
Danish Krone	90,618	12,851	-	(294)	103,175	78
Egyptian Pound	2,121	-	-	-	2,121	18
Euro	1,548,515	138,764	399,714	(224)	2,086,769	32,923
Ghanian Cedi	350	-	-	-	350	16

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico Foreign Currency Risk (Continued) International Investment Securities at Fair Value (Expressed in Thousands)						
Foreign Currency	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Ptshps., Wrnts.	Derivatives	Total Investments	Cash and Cash Equivalents
Hong Kong Dollar	\$ 562,598	\$ -	\$ 2,199	\$ 14	\$ 564,811	\$ 2,194
Hungarian Forint	7,101	-	-	5	7,106	318
Indian Rupee	78,908	2,625	-	(5)	81,528	237
Indonesian Rupiah	63,628	7,472	-	3	71,103	180
Japanese Yen	1,207,949	59,431	4,192	293	1,271,865	4,665
Jordanian Dinar	1,268	-	-	-	1,268	12
Kenyan Shilling	1,411	-	-	-	1,411	34
Kuwaiti Dinar	3,575	-	-	-	3,575	3
Malaysian Ringgit	37,462	-	-	-	37,462	270
Mauritian Rupee	1,371	-	-	-	1,371	6
Mexican Peso	57,726	11,345	144	(512)	68,703	1,484
Moroccan Dirham	1,496	-	-	-	1,496	29
New Israeli Shekel	28,873	-	4	-	28,877	256
New Taiwan Dollar	243,224	-	-	11	243,235	1,142
New Zealand Dollar	14,282	10,117	611	132	25,142	1,027
Nigerian Naira	968	-	-	-	968	132
Norwegian Krone	53,823	4,096	-	(54)	57,865	512
Omani Rial	1,241	-	-	-	1,241	13
Pakistan Rupee	2,250	-	-	-	2,250	46
Peruvian Nuevo Sol	1,925	-	-	-	1,925	11
Philippine Peso	23,718	3,891	-	(32)	27,577	249
Polish Zloty	22,379	7,569	-	(38)	29,910	666
Qatari Riyal	9,796	-	-	-	9,796	98
Romanian Leu	2,470	-	-	-	2,470	45

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico						
Foreign Currency Risk (Continued)						
International Investment Securities at Fair Value						
(Expressed in Thousands)						
Foreign Currency	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Ptsmps., Wrnts.	Derivatives	Total Investments	Cash and Cash Equivalents
Russian Ruble	\$ 8,296	\$ -	\$ -	\$ 64	\$ 8,360	\$ 63
Singapore Dollar	76,436	5,561	3,182	(12)	85,167	651
South African Rand	106,039	4,334	1,235	923	112,531	341
South Korean Won	299,534	267	2,965	52	302,818	1,545
Sri Lankan Rupee	1,386	-	-	-	1,386	11
Swedish Krona	136,673	7,390	68	1,875	146,006	3,848
Swiss Franc	426,402	1,566	-	(63)	427,905	803
Thai Baht	40,868	-	-	-	40,868	18,722
Tunisian Dinar	507	-	-	-	507	18
Turkish Lira	34,645	-	59	105	34,809	1,017
UAE Dirham	12,085	-	-	-	12,085	101
Vietnam Dong	1,377	-	-	-	1,377	22
Various	-	-	3	-	3	-
Subtotals	<u>\$ 6,833,085</u>	<u>\$ 346,449</u>	<u>\$ 556,489</u>	<u>\$ 1,168</u>	<u>3</u>	<u>3</u>
Total Investments and Cash and Cash Equivalents Subject to Foreign Currenty Risk					7,737,191	<u>\$ 87,752</u>
Investments Not Subject to Foreign Currency Risk					<u>47,972,198</u>	
<b>Total Investments</b>					<u><b>\$ 55,709,389</b></u>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### Securities Collateral

The State's Investment Policy states that no repurchase agreement shall be entered into unless the contract is fully secured by deliverable obligations of the United States or other securities backed by the United States having a market value of at least 102.0 percent of the amount of the contract. The Office of the State Treasurer reports the credit ratings and maturities on collateral securities held by that office at June 30, 2017 as follows:

#### Collateral Securities Held (Expressed in Thousands)

<u>Issuer</u>	<u>Fair Value</u>
Investments Subject to Interest Rate Risk:	
U.S. Government	-
Mortgage-backed Securities AA+	<u>\$ 1,099,000</u>

#### Maturities on Collateralized Securities

<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>11-20 Years</u>	<u>Greater Than 20 Years</u>	<u>Total</u>
<u>\$ 1,099,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,099,000</u>

#### Securities Lending

The State Public Employee Retirement Association (PERA) participates in a securities lending program as authorized by State statute and its Board policies. Both the State Investment Council and the Educational Retirement Board have terminated their lending programs.

The types of securities lent are U.S. Treasury Notes and Bonds, U.S. and international equity securities, and corporate bonds and notes. Under this program, securities are transferred to an independent broker-dealer or other lending agent in exchange for collateral in the form of cash, government securities, and/or irrevocable bank letters of credit, with a simultaneous agreement to return the collateral for the same securities in the future. The collateral must equal at least 102.0 percent of the market value of the securities.

Per Board policy, PERA may invest the cash collateral in eligible securities or other investments as defined in the governing securities lending agreement. The duration of investments so made does not generally match the maturities of securities loaned. Securities received as collateral may not be pledged or sold without borrower default.

Total securities on loan at June 30, 2017, had a carrying amount and fair value of \$576.5 million. Under the agreement, the lending agent is required to indemnify the entity if the borrower fails to return the securities, if collateral is

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

inadequate to replace the securities lent, or if the counterparty fails to pay the entity for income distributions by the securities' issuers while the securities are on loan. There were no such losses during the year ended June 30, 2017, due to borrower default.

The fair value of investments made with cash collateral is reported as an asset; the fair value of collateral received is recorded as a liability as PERA must return the cash collateral to the borrower upon the expiration of the loan. The fair value of the securities lending collateral investments was \$456.8 million and the securities lending obligations were \$456.7 million at June 30, 2017. Total cash and noncash collateral was \$603.6 million, 104.7% of the fair value of the securities on loan.

At June 30, 2017, there had been no losses resulting from borrower defaults and PERA had no credit risk exposure to borrowers because the amounts PERA owed to borrowers did not exceed the amounts the borrowers owed to PERA. Net earnings from the securities lending program totaled \$3.4 million for the fiscal year.

#### **Derivatives**

Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. The State's retirement funds' investment policies allow certain portfolio managers to trade in certain derivatives for hedging purposes.

The notional or contractual amounts of derivatives indicate the extent of the State's involvement in the various types and uses of derivative financial instruments and do not measure the State's exposure to credit or market risks, and they do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and other terms of the derivatives.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the financial statements are as follows:



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

**Educational Retirement Board**  
**Derivative Financial Instruments**  
*(Expressed in Thousands)*

<u>Derivative Type</u>	<u>Notional Amount</u>
Foreign Exchange	\$
Forward Contracts	112,306
Options - Puts Purchased	2,869
Options - Puts Sold	(5,737)

<u>Derivative Type</u>	<u>Classification</u>	<u>Gain(Loss)</u>	<u>Classification</u>	<u>Amount</u>
Options - Purchased	Investment Income	\$ 4	Investment	\$ 229
Options - Sold	Investment Income	8	Investment	130

**Public Employees Retirement Association**  
**Derivative Financial Instruments**  
*(Expressed in Thousands)*

<u>Derivative Type</u>	<u>Classification</u>	<u>Fair Value</u>	<u>Change in Fair Value</u>	<u>Notional Amount</u>	<u>Unit of Value</u>
<b>Futures Contracts</b>					
Currency Futures	Investments	\$ 163	\$ 258	\$ 9,724	\$ 9,887
Equity Index Futures	Investments	(1,231)	(1,510)	379,022	377,791
Bond Index Futures	Investments	(226)	(3,155)	350,328	350,103
<b>Options</b>					
Fixed Income Options	Investments	7	7	-	7
<b>Swap Contracts</b>					
Cleared Credit Default Swaps	Investments	1,549	1,258	-	1,541
Inflation Swaps	Investments	-	(51)	-	-
Cleared Inflation Swaps	Investments	(1,336)	(1,336)	-	(1,336)
Interest Rate Swaps	Investments	-	5	-	-

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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*Risk* – There are certain risks inherent in investments in derivatives. Counterparties to financial instruments expose the State to credit risk in the event of nonperformance. The fund managers that are authorized to invest in derivatives are given specific parameters as to the types of derivatives invested in and ratings of the counterparties they are allowed to enter into contracts with to ensure transactions are entered into with only high quality institutions. The State is exposed to market risk; the risk that changes in market conditions may make an investment less valuable. Exposure to market risk is managed within risk limits set by management through buying and selling of specific instruments or by entering into offsetting positions. Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investments. Managers of these assets are given discretion to hedge this risk.

#### **Types of Derivatives Instruments**

*Foreign Currency Exchange Contracts.* The State's retirement funds may enter into forward contracts to purchase and sell foreign currencies in the normal course of its investing activities to manage the currency exposure associated with the State's foreign equity and fixed income investments. The terms of these contracts generally do not exceed one year. The credit risk associated with these contracts is minimal as they are entered into with a limited number of highly rated counterparties.

Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. Gains and losses on foreign currency may occur to the extent that the fair value of the contracts varies from the actual contract amount, and they are recorded as incurred in the financial statements.

The following tables summarize the foreign exchange contracts by currency by the agencies involved as of June 30, 2017:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

<b>Educational Retirement Board</b>				
<b>Foreign Currency Exchange Contracts</b>				
<i>(Expressed in Thousands)</i>				
<b>Currency</b>	<b>Buys</b>	<b>Unrealized Gain (Loss)</b>	<b>Sells</b>	<b>Unrealized Gain (Loss)</b>
Argentine Peso	\$ 218	\$ 3	\$ 1,720	\$ (66)
Australian Dollar	1	(66)	-	-
Brazilian Real	1,527	(174)	797	31
Canadian Dollar	2	24	-	(20)
Chilean Peso	1,579	5	1,209	9
Chinese Renminbi Yuan	2,626	(40)	2,656	17
Colombian Peso	1,085	(25)	2,334	(62)
Czech Koruna	734	6	4,151	191
Euro	15,803	(374)	6,402	158
Hungarian Forint	827	(19)	3,402	216
Indian Rupee	637	(1)	3,333	(25)
Indonesian Rupiah	539	(43)	348	-
Japanese Yen	5,996	(75)	4,735	112
Malaysian Ringgit	1,131	(279)	859	203
Mexican Peso	3,090	23	3,587	21
New Israeli Sheqel	2,194	(28)	670	20
New Russian Ruble	2,452	(3)	697	(6)
New Taiwan Dollar	-	(37)	-	33
New Zealand Dollar	2,384	24	2,488	(43)
Philippine Peso	1,770	(24)	3,064	34
Polish Zloty	-	(48)	-	-
Pound Sterling	-	-	639	22
Romanian Leu	2,947	(21)	4,168	19
Singapore Dollar	3,265	(52)	796	29
Sol	248	(4)	889	20
South African Rand	3,649	(153)	1,465	119
South Korean Won	858	7	103	-
Swiss Franc	5	-	-	-
Thailand Baht	894	(18)	1,738	12
Turkish Lira	1,076	(7)	2,520	173
<b>Totals</b>	<b>\$ 57,537</b>	<b>\$ (1,399)</b>	<b>\$ 54,770</b>	<b>\$ 1,217</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

**Futures Contracts.** The State's retirement funds enter into futures contracts in the normal course of its investing activities, including equity futures, fixed income futures, and commodities futures. They are utilized in order to manage market risk associated with the equity and fixed income investments and to achieve overall investment portfolio objectives. These contracts involve elements of market risk in excess of amounts recognized in the statements of Net Position available for benefits. The credit risk associated with these contracts is minimal as they are traded on organized exchanges.

During 2017 and 2016, the retirement funds were a party to futures contracts held for trading purposes for U.S. Treasury bonds and 90-day Euro dollar fixed income futures. Upon entering into a futures contract, the Board is required to deposit either in cash or securities an amount ("initial margin") equal to a certain percentage of the nominal value of the contract. Subsequent payments are then made or received by NMERB, depending on the daily fluctuation in the value of the underlying contracts. No U.S. Treasury securities owned and included within NMERB's investments, were held by the Plan's broker as performance security on futures contracts as of June 30, 2017. There were no outstanding futures contracts as of fiscal year ending June 30, 2017.

**Options.** An option is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period. Both written and purchased options were used by the State during the fiscal year. When the State purchases or writes an option, an amount equal to the premium paid or received by the State is recorded as an asset or liability and is subsequently adjusted to the current market value of the option purchased or written. Gain or loss is recognized when the option contract expires or is closed. As of June 30, 2017, there were no open written or purchased options.

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

**Hedge Funds.** The use of other derivatives is allowed under the Hedge Fund Investment Policy. These investments are under the management of the Hedge Fund managers who are employed in the "Hedge Fund", "Emerging Market Debt," and "Opportunistic Credit" classifications.

**Asset-Backed Securities.** The State invests in various forms of asset-backed securities, which fit the previous definition of derivative securities. These securities are held for investment purposes. The credit risk, interest rate risk, and foreign currency risk for these instruments have been disclosed elsewhere in these Notes.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### Discretely-Presented Component Units

##### Fair Value

The fair value of investments of the discretely-presented component units were as follows:

Investment	Discretely Presented Component Units Fair Value of Investments (Expressed in Thousands)			
	Fair Value June 30, 2017	Quoted Prices, Active Markets (Level 1)	Observable Inputs	
			Other Than Quoted Prices (Level 2)	Unobservable Inputs Level 3)
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 6,228	\$ 6,228	\$ -	\$ -
International common stock	5,636	299	4,638	699
Exchange-traded Funds	4,061	4,061	-	-
Real Estate Mutual Funds	395	395	-	-
Mutual Funds	55,633	31,807	23,826	-
Complementary Strategies	141	141	-	-
Investments in New Mexico Entities	10,426	-	-	10,426
Pooled Funds - Mutual Funds	468	365	103	-
Total Equity Securities	<u>82,988</u>	<u>43,296</u>	<u>28,567</u>	<u>11,125</u>
<b>Debt Securities:</b>				
U.S. Government Bonds	79,656	79,656	-	-
US Treasuries	322,418	322,418	-	-
Municipal Bonds	3,174	-	3,174	-
Corporate Bonds	1,171	1,171	-	-
International Bonds	42	42	-	-
Mutual Funds - Fixed	26,372	23,603	2,769	-
Certificates of Deposit	1,000	1,000	-	-
Securitized Mortgage Loans	591,330	-	591,330	-
REIT	304	22	-	282
Cash and Money Market Funds	161	161	-	-
Total Debt Securities	<u>1,025,628</u>	<u>428,073</u>	<u>597,273</u>	<u>282</u>
<b>Total Investments Measured At Fair Value</b>	<u>1,108,616</u>	<u>\$ 471,369</u>	<u>\$ 625,840</u>	<u>\$ 11,407</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

<b>Investments Measured At</b>		<b>Unfunded</b>	<b>Redemption</b>	<b>Redemption</b>
<b>Net Asset Value (NAV):</b>		<b>Commitments</b>	<b>Frequency</b>	<b>Notice Period</b>
Hedge Fund Investments	\$ 38,543	\$ -	Quarterly	2 - 60 days
Real Estate	3,809	-	-	-
Real Estate Funds	5,080	320	-	-
Real Asset Funds	4,733	836	-	-
Mutual Funds - Equity	93,654	-	Daily	1 - 2 days
Mutual Funds - Fixed	17,171	-	Daily	1 - 30 days
Private Equity Funds	18,753	19,856	-	-
<b>Investments Measured at NAV</b>	<b>181,743</b>			
<b>Investments Measured at Amortized Cost:</b>				
Money Market	891			
<b>Investments at Amortized Cost</b>	<b>891</b>			
<b>Other Investments:</b>				
Held in Investment Pools	59,690			
Unidentified Investments	5,602			
Investment Information Not Disclosed	143,519			
<b>Total Other Investments</b>	<b>208,811</b>			
<b>Total Investments</b>	<b>\$ 1,500,061</b>			

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### Interest Rate Risk

The investments of the discretely-presented component units were exposed to interest rate risk as follows:

State of New Mexico Discretely Presented Component Units Maturities on Investments (Expressed in Thousands)						
Investment Type	Fair Value	Investment Maturities (in Years)				
		Less Than 1 year	1-5 years	6-10 years	Greater Than 10 Years	Not Available
Investments Subject to Interest Rate Risk:						
U.S. Treasury Notes/Bonds	\$ 322,287	\$ -	\$ 321,722	\$ 565	\$ -	\$ -
Fixed Income	291	28	173	90	-	-
Mutual Funds - Fixed	472	472	-	-	-	-
Corporate Bonds	41,102	-	741	-	-	40,361
U.S. Government Bonds	81,039	2,994	76,793	-	21	1,231
Mortgage-backed Securities	3,259	-	-	-	-	3,259
International Mortgage-backed	1,078	-	-	-	-	1,078
Municipal Bonds	3,174	127	1,030	1,402	615	-
Securitized Mortgage Loans	591,330	-	-	8,877	582,453	-
Investments Subject to Interest Rate Risk	1,044,032	<u>\$ 3,621</u>	<u>\$ 400,459</u>	<u>\$ 10,934</u>	<u>\$ 583,089</u>	<u>\$ 45,929</u>
Investments Not Subject to Interest Rate Risk	330,433					
Investments Held by Others	59,793					
Information Not Available	65,803					
Total Investments, Discretely Presented Units	<u>\$ 1,500,061</u>					

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

#### Credit Risk

The investments of the two largest discretely-presented component units were subject to credit risk as follows:

**Two Major Component Units**  
**Quality Rating of investments**  
*(Expressed in Thousands)*

Investment Type	Rating	Value
NM Finance Authority:		
U.S. Treasury Notes	Not Available	\$ 321,722
FHLMC Bonds	Not Available	63,729
Total NMFA		<u>385,451</u>
NM Mortgage Finance Authority:		
Repurchase Agreements	Not Rated	
U.S. Agencies	AA	15,927
Securitized mortgage loans		
Unrestricted	AA/US Gov Guar.	10,794
Restricted	AA/US Gov Guar.	580,536
Other	Not Rated	5,515
Internal State Investment Pool		
State Investment Council	Not Available	28,835
Total NMMFA		<u>641,607</u>
<b>Total Investments, Both</b>		<b><u>\$ 1,027,058</u></b>

#### Concentration of Credit Risk

As of June 30, 2017, the New Mexico Finance Authority had the following issues and the respective percentage of total investments of total investments represented greater than five percent of the total investments reported as of June 30, 2017: Freddie Mac at 17%. The New Mexico Mortgage Finance Authority had the following issuers and their respective percentage of total investments represent greater than five percent of the total investments reported as of September 30, 2017: Ginnie Mae at 78 percent and Fannie Mae at 15 percent.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 4

#### NOTE 4. Receivables

Receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	Federal	Local Governments	Accounts Receivable	Brokers	Interest	Taxes	Current Loans	Allowance	Receivables, Net Total	Noncurrent Loans, Net	Noncurrent Accounts Receivable	Noncurrent Receivables, Net Total
Governmental Activities	\$ 413,441	\$ 8,958	\$ 489,180	\$ 469,325	\$ 26,974	\$ 2,036,735	\$ 22,276	\$ (1,492,523)	\$ 1,974,365	\$ 5,949	\$ 31,200	\$ 37,150
Business-Type Activities	303	-	432,982	-	3,259	59,220	9,142	(77,520)	427,387	189,019	168	189,187
Fiduciary Funds	1	147	687,632	204,443	621,813	161,325	11,421	(1,882)	1,684,901	-	-	-
Component Units	-	-	29,626	-	104	-	137,377	-	167,107	1,590,544	1,511	1,592,055
<b>Governmental Activities:</b>												
General	410,148	8,936	421,212	804	26,936	2,036,735	22,276	(1,485,032)	1,442,015	5,949	31,200	37,150
Debt Service	-	-	1,218	-	38	-	-	-	1,256	-	-	-
Capital Projects	3,293	22	352	-	-	-	-	(59)	3,608	-	-	-
Severance Tax Permanent	-	-	9,954	99,362	-	-	-	-	109,316	-	-	-
Land Grant Permanent	-	-	34,002	369,159	-	-	-	-	403,162	-	-	-
Internal Service	-	-	22,440	-	-	-	-	(7,432)	15,008	-	-	-
<b>Business-type Activities:</b>												
Educational Institutions	-	-	359,015	-	-	-	-	-	359,015	23,269	168	23,437
Nonmajor Enterprise	303	-	73,967	-	3,259	59,220	9,142	(77,520)	68,372	165,750	-	165,750
<b>Fiduciary Funds:</b>												
Pension Trust	-	-	127,532	198,920	620,120	-	11,318	(227)	957,664	-	-	-
External Trust	-	-	1,316	4,189	-	-	-	-	5,505	-	-	-
Private Purpose Trust	-	11	555,949	1,333	1,693	-	-	-	558,987	-	-	-
Agency	1	136	2,835	-	-	161,325	103	(1,655)	162,745	-	-	-
<b>Discrete Component Units:</b>												
Finance Authority	-	-	5,829	-	-	-	115,007	-	120,836	1,375,061	-	1,375,061
Mortgage Finance Authority	-	-	3,084	-	-	-	22,268	-	25,352	195,258	-	195,258
Other Major Component Units	-	-	19,260	-	-	-	-	-	19,260	-	1,102	1,102
Nonmajor Component Units	-	-	1,453	-	104	-	102	-	1,659	20,225	410	20,634

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 4 (CONTINUED)

Accounts receivable balances are an aggregation of amounts due from the federal government, customers, and others. Receivables from customers include charges for services to local governments, fees and fines issued by the courts and corrections, employer contributions for unemployment benefits, amounts from investment brokers, interest earnings, general and selective income taxes, and receivables because of overpayments to individuals receiving state assistance.

#### Arizona Water Settlement

The State of New Mexico entered into the Arizona Water Settlement with the federal government. Under the terms of the agreement, the federal government will pay the State of New Mexico a total of \$66 million in 2004 dollars adjusted for inflation, in 10 annual installments. The inflation adjusted amount is estimated at \$90.4 million. The installment of \$9.04 million was received by the Agency during the fiscal year ended June 30, 2017, and the Agency recorded a receivable of \$31.2 million to account for the remaining amount due. This receivable will be reduced as payments are received from the federal government according to the settlement agreement. In addition, the actual amounts received may require adjustment relative to the receivable recorded, due to indexing.

The amounts expected by year, as of June 30, 2017, assuming imputed interest of approximately 6.17%, are as follows:

#### Arizona Water Settlement Receivable

<u>Year-End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 7,114	\$ 1,926	\$ 9,040
2019	7,553	1,487	9,040
2020	8,020	1,020	9,040
2021	8,516	524	9,040
<b>Total</b>	<b>\$ 31,203</b>	<b>\$ 4,957</b>	<b>\$ 36,160</b>

The amounts received under this settlement agreement are restricted to costs of a New Mexico Unit that would develop all or some of the water provided to New Mexico in the Arizona Water Settlement Act, for water utilization alternatives that meet a water supply demand, planning, environmental restoration, or mitigation.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 4 (CONTINUED)

#### Discrete Component Units

The following is an analysis of the allowance for loan losses as of June 30, 2017 for the two largest discretely-presented component units (in thousands):

#### NMFA & NMMFA - Loan Loss Allowance

	NM Finance Authority	NM Mortgage Fin. Auth.
Beginning Balance	\$ 3,113	\$ 2,717
Provision for Loan Losses	459	19
Loans Written Off, Net of Recoveries	-	(472)
Ending Balance	<u>\$ 3,572</u>	<u>\$ 2,264</u>

NM Finance Authority Loans have repayment terms ranging from one to 30 years. The stated interest rates are between 0.0 – 10.0 percent. NMMFA mortgage loans have repayment terms ranging from 10 to 40 years. The stated interest rates for these programs are as follows:

#### NMMFA - Loan Repayment Terms

Rental Housing Programs	0.0% -	7.0%
Other Mortgage Loans	0.0% -	9.0%
Second Mortgage Down Payment Assistance Loans	0.0% -	7.5%

MBSs have stated interest rates ranging from 2.75% and 7.49%.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 5

#### NOTE 5. Interfund and Interagency Receivables, Payables, and Transfers

Interfund receivables and payables balances result 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 balance of the authorized appropriations. Transfers between the primary government and the fiduciary funds and component units are reclassified as expenditures in the government-wide financial statements.

The composition of interfund balances as of June 30, 2017, is as follows (in thousands):

	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Activities:</b>				
General	\$ 1,078,898	\$ 1,144,785	\$ 6,893,470	\$ 6,263,858
Debt Service	60,177	3,588	175,717	564,093
Capital Projects	7,033	3,847	683,501	722,027
Severance Tax Permanent	-	16,704	-	211,601
Land Grant Permanent	76,452	53,173	-	673,412
Internal Service	26,202	27,186	39,688	66,428
Total Governmental Activities	<u>1,248,762</u>	<u>1,249,282</u>	<u>7,792,376</u>	<u>8,501,419</u>
<b>Business-type Activities:</b>				
Educational Institutions	-	-	726,183	-
Nonmajor Enterprise	537	16	16,428	33,568
Total Business-type Activities	<u>537</u>	<u>16</u>	<u>742,611</u>	<u>33,568</u>
<b>Totals</b>	<u>\$ 1,249,299</u>	<u>\$ 1,249,299</u>	<u>\$ 8,534,987</u>	<u>\$ 8,534,987</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 6

#### NOTE 6. Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2017, was as follows (in thousands):

Governmental Activities:	Beginning Balance, as Restated	Additions	Deletions	Reclass	Ending Balance
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 643,422	\$ 8,502	\$ (28)	\$ 4,354	\$ 656,251
Construction in Progress	383,468	314,570	(1,216)	(350,522)	346,301
Mineral Rights	83,461	-	-	465	83,926
Art and Other	746	-	-	-	746
Total Capital Assets not being Depreciated	<u>1,111,097</u>	<u>323,073</u>	<u>(1,243)</u>	<u>(345,703)</u>	<u>1,087,223</u>
Capital Assets being Depreciated:					
Land Improvements	46,666	861	-	5,284	52,810
Equipment and Machinery	199,877	10,359	(4,275)	2,317	208,278
Building and Improvements	1,868,665	14,640	(3,168)	24,796	1,904,933
Furniture and Fixtures	25,763	492	(173)	-	26,083
Data Processing Equipment and Software	396,968	7,661	(21,375)	6,518	389,772
Library Books and Other	10,727	20	(5)	-	10,742
Vehicles	335,994	13,594	(12,361)	-	337,227
Infrastructure	14,399,000	4,641	(516,586)	306,800	14,193,855
Total Capital Assets being Depreciated	<u>17,283,660</u>	<u>52,268</u>	<u>(557,943)</u>	<u>345,715</u>	<u>17,123,700</u>
Less Accumulated Depreciation for:					
Land Improvements	(28,971)	(2,032)	12	-	(30,991)
Equipment and Machinery	(147,663)	(12,176)	4,167	3	(155,668)
Building and Improvements	(895,868)	(54,793)	2,596	(1)	(948,066)
Furniture and Fixtures	(18,963)	(1,361)	158	1	(20,165)
Data Processing Equipment and Software	(186,448)	(35,996)	20,564	(15)	(201,895)
Library Books and Other	(1,129)	(90)	5	-	(1,215)
Vehicles	(235,028)	(21,744)	12,188	-	(244,585)
Infrastructure	(9,469,837)	(379,257)	516,362	-	(9,332,732)
Total Accumulated Depreciation	<u>(10,983,907)</u>	<u>(507,449)</u>	<u>556,052</u>	<u>(12)</u>	<u>(10,935,317)</u>
Total Capital Assets being Depreciated, Net	<u>6,299,753</u>	<u>(455,182)</u>	<u>(1,891)</u>	<u>345,703</u>	<u>6,188,383</u>
<b>Capital Assets, Net</b>	<u><b>\$ 7,410,850</b></u>	<u><b>\$ (132,109)</b></u>	<u><b>\$ (3,135)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 7,275,606</b></u>

During fiscal year 2017, the State transferred \$351.7 million from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Business-type Activities for the year ended June 30, 2017, was as follows (in thousands):

<b>Business-type Activities:</b>	<b>Beginning Balance as Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclass</b>	<b>Ending Balance</b>
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 98,466	\$ 263	\$ (34)	\$ -	\$ 98,695
Construction in Progress	97,461	132,927	(25,206)	(59,748)	145,435
Infrastructure	-	-	-	74	74
Art and Other	2,258	2	-	(74)	2,186
Total Capital Assets not being Depreciated	<u>198,185</u>	<u>133,192</u>	<u>(25,240)</u>	<u>(59,748)</u>	<u>246,390</u>
Capital Assets being Depreciated:					
Land Improvements	125,517	2,364	-	87	127,968
Equipment and Machinery	978,444	46,773	(61,325)	4,506	968,399
Building and Improvements	3,208,299	28,591	(4,286)	51,611	3,284,214
Furniture and Fixtures	1,558	18	(1)	-	1,575
Data Processing Equipment and Software	22,867	903	(728)	-	23,042
Library Books and Other	314,466	10,605	(3,267)	-	321,804
Vehicles	6,728	463	(383)	-	6,807
Infrastructure	320,769	3,550	-	3,853	328,172
Total Capital Assets being Depreciated	<u>4,978,648</u>	<u>93,267</u>	<u>(69,990)</u>	<u>60,057</u>	<u>5,061,982</u>
Less Accumulated Depreciation for:					
Land Improvements	(102,595)	(5,426)	706	-	(107,314)
Equipment and Machinery	(727,342)	(61,495)	60,500	609	(727,728)
Building and Improvements	(1,350,576)	(83,528)	3,663	(691)	(1,431,133)
Furniture and Fixtures	(1,292)	(9)	1	(223)	(1,522)
Data Processing Equipment and Software	(17,251)	(1,530)	22	1	(18,759)
Library Books and Other	(268,833)	(11,325)	3,267	-	(276,891)
Vehicles	(5,082)	(347)	383	(5)	(5,051)
Infrastructure	(172,011)	(15,727)	-	-	(187,737)
Total Accumulated Depreciation	<u>(2,644,980)</u>	<u>(179,387)</u>	<u>68,542</u>	<u>(309)</u>	<u>(2,756,135)</u>
Total Capital Assets being Depreciated, Net	<u>2,333,667</u>	<u>(86,120)</u>	<u>(1,448)</u>	<u>59,748</u>	<u>2,305,847</u>
<b>Capital Assets, Net</b>	<b><u>\$ 2,531,852</u></b>	<b><u>\$ 47,072</u></b>	<b><u>\$ (26,688)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,552,236</u></b>

During fiscal year 2017, the State transferred \$74.0 million from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line. For the year ended June 30, 2017, there was no interest expense capitalized.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Fiduciary Funds for the year ended June 30, 2017, was as follows (in thousands):

Fiduciary Funds:	Beginning Balance	Additions	Deletions	Reclass	Ending Balance
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 1,797	\$ -	\$ -	\$ -	\$ 1,797
Construction in Progress	2,031	-	-	(2,031)	0
Art and Other	31	-	-	-	31
Total Capital Assets not being Depreciated	<u>3,859</u>	<u>-</u>	<u>-</u>	<u>(2,031)</u>	<u>1,828</u>
Capital Assets being Depreciated:					
Land Improvements	19	-	-	-	19
Equipment and Machinery	217	13	-	-	230
Building and Improvements	16,031	-	-	-	16,031
Furniture and Fixtures	1,133	239	(13)	-	1,360
Data Processing Equipment and Software	24,104	34	0	2,031	26,169
Vehicles	80	0	(23)	-	57
Total Capital Assets being Depreciated	<u>41,585</u>	<u>286</u>	<u>(35)</u>	<u>2,031</u>	<u>43,867</u>
Less Accumulated Depreciation for:					
Land Improvements	(146)	(185)	-	-	(331)
Equipment and Machinery	(35)	0	-	-	(35)
Building and Improvements	(4,487)	(525)	-	-	(5,012)
Furniture and Fixtures	(667)	(169)	4	-	(832)
Data Processing Equipment and Software	(23,310)	(282)	-	-	(23,592)
Vehicles	(80)	0	23	-	(57)
Total Accumulated Depreciation	<u>(28,725)</u>	<u>(1160)</u>	<u>27</u>	<u>-</u>	<u>(29,859)</u>
Total Capital Assets being Depreciated, Net	<u>12,860</u>	<u>(874)</u>	<u>(9)</u>	<u>2,031</u>	<u>14,008</u>
Total Capital Assets being Depreciated, Net	<u>\$ 16,719</u>	<u>\$ (874)</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ 15,836</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Component Units for the year ended June 30, 2017, was as follows (in thousands):

Component Units - Capital Assets	Beginning Balance	Additions	Deletions	Reclass	Ending Balance
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 12,221	\$ 989	\$ -	\$ -	\$ 13,210
Construction Work in Progress	1,309	3,892	(262)	-	4,939
Art and Other	3,370	172	-	-	3,542
Total Capital Assets not being Depreciated	<u>16,899</u>	<u>5,053</u>	<u>(262)</u>	<u>-</u>	<u>21,690</u>
Capital Assets being Depreciated:					
Building and Improvements	72,729	1,862	(1)	-	74,590
Leasehold Improvements	-	-	-	-	0
Infrastructure	14,572	608	-	-	15,180
Aircrafts	100	-	-	-	100
Vehicles	2,283	522	-	-	2,806
Machinery And Equipment	12,214	580	-	-	12,794
Data Processing Equipment and Software	4,114	221	(16)	-	4,319
Furniture and Fixtures	9,274	753	(89)	-	9,938
Total Capital Assets being Depreciated	<u>115,286</u>	<u>4,546</u>	<u>(106)</u>	<u>-</u>	<u>119,726</u>
Less Accumulated Depreciation for:					
Building and Improvements	(20,661)	(2,267)	-	-	(22,928)
Infrastructure	(7,448)	(713)	-	-	(8,161)
Vehicles	(1,076)	(96)	-	-	(1,172)
Equipment and Machinery	(8,114)	(523)	-	-	(8,637)
Leasehold Improvements	-	-	-	-	-
Data Processing Equipment and Software	(4,079)	(110)	-	-	(4,189)
Furniture and Fixtures	(2,101)	(71)	87	-	(2,085)
Total Accumulated Depreciation	<u>(43,479)</u>	<u>(3,780)</u>	<u>87</u>	<u>-</u>	<u>(47,172)</u>
Total Capital Assets being Depreciated, Net	<u>71,807</u>	<u>766</u>	<u>(19)</u>	<u>-</u>	<u>72,554</u>
<b>Capital Assets, Net</b>	<u>\$ 88,706</u>	<u>5,819</u>	<u>(281)</u>	<u>-</u>	<u>94,243</u>

During fiscal year 2017, the State transferred \$262 from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line. For the year ended June 30, 2017, there was no interest expense capitalized.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

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

General Control	\$	50,087
Education		691
Health and Human Services		19,825
Highways and Transportation		389,782
Culture, Recreation, and Nat. Resources		16,782
Judicial		5,940
Legislative		1,988
Public Safety		16,357
Regulation and Licensing		<u>5,998</u>
<b>Total</b>	<b>\$</b>	<b><u><u>507,449</u></u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 7

#### NOTE 7. Deferred Outflows of Resources

##### A. Deferred Charge on Refunding

The State issued multiple series of refunding bonds in prior years to advance-refund certain older issues. Thus, the bonds which were advance-refunded are considered defeased in substance. The excess of the reacquisition price (funds required to refund the old debt) over the net carrying amount of the old debt resulted in a loss, reported as a deferred outflow of resources. For fiscal year ending June 30, 2017, the deferred outflow of resources for governmental activities and business-type activities were as follows (in thousands):

#### Deferred Charge on Refunding

	<u>Governmental</u>	<u>Business-type</u>
Beginning Balance	\$ 53,135	\$ 6,612
Amortization	(6,098)	(812)
Ending Balance	<u>\$ 47,037</u>	<u>\$ 5,800</u>

##### B. Interest Rate Swaps

In the course of bond refunding transactions, the State has entered into transactions termed interest rate swaps, which are classified as hedges. This has resulted in items classified as a deferred outflow of resources. For more information on these interest rate swaps, see Notes 8 G and 8 H.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

#### NOTE 8. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017, are presented in the following table. As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

<b>Long-term Liabilities</b> <i>(Expressed in Thousands)</i>						
	<b>Beginning Balance, Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>	<b>Long term Debt</b>
<b>Governmental Activities:</b>						
General Obligation Bonds	\$ 326,755	\$ -	\$ (65,995)	\$ 260,760	\$ 51,395	\$ 209,365
Severance Tax Bonds	955,045	45,815	(124,745)	876,115	124,475	751,640
Revenue Bonds and Loans Payable	1,473,615	-	(106,074)	1,367,541	107,093	1,260,448
Net Unamortized Premiums, Discounts	275,798	5,463	(43,623)	237,638	37,513	200,125
Total Bonds Payable	<u>3,031,213</u>	<u>51,278</u>	<u>(340,437)</u>	<u>2,742,054</u>	<u>320,476</u>	<u>2,421,578</u>
Notes Payable	14,000	-	(14,000)	-	-	-
Claims and Judgments	195,471	1,203	(16,526)	180,149	97,368	82,781
Hedging Derivatives - Interest Rate Swaps	119,015	-	(34,925)	84,090	-	84,090
Native American Water Settlement Liability	62,100	-	(1,250)	60,850	-	60,850
Contingent Liabilities	20,051	-	(16,373)	3,678	-	3,678
Compensated Absences	64,093	75,228	(75,328)	63,992	56,198	7,793
Pollution Remediation Obligation	44,278	(1,424)	(203)	42,651	875	41,776
Net Pension Liability	2,299,659	965,084	-	3,264,743	-	3,264,743
Capital Leases	53,045	80	(1,435)	51,690	1,435	50,255
Total Other Liabilities	<u>2,871,711</u>	<u>1,040,171</u>	<u>(160,040)</u>	<u>3,751,842</u>	<u>155,876</u>	<u>3,595,966</u>
<b>Total Governmental Long-term Liabilities</b>	<u>\$ 5,902,925</u>	<u>\$ 1,091,449</u>	<u>\$ (500,477)</u>	<u>\$ 6,493,896</u>	<u>\$ 476,352</u>	<u>\$ 6,017,544</u>
<b>Business-type Activities:</b>						
Revenue Bonds	\$ 868,727	\$ 40,900	\$ (40,223)	\$ 869,404	\$ 40,702	\$ 828,702
Bond Premium, Discount, Net	42,649	2,869	(1,558)	43,960	35	43,925
Compensated Absences	86,513	66,747	(66,941)	86,319	68,189	18,130
Reserve for Losses	111,529	746	(22,774)	89,501	21,888	67,613
Notes Payable	14,051	60	(1,126)	12,985	820	12,165
Loans Payable	26,333	7,000	(3,001)	30,332	3,250	27,082
Capital Leases	1,308	145	(399)	1,054	550	504
Net OPEB Obligation	61,333	11,058	(4,422)	67,969	-	67,970
Derivative Instruments - Interest Rate Swaps	13,350	-	(4,746)	8,604	-	8,604
Student Loans	18,592	610	(3,476)	15,726	-	15,726
Environmental Cleanup	5,434	-	-	5,434	-	5,434
Other Liabilities	3,770	14,050	(6,744)	11,076	3,787	7,289
Net Pension Liability	1,913,152	306,931	(94,742)	2,125,341	-	2,125,341
<b>Total Business-type Long-term Liabilities</b>	<u>\$ 3,166,741</u>	<u>\$ 451,116</u>	<u>\$ (250,152)</u>	<u>\$ 3,367,705</u>	<u>\$ 139,221</u>	<u>\$ 3,228,485</u>
<b>Fiduciary:</b>						
<b>Pension Trust Funds</b>						
Reserve for Losses	\$ 19,577	\$ -	\$ (19,577)	\$ -	\$ -	\$ -
Compensated Absences	896	584	(510)	970	945	25
<b>Total Fiduciary Long-term Liabilities</b>	<u>\$ 20,473</u>	<u>\$ 584</u>	<u>\$ (20,087)</u>	<u>\$ 970</u>	<u>\$ 945</u>	<u>\$ 25</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### A. Restatement Summary

A summary of the restated balances of long-term liabilities follows. Only those balances which have changed are presented in this summary (in thousands):

	Ending Balance FY 16	Beginning Balance (Restated)	Change Increase (Decrease)	Reason
<b>Governmental Activities:</b>				
Revenue Bonds and Loans Payable	\$ 1,281,950	\$ 1,473,615	\$ 191,665	Payable to NMFA reported elsewhere, \$ 191,812; DCA loan not included, \$147.
Net Unamortized Premiums	279,305	275,798	(3,507)	Change in amortization method.
Compensated Absences	64,051	64,093	—	Prior year computation error.
Rounding			1	
Total Net Change			188,201	
Total Long-term Liabilities, FY 16			5,714,724	
<b>Total Beginning Long-term Liabilities, FY 17</b>			<u>\$ 5,902,925</u>	
<b>Business-type Activities:</b>				
Revenue Bonds	\$ 653,372	\$ 868,727	\$ 215,355	Reported elsewhere, \$86,855; SRMC part of UNM \$128,500
Compensated Absences	84,906	86,513	1,607	Prior year computation error.
Loans Payable to Comp. Unit	113,188	26,333	(86,855)	Change in reporting methodology
Reserve for Losses	87,453	111,529	24,076	Error in reporting prior year.
Other Liabilities	-	3,770	3,770	Error in reporting prior year.
Total Net Change, Business-type			157,953	
Loans Payable balance not included in prior year note			113,188	
Rounding			(1)	
Total Long-term Liabilities, FY 16			2,895,601	
<b>Total Beginning Long-term Liabilities, FY 17</b>			<u>\$ 3,166,741</u>	

#### B. General Obligation Bonds

The State issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities for local governments as authorized by the Legislature of the State of New Mexico. 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. Funding for the payment of the debt service of the general obligation bonds is provided through the collection of property taxes levied by the local governments receiving the funding for capital spending. General obligation bonds outstanding at year-end are as follows:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### General Obligation Bonds Payable

(Expressed in Thousands)

<b>Bond Issue</b>	<b>Date Issued</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance June 30, 2017</b>
Series 2009	5/28/2009	2019	5.0	\$ 196,330	\$ 48,125
Series 2011	5/26/2011	2021	2.0-4.0	18,645	8,150
Series 2013	4/23/2013	2023	2.0-4.0	137,220	85,335
Series 2015	2/27/2015	2025	5.0	141,635	119,150
<b>Total General Obligation Bonds Payable</b>					<b>\$ 260,760</b>

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

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 51,395	\$ 10,493	\$ 61,888
2019	53,540	8,348	61,888
2020	29,900	6,105	36,005
2021	30,955	5,053	36,008
2022	29,800	3,956	33,756
2023 - 2025	65,170	5,462	70,632
<b>Total</b>	<b>\$ 260,760</b>	<b>\$ 39,417</b>	<b>\$ 300,177</b>

#### C. Severance Tax Bonds

Severance tax bonds are used to fund the capital needs of state agencies, local governments, and public and higher education as authorized by the Legislature of the State of New Mexico. In addition, severance tax bonds have been issued to refund severance tax bonds. Funding for the payment of the debt service of the severance tax bonds is provided through the collection of severance taxes levied on the mining and production of various natural resources, such as minerals, oil, and gas. The severance tax bonds are secured by the levied taxes. This is a

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

permanent commitment of a portion of total severance tax revenues. As authorized by State statute, severance tax revenues are transferred to the Severance Tax Bonding Fund and first pay the required debt service on severance tax bonds and supplemental severance tax bonds issued by the State, with the remainder being transferred to the Severance Tax Permanent Fund. For the year ended June 30, 2017, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$305.7 million. The total principal and interest requirements were \$141.1 million for long-term debt and \$19.0 million for short-term debt for all severance tax and supplemental severance tax bonds.

On December 6, 2016, the State issued Series 2016D and Series 2016E Severance Tax Bonds in the amounts of \$26,725 and \$19,090, respectively. Both series were issued to provide funds to finance capital improvements approved by the State Legislature. Series 2016D bonds carried a coupon rate of 5.00% and will mature in 2027. Series 2016E bonds and carry coupon rates from 1.25% to 2.35% and will mature in 2022.

Severance tax bonds payable outstanding at year-end are as follows:

<b>Severance Tax Bonds Payable</b>					
<i>(Expressed in Thousands)</i>					
<b>Bond Issue</b>	<b>Date Issued</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance June 30, 2017</b>
Series 2009 A Refunding	7/30/09	2019	2.00 - 5.00	\$ 218,450	\$ 53,125
Series 2010A	3/24/10	2019	3.00 - 5.00	132,265	60,200
Series 2010 B Supplemental	3/24/10	2019	4.00 - 5.00	100,000	42,850
Series 2010 D Refunding	12/8/10	2017	3.00 - 5.00	140,520	14,725
Series 2011A-1 Refunding	12/6/11	2022	3.00 - 5.00	47,790	19,745
Series 2011A-2 Refunding	12/6/11	2019	4.00 - 5.00	75,715	32,460
Series 2012A Refunding	6/21/12	2023	3.00 - 5.00	57,990	42,325
Series 2013A	7/23/13	2024	4.00 - 5.00	157,560	30,205
Series 2014A	6/24/14	2025	2.00 - 5.00	143,770	40,055
Series 2015A	8/12/15	2026	5.00	129,195	126,195
Series 2015B Supplemental	8/12/15	2026	5.00	69,745	66,345
Series 2016A	6/23/16	2027	3.00 - 5.00	78,750	78,750
Series 2016B Refunding	6/23/16	2025	4.00	181,395	181,395
Series 2016C	6/23/2016	2022	2.00	41,925	41,925
Series 2016D	11/15/2016	2028	5.00	26,725	26,725
Series 2016E	11/15/2016	2022	1.25 - 2.35	19,090	19,090
<b>Total Severance Tax Bonds Payable</b>					<b>\$ 876,115</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Annual debt service requirements to maturity for Severance Tax Bonds are as follows:

**Severance Tax Bonds**  
**Debt Service Requirements to Maturity**  
**For Fiscal Years End June 30**  
*(Expressed in Thousands)*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 124,475	\$ 36,780	\$ 161,255
2019	127,775	30,673	158,448
2020	120,540	25,072	145,612
2021	113,835	20,125	133,960
2022	89,840	15,929	105,769
2023 - 2027	293,660	28,934	322,594
2028	5,990	150	6,140
<b>Total</b>	<b>\$ 876,115</b>	<b>\$ 157,663</b>	<b>\$ 1,033,778</b>

#### D. Revenue Bonds

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

**Revenue Bonds and Loans Payable - Primary Government**  
(Expressed in Thousands)

Governmental Activities	Original	Maturity	Interest	Balance
Bond Issue	Issue	Date	Rate	June 30, 2017
2015A PPRF - Metro Court	\$ 30,685	2025	4.00 - 5.00	\$ 25,325
2008A PPRF - General Services Dept. 3	13,245	2036	5.00	10,595
2008A PPRF - General Services Dept. 4	26,690	2036	5.00	21,330
2009A PPRF - General Services Dept. 5	2,456	2038	3.75 - 5.50	2,001
2010A PPRF - General Services Dept. 6	1,015	2039	3.50 - 5.10	850
2016C PPRF - General Services Dept. 8	37,320	2036	1.90 - 4.90	35,545
Series 2009C Spaceport Public Project	55,810	2029	2.50 - 5.25	38,975
Series 2010 Spaceport Public Project	20,560	2029	0.47 - 4.08	16,860
DL - General Services Dept. - Cultural Affairs	2,789	2023	0.46 - 1.42	2,400
2004B PPRF - Cultural Affairs Dept.	2,350	2023	0.62 - 4.18	881
2009A PPRF - Cultural Affairs Dept.	369	2020	0.75 - 3.93	112
Series 2003 Energy and Minerals	7,339	2023	3.82	2,808
2008A PPRF - Department of Health - State Labs	13,460	2028	5.00	7,130
2008B PPRF - Department of Health - S Rehab	11,545	2028	5.00	6,240
2013C PPRF - Department of Health - Las Vegas Med. Ctr.	8,975	2037	3.80	8,194
Series 2006 A Highway - (GRIP)	150,000	2026	3.60 - 5.00	4,220
Series 2008 A Highway (GRIP)	115,200	2025	VAR	115,200
Series 2008 B Highway (GRIP)	220,000	2027	VAR	220,000
Series 2008 C Highway (GRIP)	84,800	2025	VAR	84,800
Series 2010A Debt Service	174,625	2024	1.50 - 5.00	69,360
Series 2010B Highway (GRIP)	461,075	2024	3.00 - 5.00	375,225
Series 2012 Refunding	220,400	2026	1.25 - 5.00	169,975
Series 2014 A Revenue	70,110	2032	5.00	70,110
Series 2014 B Revenue	79,405	2027	5.00	79,405
<b>Total Revenue Bonds and Loans Payable</b>				<b>\$ 1,367,541</b>



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

<b>Governmental Activities</b>			
<b>Revenue Bonds &amp; Loans Payable - Payable to Others &amp; Payable to NMFA</b>			
<i>(Expressed in Thousands)</i>			
	Payable to Ext. Entities	Due to NMFA	Total
<b>Current:</b>			
Payable to External Entities	\$ 96,925	\$ -	\$ 96,925
Due to NMFA	-	10,168	10,168
Total Current	<u>96,925</u>	<u>10,168</u>	<u>107,093</u>
<b>Long-term:</b>			
Payable to External Entities	1,091,370	-	1,091,370
Due to NMFA	-	169,078	169,078
Total Long-term	<u>1,091,370</u>	<u>169,078</u>	<u>1,260,448</u>
Totals	<u>\$ 1,188,295</u>	<u>\$ 179,246</u>	<u>\$ 1,367,541</u>

Several of the loans reported are secured by prior agreement with tax revenue intercepted by the State Taxation and Revenue Department and sent directly to the NMFA. These include the Bernalillo County Metro Court, total due is \$25,325; General Services Department, \$70,321; NM Department of Health, \$21,564; and Department of Cultural Affairs, \$3,393.

#### ***Business-type Activities***

The University of New Mexico issued Series 2017 Subordinate Lien System Improvement Revenue Bonds. The amount of the bond issue is \$40,900, with interest ranging from 3.25% to 5.00% and final maturity in 2047. Proceeds from this bond issuance is to be used for several capital projects, which include the Physics and Astronomy Interdisciplinary Sciences Building (PAIS), the Biology Annex renovation, the Art Annex renovation, the Student Health and Counseling (SHAC) renovation, and Smith Plaza renovation.

The University's New Mexico Health Science Center, has outstanding obligations of \$21,564 through NMFA, with final maturity of June 1, 2025 and interest rate of 4.91%. This loan is secured by a pledge of cigarette excise tax revenue which is intercepted and sent directly to NMFA.

Of the total revenue bonds and loans in the business-type activities \$113,567 are payable to NMFA, and reported as *Due to Component Unit*. The list of revenue bonds and loans payable for business-type activities is as follows:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### Revenue Bonds and Loans Payable - Primary Government

(Expressed in Thousands)

Business-type Activities		Maturity	Interest	Original	Balance
Inst.	Bond Issue	Date	Rate	Issue	June 30, 2017
MCMC	MCMC St. Perm. Fd. Rev. Imp. & Refunding Series 2013	2023	3.00 %	\$ 14,645	\$ 11,010
NMSU	Improvement Revenue Series 2006	2026	4.00 - 5.00	10,245	5,680
	Refunding and Imp. Revenue Series 2010 A-D	2022	1.89 - 5.27	78,670	54,810
	Refunding and Imp. Revenue Series 2013 A-C	2033	2.00 - 5.00	56,200	41,695
	NM Fin. Auth. PPF Loan	2035	0.69 - 3.69	7,000	7,000
ENMU	System Revenue Series 2011B	2036	0.90 - 4.46	28,050	24,190
	System Imp. Revenue Series 2015 A	2045	0.34 - 3.93	12,480	11,900
	System Revenue Refunding Series 2015 B	2026	0.34 - 2.44	6,175	5,110
NMHU	System Refunding Series 2009	2035	3.00 - 6.07	13,785	11,085
	System Refunding Revenue Series 2012	2034	0.93 - 4.26	18,335	15,145
NM Tech	System Revenue Series 2011	2031	3.00 - 5.00	13,395	10,550
NMMI	Series 2013A Improvement	2028	2.00 - 4.00	8,935	8,740
WNMU	System Revenue Series 2012	2038	2.00 - 5.50	12,245	10,885
	System Refunding & Imp. Revenue Series 2013	2038	2.10 - 5.10	6,755	4,920
	System Improvement Series 2014	2021	1.97	3,055	1,795
UNM	System Revenue Refunding Series 1992 A	2021	5.60 - 6.25	36,790	9,410
	System Revenue Series 2000 B	2019	5.50 - 6.35	53,232	539
	Subordinate Lien System Imp. Revenue Series 2001	2026	Variable	52,625	26,390
	Subordinate Lien System Refunding Revenue Series 2002 B	2026	Variable	25,475	16,150
	Subordinate Lien System Refunding Revenue Series 2002 C	2030	Variable	37,840	31,475
	Subordinate Lien System Imp. Revenue Series 2007 A & B	2036	4.00 - 5.95	136,710	2,920
	Subordinate Lien System Imp. Revenue Series 2012	2032	2.00 - 5.00	35,215	27,715
	Subordinate Lien System Imp. Revenue Series 2014A	2033	3.00 - 5.00	9,715	7,195
	Subordinate Lien System Imp. Revenue Series 2014 B	2024	0.50 - 3.28	3,365	2,635
	Subordinate Lien System Imp. Revenue Series 2014 C	2035	1.50 - 5.00	97,615	92,855
	Subordinate Lien System Imp. Revenue Series 2016A	2046	2.00 - 5.00	158,435	157,450
	Subordinate Lien System Imp. Revenue Series 2016B	2024	0.72 - 2.48	8,030	7,870
	Subordinate Lien System Imp. Revenue Series 2017	2047	3.25 - 5.00	40,900	40,900
	FHA Insured Hospital Mortgage Revenue Series 2015	2032	0.49 - 3.53	115,000	103,425
	Revenue Build America Bonds, Series 2010A (SRMC)	2036	4.5	133,425	115,220
	Revenue Recovery Zone Econ. Dev. Series 2010B (SRMC)	2037	5	9,740	9,740
	2016 A PPRF - UNM Health Sciences Ctr.	2025	1.90 - 4.90	26,200	21,470
	UNM - Amortization of Defeased Bonds	-	-	-	1,534
	UNM ADW - UNM - Green Water Project	2032	0.75	399	328
<b>Total Revenue Bonds and Loans Payable</b>					<b>\$ 899,736</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Some of the revenue bonds are payable to the New Mexico Finance Authority (NMFA), a discretely-presented component unit. A breakdown of the amounts owed is as follows:

<b>Business-type Activities</b>			
<b>Bonds &amp; Loans Payable - Payable to Others &amp; Payable to NMFA</b>			
<i>(Expressed in Thousands)</i>			
	Payable to Ext. Entities	Due to NMFA	Total
<b>Current:</b>			
Payable to External Entities	\$ 37,182	\$ -	\$ 37,182
Due to NMFA	-	6,543	6,543
Total Current	<u>37,182</u>	<u>6,543</u>	<u>43,725</u>
<b>Long-term:</b>			
Payable to External Entities	748,987	-	748,987
Due to NMFA	-	107,024	107,024
Total Long-term	<u>748,987</u>	<u>107,024</u>	<u>856,011</u>
Totals	<u>\$ 786,169</u>	<u>\$ 113,567</u>	<u>\$ 899,736</u>

The annual debt service requirements to maturity for revenue bonds and loans are as follows:

<b>Revenue Bonds and Loans - Primary Government</b>						
<b>Debt Service Requirements to Maturity</b>						
<b>For Fiscal Year End June 30</b>						
	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<i>(Expressed in Thousands)</i>			<i>(Expressed in Thousands)</i>		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 107,094	\$ 62,906	\$ 170,000	\$ 43,744	\$ 38,629	\$ 82,373
2019	112,116	57,815	169,931	45,946	36,684	82,630
2020	117,452	52,762	170,214	48,045	34,486	82,531
2021	121,505	47,034	168,539	49,775	32,580	82,355
2022	126,474	41,011	167,485	50,480	30,528	81,008
2023 - 2027	677,407	110,994	788,401	256,313	118,781	375,094
2028 - 2032	80,781	15,715	96,496	221,953	67,891	289,844
2033 - 2037	24,481	2,924	27,405	131,130	27,358	158,488
2038 - 2042	231	14	245	28,225	8,724	36,949
2043 - 2047	-	-	-	24,125	3,030	27,155
<b>Total</b>	<u>\$ 1,367,541</u>	<u>\$ 391,175</u>	<u>\$ 1,758,716</u>	<u>\$ 899,736</u>	<u>\$ 398,691</u>	<u>\$ 1,298,427</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### E. Pledged Revenue

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

##### Governmental Activities

<i>Agency:</i>	<i>State of New Mexico - Severance Tax Bonds</i>
Purpose of Bonds:	Construction and acquisition of capital projects statewide
Total Amount of Bonds Issued:	\$1.6 billion
Type of Revenues Pledged:	Severance tax revenues
Term of Commitment:	Through June 30, 2027
Total Debt Service Remaining:	\$1.0 billion
Revenue Stream for Current Year:	\$347.1 million
Debt Service for Current Year:	\$164.2 million
<i>Agency:</i>	<i>Energy, Minerals, and Natural Resources Department</i>
Purpose of Bonds:	Acquisition and development of state parks and recreation areas
Total Amount of Bonds Issued:	\$7.3 million
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Term of Commitment:	Through June 30, 2023
Total Debt Service Remaining:	\$3.2 million
Revenue Stream for Current Year:	\$5.5 million
Debt Service for Current Year:	\$534 thousand
<i>Agency:</i>	<i>Department of Transportation</i>
Purpose of Bonds:	Construct and improve State highway and transportation system
Total Amount of Bonds Issued:	\$1.6 billion
Type of Revenues Pledged:	Gasoline excise taxes, motor vehicle registration and other fees deposited into State Road Fund, plus Federal Highway Fund revenues
Term of Commitment:	Through June 30, 2032
Total Debt Service Remaining:	\$1.5 billion
Revenue Stream for Current Year:	\$779 million
Debt Service for Current Year:	\$152 million
<i>Agency:</i>	<i>Department of Cultural Affairs</i>
Purpose of Bonds & Loan:	Renovate existing museum structures, develop permanent exhibits
Total Amount of Debt Issued:	\$5.8 million (loans)
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$3.6 million
Term of Commitment:	Through June 30, 2023
Revenue Stream for Current Year:	\$810 thousand
Debt Service for Current Year:	\$628 thousand
<i>Agency:</i>	<i>Spaceport Authority</i>
Purpose of Bonds	Construction of the Spaceport America launch facility
Total Amount of Debt Issued:	\$61.7 million
Type of Revenues Pledged:	Authority's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$75.4 million
Term of Commitment:	Through June 30, 2029
Revenue Stream for Current Year:	\$6.4 million
Debt Service for Current Year:	\$5.7 million

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### Governmental Activities (Continued)

<b>Agency:</b>	<b>Bernalillo County Metropolitan Court</b>
Purpose of Bonds	Court building and parking structure
Total Amount of Debt Issued:	\$30.7 million
Type of Revenues Pledged:	Court facilities fees
Total Debt Service Remaining:	\$31.4 million
Term of Commitment:	Through June 30, 2025
Revenue Stream for Current Year:	\$3.8 million
Debt Service for Current Year:	\$3.8 million

<b>Agency:</b>	<b>General Services Department</b>
Purpose of Bonds	State facilities
Total Amount of Debt Issued:	\$80.7 million
Type of Revenues Pledged:	Government gross receipts tax
Total Debt Service Remaining:	\$110.1 million
Term of Commitment:	Through June 30, 2039
Revenue Stream for Current Year:	\$3.5 million
Debt Service for Current Year:	\$3.1 million

#### Business-type Activities

<b>Agency:</b>	<b>Miners' Colfax Medical Center</b>
Purpose of Bonds:	Improvement and expansion of medical facilities
Total Amount of Bonds Issued:	\$14.6 million
Type of Revenues Pledged:	Center's share of distributions from the State Land Grant and the Charitable, Penal, and Reform Permanent Funds
Total Debt Service Remaining:	\$12.6 million
Term of Commitment:	Through June 30, 2027
Revenue Stream for Current Year:	\$6.8 million
Debt Service for Current Year:	\$1.3 million

<b>Agency:</b>	<b>Educational Institutions (UNM, NMSU, ENMU, WNMU, NMMI, NMHU, NM Tech)</b>
Purpose of Bonds:	Construction and improvement of various capital facilities
Total Amount of Bonds Issued:	\$939.6 million
Type of Revenues Pledged:	Substantially all unrestricted revenues, including Permanent Fund distributions, student fees, and income from revenue-producing facilities, but excluding state appropriations and income from clinical operations.
Total Debt Service Remaining:	\$1.3 billion
Term of Commitment:	Through June 30, 2047
Revenue Stream for Current Year:	\$2.3 billion
Debt Service for Current Year:	\$75.2 million

<b>Agency:</b>	<b>University of New Mexico</b>
Purpose of Loans:	Health Sciences Center, Green Water Project
Total Amount of Debt Issued:	\$26.6 million
Type of Revenues Pledged:	Cigarette excise tax
Total Debt Service Remaining:	\$26.8 million
Term of Commitment:	Through June 15, 2032
Revenue Stream for Current Year:	\$3.5 million
Debt Service for Current Year:	\$3.1 million

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### Other Liabilities

##### ▪ Compensated Absences

Compensated absences of governmental activities are liquidated in the General Fund. Claims liabilities of governmental activities are liquidated in the Internal Service Fund. Compensated absences of business-type activities are liquidated in the respective fund of obligation.

##### ▪ Pollution Remediation Obligation

The State is responsible for environmental management to reasonably protect human health and the environment in accordance with the Environmental Improvement Act, Chapter 74-1-1, NMSA 1978 (Act). Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) provides guidance in estimating and reporting the potential costs of pollution remediation.

The following details the nature of the identified sites:

##### Leaking Petroleum Storage Tanks (LPST)

The State oversees cleanups of LPST sites and reimburses eligible parties from the PST corrective action fund, which has paid for the vast majority of LPST cleanups. However, for Priority 1 State Lead sites, in which there is an imminent danger to the public health or environment, the State has obligated itself to begin remediation clean-up activities as a result of an unwilling or unable property owner in the amount of \$1.323 million as of June 30, 2017.

##### Superfund

The Superfund Oversight Section of the State assists the United States Environmental Protection Agency (EPA) in characterization of inactive hazardous waste sites; identifies sites which warrant remedial or removal action under Superfund (CERCLA); and oversees remedial activities and provides management assistance to EPA at Superfund sites listed on the National Priorities List (NPL). There are currently 16 listed Superfund sites and 4 deleted sites in New Mexico which are in various stages of investigation and remediation. One of the 16 listed Superfund sites was placed on the NPL in April 2016. The site is currently in the scoping phase of the investigation in which no financial obligation exists. It is estimated it will take at least 2 or 3 years before a Record of Decision is issued by the EPA. As of June 30, 2017, this site is excluded from the estimated pollution remediation liability which for Superfund sites totals \$41.3 million.

The total pollution remediation liability for both the LPST and Superfund sites are as follows:

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Amount Due Within One Year	\$ 543	\$ 535	\$ (203)	\$ 875
Amount Due in More than One Year	<u>43,736</u>		<u>(1,960)</u>	<u>41,776</u>
Total Pollution Remediation Liabilities	<u>\$ 44,279</u>	<u>\$ 535</u>	<u>\$ (2,163)</u>	<u>\$ 42,651</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### ▪ Indian Water Rights Liability

New Mexico currently has three Indian water rights settlements pending implementation: the Navajo Nation Settlement in the San Juan River adjudication, the Settlement Agreement with the Pueblos of Nambe, Pojoaque, Tesuque, and San Ildefonso in the Aamodt adjudication, and the Taos Pueblo Settlement in the Rio Pueblo de Taos/Rio Hondo adjudication. For each of these three settlements, a settlement agreement was executed in 2005 or 2006 by the tribe or Pueblos and the State of New Mexico. The Aamodt and Taos Pueblo settlement agreements also were executed by other water right owning parties. Subsequent to the passage of federal legislation authorizing each of the settlements in 2009 and 2010, the Secretary of the US Department of Interior signed all three settlement agreements on behalf of the United States. Copies of the three full-executed settlement agreements and related documents can be found at: [www.ose.state.nm.us/legal\\_ose\\_proposed\\_settlements.html](http://www.ose.state.nm.us/legal_ose_proposed_settlements.html).

Each of the agreements involves a contribution from the State of New Mexico in the form of construction of infrastructure. The value of infrastructure and mutual benefits projects contemplated in the three settlements are estimated at more than \$1.6 billion as of June 30, 2017. The State will not own the infrastructure once completed; the infrastructure and projects will be owned by tribal and local governments.

The State of New Mexico will receive a credit towards its cost share of about \$28.8 million. A portion of the State's share includes \$10 million on non-mandatory expenditures for ditch rehabilitation under the Navajo Settlement. The State has met its cost share obligations under the Taos Pueblo settlement.

As of the fiscal year ended June 30, 2017, the State expended \$41.8 million of the total of \$47.7 million in state funding received to-date restricted for the Indian Water Rights Settlement agreements, with \$5.9 million unexpended as of June 30, 2017.

The Agency has recorded, as a special item, the estimated settlement expense in the government-wide financial statements, of \$60.8 million, as of June 30, 2017. This reflects adjustments reflecting revised estimates for the State's cost share under the Aamodt Settlement Agreement as well as a credit received for prior expenditures related to the settlement. Detail of activity for this long-term liability for the year ended June 30, 2017 is as follows:

	Balance			Balance
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Indian Water Rights				
Settlement	\$ 62,100	-	\$ (1,250)	\$ 60,850

Actual amounts recorded may require future adjustments that could increase or decrease the liability due to the on-going nature of the settlement negotiations and the credit provisions in the settlements. Due to the fact that negotiations related to the timing of the payments are still continuing among the affected parties, the State is unable to estimate the amount due for these settlements for future years. Likewise, interest expense related to these settlements cannot be imputed at this time.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### F. Short-term Debt

The State issues one to three-day sponge bonds in order to utilize available cash proceeds more effectively. The following were issued and paid during the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
<b>Sponge Bonds</b>	\$ -	\$ 158,909	\$ (158,909)	\$ -

#### G. New Mexico Department of Transportation – Refunding of Variable Rate Bonds

##### ▪ Derivative Instruments

At the time of the 2004 bond issuance, NMFA, on behalf of the Department, entered into interest rate exchange agreements (“swaps”) with respect to both the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

In all of the swaps, NMFA receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to “synthetic fixed-rate issues.”

NMFA has entered into the swaps as an agent for the Department and the State, and no amounts with respect to the swap transactions appear in NMFA’s financial statements. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the 2008 A through D series).

##### ▪ Objectives of the Swaps

The objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006 issuance, NMFA believed in 2004 that it would be desirable to “lock in” a synthetic fixed rate of 5.0 percent or less for a portion of the bonds anticipated to be issued in 2006.

Significant terms of the swaps follow. No cash was paid or received at the initiation of any of the swaps.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### ▪ Fair Value

The estimated fair value of the swaps at June 30, 2017, was as follows (in thousands):

	<b>Notional Value</b>	<b>Fair Value</b>
Goldman Sachs	\$ 50,000	\$ (8,043)
Deutsche	50,000	(8,043)
Royal Bank of Canada	100,000	(16,086)
JPMorgan Chase Bank	110,000	(25,959)
UBS AG	110,000	(25,959)
	<u>\$ 420,000</u>	<u>\$ (84,090)</u>

The updated fair value of the swaps and collateral posting as of Sept. 29, 2017 was as follows:

	<b>Notional Value</b>	<b>Fair Value</b>
Goldman Sachs	\$ 50,000	\$ (8,238)
Deutsche	50,000	(8,238)
Royal Bank of Canada	100,000	(16,475)
JPMorgan Chase Bank	110,000	(26,485)
UBS AG	110,000	(26,484)
	<u>\$ 420,000</u>	<u>\$ (85,920)</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### 2004 Swaps

Counterparty	Royal Bank of Canada	Goldman Sachs	Deutsche Bank
Notional Amount	\$ 100,000	\$ 50,000	\$ 50,000
Receipt Rate	68.0% of 1 month LIBOR	68.0% of 1 month LIBOR	68.0% of 1 month LIBOR
Payment Rate (Synthetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	October 6, 2008
Termination Date	June 15, 2024	June 15, 2024	June 15, 2024

#### 2006 Forward Starting Swaps

Counterparty	JP Morgan Chase Bank	UBS AG
Notional Amount	\$ 110,000	\$ 110,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	"Knockout" option - Counterparty may cancel if the index remains above 7.0% for more than 180 days	"Knockout" option - Counterparty may cancel if the index remains above 7.0% for more than 180 days
Option Premium to NMFA	0.34%	0.34%
Net Payment Rate ("Synthetic Fixed Rate"), Equals the Payment Rate Less Option Premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date	December 15, 2026	December 15, 2026

\*The Fair Value is the estimated amount that would have been received by or paid if the agreements had been terminated at June 30, 2017, under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2017. Negative amounts indicate payments that would have been made to the counterparties.

The SWAPs Fair Value are disclosed as a liability for the year ended June 30, 2017 in the amount of \$32 million. Management evaluated the effectiveness of the SWAP agreements and found Goldman Sachs, Deutsche and Royal Bank of Canada to be ineffective in the prior year. As a result, the change in Fair Value of the ineffective SWAPs are reported as income in the amount of \$14 million. The remaining effective SWAPs are deemed a hedge and reported as a deferred outflow of resources in the amount of \$52 million which consists of the JP Morgan Chase Bank and UBS AG SWAP agreements.

#### ▪ Associated Debt (in thousands):

Variable Rate Debt*	Original Issue	2017 Debt Service		Net Variable Made (Rec'd.)	Total Net Interest Paid	Effective Interest Rate
		Principal	Fixed Interest			
Series 2008A and C	\$ 200,000	\$ -	\$ 7,868	\$ 1,108	\$ 8,976	4.488%
Series 2008B	220,000	-	11,158	(384)	10,774	4.897%

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

The interest includes amounts paid with the fiscal year without regard to the costs associated with the SWAP Collateral (Taxable) Line of Credit.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### ▪ Risks

##### *Credit Risk*

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

The credit ratings of the counterparties, at June 30, 2017, were:

<u>Counterparty</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>
Goldman Sachs	Aa2	AA-	N/A
Deutsche	Baa2	A-	A-
Royal Bank of Canada	A1	AA-	AA
JP Morgan Chase Bank	Aa3	A+	AA-
UBS AG	A1	A	A

Presently, the Department of Transportation has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Department if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. Termination values currently exceeded these limits, however there was no collateral posted for UBS, JPM, and RBC as of June 30, 2017. The swap agreements permit the netting of amounts owed between the Department and a counterparty, mitigating, to some extent, the level of credit risk. The Department believes it has an adequate degree of diversification with regard to counterparties.

##### *Swap Collateral Requirement – Taxable Line of Credit*

Negative balances at the end of the fiscal year were such that collateral needed to be posted. For that purpose short-term Taxable Line of Credit was established. There were no outstanding amounts on the line of credit at the end of the fiscal year, with a \$14.0 million beginning balance, no amount borrowed and \$14.0 million repaid during the year.

##### *Interest Rate Risk*

The knockout option in the 2006 swaps leaves the State open to interest rate risk. If the Securities Industry and Financial Markets Association (SIFMA) municipal swap index averages above 7.0 percent for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the State would have outstanding unhedged variable rate debt in a 7.0 percent interest rate environment.

##### *Basis Risk*

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Department has little or no such risk with respect to the 2006 bonds as the 2006 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very closely approximated, historically, to the rates paid on variable rate municipal debt. The Department has basis risk, however, with respect to the 2004 swaps. The variable rate the Department receives with respect to the 2004 swaps is 68% of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility,

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2004 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated.

One event that would cause a divergence between the indices would be a significant change in U.S. income tax rates. This might result in 68% of LIBOR no longer approximating the tax-exempt rate set by the market for the Department's variable rate debt.

#### *Termination Risk*

The unplanned termination of one or more of the swaps exposes the Department to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Department, but not the counterparties, can terminate the swaps at any time with 30-day notice.

#### **H. University of New Mexico**

##### ▪ **Standby Purchase Agreements**

Standby Purchase Agreements provide liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees are based on a percentage of the outstanding bond balance, payable semiannually. Liquidity fees for the years ended June 30, 2017 and 2016 were \$318,190 and \$239,731, respectively. An agreement with U.S. Bank was entered into on December 31, 2014 for a three year term expiring December 29, 2017. The University has entered into negotiations with U.S. Bank for a possible three year extension of the agreement.

A schedule including maturities and fees is as follows (in thousands):

	US Bank			
<b>Liquidity</b>	<b>Series</b>	<b>Series</b>	<b>Series</b>	<b>Grand</b>
<b>Expiration</b>	<b>2001</b>	<b>2002B</b>	<b>2002C</b>	<b>Total</b>
12/29/2017	\$ 26,390	\$ 16,150	\$ 31,475	\$ 74,015
<b>Liquidity Fees</b>				
	<b>2001</b>	<b>2002B</b>	<b>2002C</b>	<b>Total</b>
<b>FY 17</b>	\$ 117	\$ 72	\$ 129	\$ 318

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### ▪ Interest Rate Swap Agreements

On June 30, 2017, UNM had the following derivative instruments outstanding (in thousands):

Item/ Counter-Party	Type	Objective	Current Notional Amount	Effective Date	Maturity Date	Terms	Current Fair Value
<b>Hedging Derivatives</b>							
A - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	\$ 6,598	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	\$ (854)
B - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	31,475	10/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.9% Fixed	(4,943)
C - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	16,150	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.8% Fixed	(1,945)
D - RBC Royal Bank	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap) Bonds (Underlying Swap)	6,598	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	(862)
<b>Investment Derivatives</b>							
E - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2001 System Improvement Revenue Bonds (Overlay Swap)	13,195	8/15/2006	6/1/2026	Receive 63.6% of 5 year LIBOR swap rate + 0.3% - Pay SIFMA	208
F - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Overlay Swap)	31,475	8/15/2006	6/1/2030	Receive 63.6% of 5 year LIBOR swap rate + 0.3% - Pay SIFMA	675

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### ▪ Risks

##### *Credit Risk*

Each of UNM's derivative instruments is held with the same counterparty except for Derivative Instrument D. Deterioration of credit ratings could indicate a potential inability of the counterparty to make the required periodic payments. The credit ratings for each of the counterparties are as follows:

Entity	Moody's		S & P		Fitch	
	L/T Rating	S/T Rating	L/T Rating	S/T Rating	L/T Rating	S/T Rating
JP Morgan	Aa3	P1	A+	A1	AA-	F1+
RBC Royal Bank	A1	P1	AA-	A1+	AA	F1+

##### *Interest Rate Risk*

UNM is exposed to interest rate risk on its receive-variable, pay-fixed underlying interest rate swaps. As the Securities Industry and Financial Markets Association (SIFMA) swap index decreases, the University's net payment on the underlying swaps increases. Alternatively, on its pay-variable (SIFMA), receive-variable (LIBOR) overlay interest rate swaps, as LIBOR and the SIFMA swap index increases, the University's net payment on the overlay swaps increases.

##### *Basis Risk*

The variable-rate debt hedged by UNM's derivative instruments are variable-rate demand obligation (VRDO) bonds that are remarketed every seven days. The University is exposed to basis risk on its pay-variable (SIFMA), receive-variable (LIBOR) overlay interest rate swaps, because the variable-rate payments received by the University on these derivative instruments are based on a rate (LIBOR) other than the index (SIFMA) the University pays on the VRDO bonds. At June 30, 2017, the interest rate on the University's variable-rate hedged debt (SIFMA) is 0.91%, while the 63.55% of five year LIBOR + 0.31% is 1.44%.

##### *Termination Risk*

UNM or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, UNM is exposed to termination risk on Derivative Instruments B and C because the contract provides the counterparty with a knockout option to terminate the contract if the 180-day SIFMA is equal to or greater than 7.0 percent. The 180-day SIFMA is defined as the weighted average rate taken off the USD floating SIFMA Index Rates published within the previous 180-day period. If at the time of termination, a derivative instrument were in a liability position, UNM would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

##### *Rollover Risk*

UNM is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the debt. When these derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, UNM will be re-exposed to the risks being hedged by the derivative instrument. Derivative Instruments B and C expose UNM to rollover risk because the counterparty has the option to terminate the contract by exercising a knockout option.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### *Foreign Currency Risk*

UNM has no exposure to foreign currency risk from its derivative instruments.

#### ▪ **Commitments**

All of UNM's derivative instruments include provisions that require UNM to post collateral in the event its credit rating falls below certain levels. UNM has entered into a two-way Credit Support Annex (CSA) with the swap counterparties, which is based on each party's long-term unsecured unsubordinated debt rating. The following matrix dictates the potential collateral postings if the swaps mark-to-market values are above the mandated thresholds (in thousands):

<b>Rating</b>	<b>Swap MTM Threshold for Party's A &amp; B</b>		
AA/Aa2 and >	USD	\$	25,000
AA-/Aa3	USD	\$	20,000
A+/A1	USD	\$	15,000
A/A2	USD	\$	10,000
A-/A3	USD	\$	5,000
BBB+/Baa1 and <	USD	\$	-

The collateral to be posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions net of the effect of applicable netting arrangements. If UNM or the counterparty does not post collateral, the derivative instrument may be terminated. UNM's credit rating is AA/Aa2 at June 30, 2017; therefore, no collateral has been posted.

#### ▪ **Derivative Instrument Payments and Hedged Debt**

As of June 30, 2017, aggregate debt service requirements of UNM's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting (in thousands).

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

**University of New Mexico**  
**Debt Service Requirements - Hedging Derivative Instruments**

Fiscal Year Ending June 30,	Principal	Interest	Hedge Deriv. Instruments, Net	Total
2018	\$ 4,840	\$ 363	\$ 1,813	\$ 7,016
2019	5,570	367	1,659	7,596
2020	6,320	378	1,466	8,164
2021	6,580	375	1,270	8,225
2022	6,855	363	1,080	8,298
2023	7,155	331	913	8,399
2024	7,465	292	749	8,506
2025	7,770	241	594	8,605
2026	9,900	184	440	10,524
2027	2,900	102	251	3,253
2028	3,030	78	185	3,293
2029	3,160	52	118	3,330
2030	2,470	23	51	2,544
	<u>\$ 74,015</u>	<u>\$ 3,149</u>	<u>\$ 10,589</u>	<u>\$ 87,753</u>

▪ **Fiscal Year Changes in Swap Valuations**

UNM has entered into interest rate swaps as shown in the prior schedule. The swaps were put in place starting in fiscal years 2002 and 2003. The University has recorded the swaps at their estimated fair values as of June 30, 2017. Swaps A through D are deemed cash flow hedges, and therefore, in addition to recording the liability at fair value, the University has recorded an offsetting deferred outflow of resources. Annually, the changes to the fair values are recorded as an increase or decrease to the liability and the offset to the deferred outflow of resources. The fair value change in fiscal year 2016 for the hedge instruments was a \$4.7 million decrease to the liability and an equal offsetting decrease to the deferred outflow of resources. Swaps E and F are not cash flow hedges, but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2017 was recorded to unrealized losses in the amount of \$709,583 and was recorded as of June 30, 2016 in the amount of \$523,646.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### Notes Payable

The State has issued notes payable for various purposes, mainly equipment acquisition. Details of notes payable for the year ended June 30, 2017, as follows:

**Notes Payable - Business Type**  
**Debt Service Requirements to Maturity**  
**For Fiscal Years End June 30**  
*(Expressed in Thousands)*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 820	\$ 399	\$ 1,219
2019	880	373	1,253
2020	945	347	1,292
2021	1,015	317	1,332
2022	1,090	286	1,376
2023 - 2027	6,640	882	7,522
2028 - 2029	1,595	49	1,644
<b>Total</b>	<b>\$ 12,985</b>	<b>\$ 2,653</b>	<b>\$ 15,638</b>

#### I. Discretely-presented Component Units

##### *Governmental Activities*

There were six Public Project Revolving Fund Revenue Bonds (PPFRF)– Senior Lien Debt issues, issued through NMFA. These consisted of the following new issues of revenue bonds for fiscal year 2017. Issued Series 2016-C PPRFR Refunding Bonds in the amount of \$67,540, with final maturity of June 1, 2046, and coupon rates ranging from 2.00% to 5.00%. Series 2016-D PPRFR issued in the amount of \$116,485, with a final maturity of June 1, 2046, and coupon rates ranging from 2.00% to 5.00%. Series 2016-E PPRFR Refunding Bonds issued in the amount of \$40,870, with a final maturity of June 1, 2046, and coupon rates ranging from 3.00% to 5.00%. Series 2016-F PPRFR issued in the amount of \$38,575, with a final maturity of June 1, 2046, and coupon rates ranging from 3.375% to 5.00%. Series 2017-A PPRFR issued in the amount of \$60,265, with a final maturity of June 1, 2046, and coupon rates ranging from 3.00% to 5.00%. Series 2017-C PPRFR Refunding Bonds issued in the amount of \$37,675, with a final maturity of June 1, 2030, and coupon rates ranging from 3.00% to 5.00%.

There also was issued through NMFA Series 2017-B PPRFR – Subordinate Lien Debt in fiscal year 2017. The issue was in the amount of \$66,015, with a final maturity of June 15, 2046, and carrying coupon rates ranging from 2.25% to 5.00%.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Outstanding bonds payable for the New Mexico Finance Authority are as follows:

<b>Bonds Payable - New Mexico Finance Authority</b>				
<i>(Expressed in Thousands)</i>				
<b>Bond Series</b>	<b>Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Original Issue</b>	<b>Balance June 30, 2017</b>
<b>Public Project Revolving Fund - Senior Lien:</b>				
2008 A - C	3.3 - 6.0	2018 - 2038	\$ 224,640	\$ 144,095
2009 A - E	1.8 - 6.1	2018 - 2038	161,815	99,555
2010 A - B	2.0 - 5.9	2018 - 2039	85,175	55,520
2011 B - C	0.2 - 5.0	2018 - 2036	110,680	68,720
2012 A	1.5 - 5.5	2018 - 2038	24,340	18,780
2013 A - B	2.0 - 5.0	2018 - 2038	60,645	43,065
2014 B	2.0 - 5.0	2018 - 2035	58,235	45,535
2015 B - C	2.3 - 5.0	2018 - 2045	90,800	84,850
2016 A - F	2.0 - 5.0	2018 - 2046	315,540	298,380
2017 A - C	3.0 - 5.0	2018 - 2046	97,940	96,500
Subtotal			<u>1,229,810</u>	<u>955,000</u>
<b>Public Project Revolving Fund - Subordinate Lien:</b>				
2007 B - C	4.3 - 5.3	2018 - 2034	170,335	55,695
2013 C-1, 2	2.0 - 5.0	2018 - 2029	14,295	9,455
2014 A-1, 2	2.0 - 5.0	2018 - 2034	31,940	25,730
2015 A, D	3.0 - 5.0	2018 - 2035	92,745	81,765
2016 B	5.0	2018 - 2021	8,950	6,045
2017 B	2.3 - 5.0	2018 - 2046	68,015	62,240
Subtotal			<u>386,280</u>	<u>240,930</u>
Total Public Project Revolving Fund and Total Bonds Outstanding			1,616,090	1,195,930
Add: Net Unamortized Premium				<u>98,369</u>
<b>Total Bonds Payable</b>				<u><u>\$ 1,294,299</u></u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Outstanding bonds payable for the New Mexico Mortgage Finance Authority are as follows:

#### Bonds Payable - New Mexico Mortgage Finance Authority

(Expressed in Thousands)

Bond Series	Interest Rate (%)	Maturity Date	Balance September 30, 2017
<b>Single Family Mortgage Programs:</b>			
Series 2008 A - D	4.3 - 7.0	2039	\$ 27,015
Series 2009 A - E	3.7 - 6.0	2039 - 2040	67,265
Series 2010 A	4.5 - 4.6	2028	8,820
Series 2011 A - C	2.3 - 5.4	2030 - 2041	51,975
Series 2012 A - B	1.8 - 4.3	2043	56,720
Series 2013 A - C	2.2 - 4.5	2043	59,935
Series 2014 A - B	1.7 - 5.0	2035 - 2044	17,675
Series 2015 A - E	1.1 - 4.0	2035 - 2045	79,259
Series 2016 A - C	0.9 - 3.8	2040 - 2046	139,035
Series 2017 A	3	2038	25,734
Subtotal			533,433
Unaccreted Bond Premium/Discount, Net			9,773
Total Single Family Mortgage Programs Payable			543,206
<b>Rental Housing Mortgage Programs:</b>			
Series 2002 A - B	5.4 - 6.8	2038	8,200
Series 2003 A - B	5.1 - 5.2	2038	7,755
Series 2004 A - G	5.0 - 6.0	2039 - 2040	18,200
Series 2005 A - F	4.7 - 5.1	2040	24,935
Series 2007 A - D	5.1 - 10.0	2042 - 2043	18,122
Series 2008 A - B	0.0 - 0.5 *	2043	8,520
Series 2010 A - B	5.0	2047	850
Series 2012 A	5.0	2049	4,807
Series 2017A - B	1.4 - 2.9	2020	11,850
Subtotal			103,239
Unaccreted Bond Premium/Discount, Net			122
Total Rental Housing Mortgage Programs Payable			103,361
<b>Total Bonds Payable</b>			<b>\$ 646,567</b>

\* Determined on a weekly basis until adjusted to reset rates or fixed rates

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Annual debt service requirements to maturity are as follows:

#### Debt Service Requirements to Maturity For Fiscal Years End September 30

New Mexico Finance Authority <i>(Expressed in Thousands)</i>				New Mexico Mortgage Finance Authority <i>(Expressed in Thousands)</i>		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 123,840	\$ 52,768	\$ 176,608	\$ 14,254	\$ 23,875	\$ 38,129
2019	91,595	49,026	140,621	14,523	23,401	37,924
2020	91,805	45,063	136,868	26,887	22,889	49,776
2021	95,410	40,695	136,105	15,549	22,174	37,723
2022	85,590	36,119	121,709	16,045	21,583	37,628
2023 - 2027	372,975	124,448	497,423	88,698	97,716	186,414
2028 - 2032	192,825	59,550	252,375	98,963	77,597	176,560
2033 - 2037	101,295	21,146	122,441	139,643	55,372	195,015
2038 - 2042	31,160	4,196	35,356	138,565	26,275	164,840
2043 - 2047	9,435	722	10,157	83,105	3,492	86,597
2048 - 2052			-	440	18	458
	<u>1,195,930</u>	<u>433,733</u>	<u>1,629,663</u>	<u>636,672</u>	<u>374,392</u>	<u>1,011,064</u>
Unaccrued Premium	98,369	-	98,369	9,895	-	9,895
<b>Total</b>	<b>\$ 1,294,299</b>	<b>\$ 433,733</b>	<b>\$ 1,728,032</b>	<b>\$ 646,567</b>	<b>\$ 374,392</b>	<b>\$ 1,020,959</b>

Details of the Mortgage Finance Authority Notes Payable follows:

New Mexico Mortgage Finance Authority Notes Payable <i>(Expressed in Thousands)</i>				Debt Service Requirements to Maturity For Fiscal Years End September 30 <i>(Expressed in Thousands)</i>			
Note	Maturity Date	Interest Rate (%)	Balance Sept. 30, 2017	Fiscal Year	Principal	Interest	Total
Note Payable, Wells Fargo	2023	2.0	\$ 850	2018	\$ 25,774	\$ 115	\$ 25,889
Note Payable, Preservation Loan	2042	1.0	1,861	2019	874	42	916
Note Payable, NMSBIC	2018	2.0	800	2020	74	34	108
Note Payable, FHL Bank of Dallas	2017	1.2	10,700	2021	74	33	107
Note Payable, FHL Bank of Dallas	2017	1.2	15,000	2022	393	32	425
<b>Notes Payable</b>			<b>\$ 29,211</b>	2023 - 2027	902	76	978
				2028 - 2032	372	48	420
				2033 - 2037	372	30	402
				2038 - 2042	376	11	387
				<b>Total</b>	<b>\$ 29,211</b>	<b>\$ 421</b>	<b>\$ 29,632</b>

The borrowings were made to raise capital to help fund the Primero Loan Program, which provides loans for nonprofit, public or tribal agency sponsored affordable

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9

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#### NOTE 9. Net Position and Fund Equity

##### A. Governmental Fund Balances

Fund balances of governmental funds are classified as:

- Non-spendable – amounts that cannot be spent because they are not in a spendable form (not expected to be converted to cash) or are legally required to be intact. Examples include inventories and permanent fund principal.
- Restricted – amounts where legally enforceable constraints are imposed by an external party such as a grantor, by the State Legislature, or by the constitution at the same time the revenue is created.
- Committed – amounts where constraints are imposed by formal action of the government’s highest level of decision-making authority, the State Legislature or the Governor, which cannot be used for any other purpose unless the constraint is changed by similar action. These constraints are imposed separately from the creation of the revenue.
- Assigned – amounts where constraints are imposed on the use of resources through the intent made by any level of decision-making authority in the government if the governing body has expressly delegated that authority to the official or to a committee.
- Unassigned – the residual amount after all classifications have been considered. The General Fund is the only fund that reports a positive unassigned fund balance.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

A summary of the nature and purpose of governmental fund balances, by fund type, at June 30, 2017, follows (in thousands):

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Severance Tax</u>	<u>Land Grant</u>	<u>Total</u>
Nonspendable:						
Prepaid Expenses	\$ 13,405	\$ -	\$ -	\$ -	\$ -	\$ 13,405
Inventories	31,993	-	-	-	-	31,993
Other	14,228	-	-	-	-	14,228
Total Nonspendable	<u>\$ 59,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,626</u>
Restricted:						
Capital Projects	\$ -	\$ -	\$ 747,807	\$ -	\$ -	\$ 747,807
Culture, Recreation and Natural Resources	154,098	-	-	-	-	154,098
Debt Service	-	333,212	-	-	-	333,212
Education	58,349	-	-	-	-	58,349
General Control	192,857	-	-	4,931,000	16,491,722	21,615,579
Health and Human Services	82,730	-	-	-	-	82,730
Highway and Transportation	238,643	-	-	-	-	238,643
Judicial	8,800	-	-	-	-	8,800
Legislature	2,467	-	-	-	-	2,467
Public Safety	54,828	-	-	-	-	54,828
Regulation and Licensing	42,711	-	-	-	-	42,711
Total Restricted	<u>\$ 835,483</u>	<u>\$ 333,212</u>	<u>\$ 747,807</u>	<u>\$ 4,931,000</u>	<u>\$ 16,491,722</u>	<u>\$ 23,339,224</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Severance Tax Permanent</u>	<u>Land Grant Permanent</u>	<u>Total</u>
Committed:						
Capital Projects	\$ -	\$ -	\$ 1,956	\$ -	\$ -	\$ 1,956
Culture, Recreation and Natural Resources	250	-	-	-	-	250
Education	11,720	-	-	-	-	11,720
General Control	358,345	3	-	-	-	358,348
Health and Human Services	16,641	-	-	-	-	16,641
Highway and Transportation	-	-	-	-	-	-
Judicial	840	-	-	-	-	840
Public Safety	-	-	-	-	-	-
Regulation and Licensing	234	-	-	-	-	234
Total Committed	<u>\$ 388,030</u>	<u>\$ 3</u>	<u>\$ 1,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,989</u>
Assigned:						
General Control	\$ 116	\$ -	\$ -	\$ -	\$ -	\$ 116
Health and Human Services	4,795	-	-	-	-	4,795
Judicial	3,495	-	-	-	-	3,495
Public Safety	-	-	-	-	-	-
Regulation and Licensing	682	-	-	-	-	682
Total Assigned	<u>\$ 9,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,088</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

Unassigned:

Capital Projects	\$ -	\$ -	\$ (3,329)	\$ -	\$ -	\$ (3,329)
Culture, Recreation and Natural Resources	(3,410)	-	-	-	-	(3,410)
Education	27,917	-	-	-	-	27,917
General Control	(79,648)	-	-	-	-	(79,648)
Health and Human Services	17,741	-	-	-	-	17,741
Highway and Transportation	(24,484)	-	-	-	-	(24,484)
Judicial	435	-	-	-	-	435
Legislature	7,198	-	-	-	-	7,198
Public Safety	4,093	-	-	-	-	4,093
Regulation and Licensing	55,053	-	-	-	-	55,053
Total Unassigned	<u>\$ 4,895</u>	<u>\$ -</u>	<u>\$ (3,329)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,566</u>



# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

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#### **B. Deficit Net Position/ Fund Equity**

##### **Governmental Activities**

The net position of the Risk Management Internal Service Fund and Printing and Records Internal Service Fund reported deficits as a result of actuarially-recognized claims. These deficit put the entire Internal Service Fund into a deficit net position.

#### **C. Net Position/Fund Balance Restatements -**

##### **1. Correction of Errors**

During the fiscal year ended June 30, 2017, the State determined that several errors in accounting and reporting had been made in the prior fiscal year. The effect of the correction of those errors together with the adoption of the new accounting principle on beginning net position and governmental fund balances follows (in thousands):

The following schedule reconciles June 30, 2017, Net Position/fund balance previously reported to beginning Net Position/fund balance, as reported in the accompanying financial statements(in thousands):

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

#### Summary of Adjustments, Net Position/Fund Balance

##### Government-wide Statements -

##### Governmental Activities:

##### Corrections of Errors:

Agencies PPA to correct begin balances	\$ 23,237
Hyperion FY16 entries not carried forward	739
Rounding	2
Correction of errors	<u>1,273</u>
Total government-wide adjustments	<u>25,251</u>

##### Governmental fund financial statements:

Debt Service Funds Adjusting Begin Bal	6,899
79500 FY15 balances used in FY16	(6,597)
95000 FY15 balances used in FY16	2,049
Agencies PPA to correct begin balances	14,566
General Fund Revenue Recognition	51,496
Hyperion FY16 entries not carried forward	(16,880)
Correction of errors	(660)
Land Grant Fund - Distribution Errors	<u>94,561</u>
Total governmental funds adjustments	<u>145,434</u>

##### Total adjustments, Governmental

Activities	<u>\$ 170,685</u>
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##### Component Units

UNMSRMC - Reported as Blended FY17	\$ (19,119)
UNMMG - Reported as Blended FY17	(48,189)
Charter Schools - New & Closed Charter Schools	3,150
Rounding	-
Total adjustments, Major Component Units	<u>\$ (64,158)</u>

##### Non-Major Component Units

##### Correction of Errors:

UNMSTC - Reported as Blended FY17	(843)
UNMLDC - Reported as Blended FY17	(2,633)
UNMLEI - Reported as Blended FY17	(3,975)
NMHUF - correct error in High-Impact Practices	(500)
WNMUF - correct beneficial interest in perpetual trust	722
Cumbres - correct accumulated depreciation	285
UNMI - Reported as Blended FY17	(6,971)
Rounding	<u>1</u>
Total adjustments, Non-Major Component Units	<u>\$ (13,914)</u>

##### Business - type Activities, Educational Institutions:

##### Corrections of Errors

UNM	\$ 81,730
NMSU	(7,000)
NMHU	11,229
NMSVI	11
Rounding	<u>(2)</u>
Total adjustments, Educ. Inst.	<u>85,968</u>

##### Total adjustments,

Business - type Activities	<u>\$ 85,968</u>
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##### External Trust Funds

SIC - Correction of Prior Year Errors	\$ (1,209)
Rounding	<u>1</u>
Total adjustments, External Trust Funds	<u>\$ (1,208)</u>

##### Pension Trust Funds

PERA - Correction Expense and Contribution Errors	\$ 6,135
Rounding	<u>(2)</u>
Total adjustments, Pension Trust Funds	<u>\$ 6,133</u>

##### Private Purpose Trust Funds

Scholarship FY15 balances used in FY16 report	\$ (999)
OSI Trust Fund Prior Period Adjustment	<u>1,608</u>
Total adjustments, Private Purpose Trust	<u>\$ 609</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

<b>Net Position/Fund Balance Restatements</b>								
<b>Governmental Activities:</b>	Net Position - Governmental Activities	Total Fund Balances - Governmental Funds	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax Fund	Land Grant Fund	Total Net Position - Internal Svc. Funds
Beg. Net Position/Fund Balances, as Previously Reported	\$ 23,915,263	\$ 21,879,486	\$ 1,093,931	\$ 288,854	\$ 1,255,466	\$ 4,559,169	\$ 14,682,066	\$ (4,588)
Adjustments	170,685	145,434	46,371	6,900	(2,398)	-	94,561	-
Beg. Net Position/Fund Balances, as Restated	<u>\$ 24,085,948</u>	<u>\$ 22,024,920</u>	<u>\$ 1,140,302</u>	<u>\$ 295,754</u>	<u>\$ 1,253,068</u>	<u>\$ 4,559,169</u>	<u>\$ 14,776,627</u>	<u>\$ (4,588)</u>
Effect on Change in Net Position/Fund Balance FYE June 30, 2016	<u>\$ 170,685</u>	<u>\$ 145,434</u>	<u>\$ 46,371</u>	<u>\$ 6,900</u>	<u>\$ (2,398)</u>	<u>\$ -</u>	<u>\$ 94,561</u>	<u>\$ -</u>
<b>Business-type Activities:</b>	Net Position - Business-type Activities	Educational Institutions	Nonmajor Enterprise					
Beg. Net Position, as Previously Reported	\$ 1,996,114	\$ 1,171,690	\$ 824,424					
Adjustments	85,968	85,968	-					
Beg. Net Position, as Restated	<u>\$ 2,082,082</u>	<u>\$ 1,257,658</u>	<u>\$ 824,424</u>					
Effect on Change in Net Position FYE June 30, 2016	<u>\$ 85,968</u>	<u>\$ 85,968</u>	<u>\$ -</u>					
<b>Fiduciary and Component Units:</b>	Pension Trust Funds	External Investment Trust Funds	Major Component Units	Non-Major Component Units				
Beg. Net Position, as Previously Reported	\$ 26,511,831	\$ 547,716	\$ 1,083,123	\$ 199,422				
Adjustments	6,133	(1,208)	(64,158)	(13,914)				
Beg. Net Position, as Restated	<u>\$ 26,517,964</u>	<u>\$ 546,508</u>	<u>1,018,965</u>	<u>185,508</u>				
Effect on Change in Net Position FYE June 30, 2016	<u>\$ 6,133</u>	<u>\$ (1,208)</u>	<u>\$ (64,158)</u>	<u>\$ (13,914)</u>				

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

#### Fiduciary Funds:

	<u>Agency Funds</u>
Beg. Total Assets and Total Liabilities, as previously reported	\$ 1,094,531
Adjustment - Correction of Errors	
Beg. Total Assets and Total Liabilities, as Restated	<u>\$ 1,094,531</u>
	<u>Private Purpose Trust</u>
Beg. Net Position, as Previously Reported	2,319,862
Adjustments	<u>609</u>
Beg. Net Position, as Restated	2,320,471
Effect on Change in Net Position FYE June 30, 2016	<u>\$ 609</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 10

#### NOTE 10. Leases

##### Operating Leases

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

Operating leases contain various renewal options, as well as some purchase options; however, due to the nature of the leases, they do not qualify as capital leases and the related assets and liabilities are not recorded. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Commitments under operating leases are as follows (in thousands):

	<u>Governmental</u>	<u>Business-type</u>	<u>Fiduciary</u>
2018	\$ 58,776	\$ \$ 12,064	\$ \$ 131
2019	48,137	11,166	125
2020	41,882	9,231	123
2021	36,360	5,417	115
2022	31,261	32,826	28
2023 - 2027	22,514	5,567	-
2028 - 2032	1,260	323	-
2032 - 2036	44	54	-
Thereafter	65,416	38	-
Total	<u>\$ 305,650</u>	<u>\$ 76,686</u>	<u>\$ 522</u>

Operating lease expenditures/expenses for fiscal year 2017 for governmental activities, business-type activities, and fiduciary activities, respectively were \$ 74,317, \$ 14,291 and \$ 183.

##### 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 State Supreme Court *Montano vs. Gabaldon* decision, in that payments for these will be made from Special Revenue Funds and not from general tax revenue.

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 10 (CONTINUED)

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

	<u>Governmental</u>	<u>Business-type</u>
2018	\$ 4,049	\$ 551
2019	4,047	340
2020	4,048	49
2021	4,052	37
2022	4,050	6
2022-2026	20,241	-
2027-2031	20,254	-
2032-2036	20,238	-
2037-2041	4,048	-
Total Lease Payments	<u>85,027</u>	<u>983</u>
Less Amounts Representing Interest	<u>(33,336)</u>	<u>(44)</u>
<b>Present Value of Future Minimum Lease Payments</b>	<b><u>\$ 51,691</u></b>	<b><u>\$ 939</u></b>

As of June 30, 2017, the historical cost of the primary government's assets acquired through capital leases was \$45.185 million for governmental activities, a building, and \$1.202 million for business-type activities, consisting of equipment.

#### Lessor Revenue

The State is also the lessor of office space. Amounts to be received in future years are as follows (in thousands):

	<u>Governmental</u>	<u>Business-type</u>
2018	\$ 2,498	\$ 8,537
2019	3,200	6,837
2020	3,161	6,444
2021	3,149	6,581
2022	3,135	6,617
2023 - 2027	-	18,943
2028 - 2032	-	16,040
2033 - 2037	-	16,053
2038 - 2042	-	19,375
Thereafter	<u>32,436</u>	<u>-</u>
	<b><u>\$ 47,579</u></b>	<b><u>\$ 105,427</u></b>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 10 (CONTINUED)

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The historical cost for the assets which are leased is \$129.7 million for governmental activities (mostly for use of hangar and runway facilities at the Spaceport) and \$145.0 million for business-type activities.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 11

#### NOTE 11. Risk Management

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

- Workers' Compensation
- Civil Rights and Foreign Jurisdiction
- Aircraft
- Money and Securities
- Health/Life
- General Liability
- Automobile
- Property
- Employee Fidelity Bond
- Short-term & Long-term Disability

Coverage includes all entities of the State, including the educational institutions reported in the enterprise fund. The Internal Service Fund 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 \$1,050,000 each. The ISF has a tort claim cap of \$1,050,000. Civil rights claims may exceed this amount and the ISF has reinsurance from \$5,000,000 to \$10,000,000. The ISF would then be liable for the amount remaining above \$10,000,000. All funds, agencies, and authorities of the State participate in ISF. ISF allocates the cost of providing claims servicing and claims payment by charging a premium to each fund, agency, or public authority based on claims history and exposure of each participant. The charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophe losses.

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

Total insurance claims payable at June 30, 2017, were \$180,149,500. The amounts of the liabilities are determined by independent actuarial consultants to the ISF. The total liability is shown in the accompanying financial statements at the present value of the payments, computed at 2.0 percent annual rate, except for long-term disability liability, which is computed at 2.0 percent annual rate, between June 30, 2017 and the date the claims are ultimately expected to be paid.

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



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 11 (CONTINUED)

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 (in thousands):

	<b>Balance</b>	<b>Incurred (Net</b>		<b>Balance</b>
	<b>June 30, 2016</b>	<b>of Actuarial</b>	<b>Payments</b>	<b>June 30, 2017</b>
		<b>Provision)</b>		
State Unemployment	\$ 4,658	\$ 5,013	\$ (5,325)	\$ 4,346
Local Public Body	1,025	1,034	(1,103)	956
Public Property Reserve	1,634	3,753	(2,550)	2,837
Public Liability	97,622	3,357	(17,834)	83,145
Surety Bond	5	(2)	-	3
Workers Compensation	49,277	13,843	(15,071)	48,049
Group Insurance Premium	41,250	325,913	(326,349)	40,814
<b>Total</b>	<b>\$ 195,471</b>	<b>\$ 352,911</b>	<b>(368,232)</b>	<b>\$ 180,150</b>

	<b>Balance</b>	<b>Incurred (Net</b>		<b>Balance</b>
	<b>June 30, 2015</b>	<b>of Actuarial</b>	<b>Payments</b>	<b>June 30, 2016</b>
		<b>Provision)</b>		
State Unemployment	\$ 5,314	\$ (655)	\$ (1)	\$ 4,658
Local Public Body	1,169	878	(1,022)	1,025
Public Property Reserve	1,853	4,345	(4,564)	1,634
Public Liability	105,186	13,193	(20,757)	97,622
Surety Bond	4	1	-	5
Workers Compensation	49,017	16,367	(16,107)	49,277
Group Insurance Premium	38,964	321,507	(319,221)	41,250
<b>Total</b>	<b>\$ 201,507</b>	<b>\$ 355,636</b>	<b>(361,672)</b>	<b>\$ 195,471</b>

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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12

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#### NOTE 12. Pension Plans

##### A. Plan Descriptions

The State maintains five 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). The State elected to use June 30, 2016 as its measurement date for both its PERA and ERB pension plans.

PERA is the administrator of the Public Employees Retirement System (PERS), the Judicial Retirement System (JRS), the Magistrate Retirement System (MRS), and the Volunteer Firefighter Retirement System (VFRS). ERB is the administrator of the Educational Employees Retirement System (EERS). 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, NMSA 1978, and applicable Replacement Pamphlets.

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.

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, 33 Plaza La Prensa, Santa Fe, NM 87507.

ERB is directed by the Educational Retirement Board, composed of seven members. Board members include:

- Secretary of Public Education, who is appointed by the Governor;
- State Treasurer;
- One member elected by the membership of the NM Association of Educational Retirees;
- One member elected by the membership of the National Education Association of New Mexico;
- One member elected by the membership of the American Association of University Professors;
- Two members appointed by the Governor

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

The 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.

The number of participating government employers, and the number of members for each system for the year ended June 30, 2017, were (not in thousands):

	PERS*	JRS	MRS	VFRS	EERS
Number of Employers					
State Agencies	124	16	1	-	11
Cities, Towns, Villages	91	-	-	-	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	99
Other	89	-	-	402	-
Totals	<u>337</u>	<u>16</u>	<u>1</u>	<u>402</u>	<u>218</u>
Retirees and Beneficiaries					
Receiving Benefits	37,388	160	100	1,113	47,340
Terminated Plan Members					
not yet Receiving Benefits	15,091	20	14	482	46,679
Active Plan Members	48,815	127	65	7,823	59,495

\* Note: PERA Retirement Fund includes the Legislative Fund

### B. Funding and Benefit Policies

**Public Employees Retirement System (PERS)** – This plan is a cost sharing, multiple - employer defined benefit pension plan with six divisions of members: State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10-11-3, NMSA 1978.) Except as provided for in the Volunteer Firefighter Retirement Act (Chapters 10-11A-1 to 10-11A-7, NMSA 1978), the Judicial retirement Act (Chapters 10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (Chapters 10-12C-1 to 10-12C-18, NMSA 1978), the Educational Retirement Act (Chapter 22-11, NMSA 1978), and the provisions of Chapters 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for Tier I members (as defined later in these notes). Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of normal retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2.0 percent to 3.5 percent of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60.0 percent to 90.0 percent of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

For Tier II, the retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (applicable to those hired after July 1, 2013 – Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credits equals at least 85, or at 67 with eight or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers, and municipal juvenile detention officers will remain in 25-year retirement plans; however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II, pension factors were reduced by 0.5 %, employee contributions increased 1.5%, and effective July 1, 2014, employer contributions were raised 0.05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contribution rates for members vary depending on the plan under PERS. Employee contribution rates range from 4.78 % to 18.15% of annual salary, and employer rates range from 7.0% to 25.72%. Generally, Tier I regular state members contribute 7.42% to 8.92%, while employers contribute 16.59%.

**State Legislative Fund** – This plan is a defined benefit pension plan which is accounted for in PERS. State Legislators and lieutenant governors must elect to be a member no later than 180 days after first taking office to be covered under this plan. Member contributions are \$500 for each year of service credit prior to the 2012 legislative session and \$600 for each year beginning with the 2012 legislative session. The State is required to contribute sufficient amounts to finance the membership of members under state legislator coverage plan 2 on an actuarial reserve basis. The total actuarially determined amount for the State Legislative Fund for the fiscal year ended June 30, 2016 was \$2,400,000. Regarding the source of funding, Section 7 -1-6.43 of the Tax Administration Act states "A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the legislative retirement fund in an amount equal to two hundred thousand dollars (\$200,000) a month or, if larger, one-twelfth of the amount necessary to pay out the retirement benefits due under state legislator member coverage plan 2 and Paragraph (2) of Subsection C of Section 10-11-42 NMSA 1978 for the calendar year." During the State of New Mexico (52nd Legislature) Second Special Session in 2016, Senate Bill 6 was passed that reduced the State's distribution to the legislative retirement fund from \$200,000 a month to \$75,000 a month. As of October 19, 2016, \$900,000 will be the annual amount distributed by the State to the legislative fund.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Age and service requirements for retirement are age 65 or older with 5 or more years of service credit or any age with 10 or more years of service credit. Legislative members who meet retirement eligibility requirements receive annual pensions equal in any calendar year to 11% of the per diem rate in effect on the first day of the calendar year that the member retires multiplied by 60 and further multiplied by credited service. The per diem rate for January 1, 2014 was \$159. The per diem rate starting January 1, 2015 changed to \$165.

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

For individuals that became a member prior to July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 60 to anyone having served at least 15 years. The annual pension amount for those members covered prior to July 1, 2005, is determined as 75.0 percent of the salary received during the last year in office prior to retirement multiplied by the number of years of service, not to exceed 10 years divided by 10. For individuals that become a member after July 1, 2005, benefits are available at age 64 or older to anyone having served a minimum of five years and at age 55 to anyone having served at least 16 years.

For those individuals who became members subsequent to July 1, 2005, the annual pension amount is determined as 75.0 percent of salary received during the last year in office prior to retirement multiplied by 5.0 percent of the number of years in service, not exceeding 15 years, plus five years or one-twelfth of the salary received during the last year in office prior to retirement multiplied by the product of 3.75 percent times the sum of the number of years of service; provided that a pension calculated shall not exceed 75.0 percent of one-twelfth of the salary received during the last year in office.

The retirement age and service credit requirements for normal retirement for judicial members who first take the bench on or after July 1, 2014 increased with the passage of House Bill 33 Substitute in the 2014 Legislative Session. Under the new requirements, judicial members are eligible to retire at age 65 with 8 or more years of service or at age 60 with 15 or more years of service credit.

Effective July 1, 2014, judicial membership is mandatory, all judicial pension factors were reduced, employee and employer contributions increased 3 percent and the computation of final average salary increased as the average of salary for the 60 consecutive months. In addition, cost-of-living increases were suspended for two consecutive fiscal years and future cost-of-living adjustments are reduced to 2% every third year until the Fund is projected to be 100% funded.

Members contribute at a rate of 10.5 percent of their salaries and the member's court contributes at a rate of 15.0 percent of the member's salary. Additionally, the district court contributes \$38 for each civil case docket fee paid in the district court, \$25 from each civil docket fee paid in metropolitan court and \$10 (not in thousands) for each jury fee paid in metropolitan court. Contribution rates are established by State statute. Various other changes took place under House Bill 33 which amended the Judicial Retirement Act.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

**Magistrate Retirement Fund** – This plan is a single employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in Chapter 10-12C-4, NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded. Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of five years. Retirement is available at age 60 to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0% of the salary received during the last year in office prior to retirement by 5.0% of the number of years of service, not exceeding 15 years, plus five years.

Effective July 1, 2014, membership is mandatory, all magistrate pension factors were reduced, employee contributions increased 3 percent, and the computation of final average salary increased as the average of salary for the 60 consecutive months prior to retirement. Employer contributions increased by 4% effective July 1, 2016. In addition, cost-of-living increases were suspended for two consecutive fiscal years, and future cost-of-living adjustments are reduced to 2% every third year until the Fund is projected to be 100% funded.

Member contributions are based on 10.5 percent of salaries and the State, through the administrative office of the courts, contributes at a rate of 11.0 percent of the member's salary. Additionally, the magistrate or metropolitan courts contribute \$25 for each civil case docket fee paid and \$10 for each civil jury fee paid in magistrate court. Contribution rates are established by State statute. Certain other changes took place under House Bill 216 and amended the Magistrate Retirement Act.

**Volunteer Firefighters Retirement Fund** – This plan is a single employer defined benefit pension plan with a special funding situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in Chapter 10-11A-2, NMSA 1978. 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. Benefits are available at age 55 or older to any member having served as a volunteer fire fighter for a minimum of 10 years. Benefits are \$125 per month, as of July 1, 2013, with at least 10 but less than 25 years of service or \$250 per month with 25 or more years of service. Benefits for post-retirement surviving spouse annuities are also available. Members of the Volunteer Firefighters Retirement Fund do not make individual contributions to the plan. State statutes require that the State Treasurer transfer \$750,000 during the fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

**Educational Employees' Retirement System (EERS)** - The New Mexico Educational Retirement Board (ERB) was created by the Educational Retirement Act, Chapters 22-11-1 to 22-11-52, NMSA 1978, as amended, to administer and have the responsibility for operating the Educational Employees' Retirement Plan. ERB is an agency of the State. The plan administered by ERB is considered part of the State financial reporting entity and is a pension trust fund of the state.

This plan is a cost-sharing multiple employer pension plan established by statute and administered by ERB to provide retirement, disability, and death benefits for all certified teachers and other employees of the State's elementary, secondary, and higher educational institutions, junior colleges, and technical-vocational institutions. Employees who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded. The plan served a total of 218 educational employers in fiscal year 2017.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. For plan members whose annual salary is over \$20,000, they are required to contribute 10.7% of their gross salary to the plan in fiscal year 2016 and thereafter. Employers are required to contribute 13.9% of gross covered salaries in fiscal year 2016 and thereafter. The statutory contribution requirements can be changed by the State Legislature.

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least 67 years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67, and has earned 5 or more years of service credit.

*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 plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

*Benefit Options* - There are three benefit options available:

Option A – Straight Life Benefit. The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B – Joint 100% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 100% survivor's 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. If the beneficiary predeceases the member, the

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C – Joint 50% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

*Cost of Living Adjustment (COLA)* – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3):

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

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.

*Disability Benefit:*

Eligibility - A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by the Board.

Monthly Benefit - The monthly benefit is equal to 2.0 percent of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2.0 percent of FAS times years of 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 survives to age 60, the regular optional forms of payment are available.

Disability Retirement - A member with 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.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

*Refund of Contributions* - Members may withdraw their contributions only when they terminate covered employment in the State 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 at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or contributions held for less than one year.

*Alternative Retirement Plan* - Effective October, 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third party contractors for NMERB. The administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments.

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP, and have certain discretionary authority to decide matters under the ARP. As the ARP trustee NMERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

#### C. Net Pension Liability

The total pension liability, net pension liability, and certain sensitivity information presented on the next page are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2017. The net pension liability of each plan as of June 30, 2017, is as follows (in thousands):

	<b>Public Employees Retirement Association and Education Retirement Board</b>				
	<b>Net Pension Liability, By Fund</b>				
	<i>(Expressed in Thousands)</i>				
	<b>PERA-Public Employees Retirement System</b>	<b>PERA-Judicial Retirement System</b>	<b>PERA-Magistrate Retirement System</b>	<b>PERA-Volunteer Firefighters Retirement System</b>	<b>ERB-Educational Employees Retirement System</b>
Total Pension Liability	\$ 20,068,142	\$ 176,290	\$ 65,627	\$ 48,503	\$ 23,622,825
Plan's Fiduciary Net Position	14,798,917	89,617	32,226	66,401	12,509,357
Net Pension Liability	<u>\$ 5,269,225</u>	<u>\$ 86,673</u>	<u>\$ 33,402</u>	<u>\$ (17,897)</u>	<u>\$ 11,113,468</u>
Percentage of Fiduciary Net Position to Total Pension Liability	<u>73.74%</u>	<u>50.84%</u>	<u>49.10%</u>	<u>136.90%</u>	<u>52.95%</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

The assumptions which follow were adopted by the respective Boards for use in the June 30, 2017 actuarial valuation:

	PERS	JRS	MRS	VFRS	EERS
Valuation date	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Pay	Level Percent of Pay, Open	Level Percent of Payroll, Open	Level Dollar, Open	Closed 30 years Amortization. Level percent of Payroll.
Amortization period	Solved for based on Statutory Rate	30 years	30 years	30 Years	From June 30, 2012 to June 30, 2042.
Asset valuation method	4 year smoothed Market Value	4 year smoothed Market Value	4 year smoothed Market Value	4 year smoothed Market Value	5 Year Smoothed Market Value
Actuarial Assumptions:					
Investment Rate of Return	7.51% annual rate	7.51% annual rate	7.51% annual rate	7.51% annual rate	7.25% annual rate
Projected Benefit Payment	100 years	89 years	86 years	100 years	
Payroll Growth	2.75% - 3.25%	2.75% - 3.25%	2.75% - 3.25%	N/A	0.0%
Project Salary Increases	2.75% - 14.00%	3.50% - 4.00%	3.00% - 3.50%	N/A	3.00% Inflation, plus .75% Prod. Inc.
Includes Inflation At	2.25% - 2.75%	2.25% - 2.75%	-	N/A	2.50%
Municipal Bond Rate	-	3.56%	3.56%	-	-
Discount Rate		5.77%	5.48%		5.90%

**PERS Asset Allocations** – The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Public Employees Retirement Association All Systems		
Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	43.5 %	7.4 %
Risk Reduction & Mitigation	21.5	1.8
Credit Oriented Fixed Income	15.0	5.8
Real Assets	20.0	7.4
<b>Total</b>	<b>100.0 %</b>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

**ERB Asset Allocations** – ERB’s investment allocation policy is periodically reviewed and amended by the Board of Trustees, as needed. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The following schedule shows the current asset allocation policy adopted on August 26, 2016 as well as the prior allocation policy targets.

Asset Class	Target Allocation	
	After 8/26/2016	Prior to 8/26/2016
<b>Equities</b>		
<i>Domestic Equities</i>		
Large cap	16%	18%
Small-mid cap	3%	2%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	9%	10%
Total equities	<u>33%</u>	<u>35%</u>
<b>Fixed Income</b>		
Opportunistic credit	18%	20%
Core bonds	6%	6%
Emerging market debt	2%	2%
Total fixed income	<u>26%</u>	<u>28%</u>
<b>Alternatives</b>		
Real estate - REITS	7%	7%
Real assets	8%	8%
Private equity	13%	11%
Global asset allocation	4%	5%
Risk parity	3%	5%
Other	5%	0%
Total alternatives	<u>40%</u>	<u>36%</u>
<b>Cash</b>	<u>1%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

**Rate of Return** – Disclosure of the annual money-weighted return is a requirement of GASB 67. It incorporates both the size and timing of cash flows to determine an internal rate of return, and expresses investment performance adjusted for the changing amounts actually invested. The requirements of the calculation are listed below.

- The rate is computed net of investment expenses, but not net of administrative expenses.
- External cash flows used as inputs should be determined on at least a monthly basis.
- Cash flows should be determined on an accrual basis of accounting.
- Cash-flow weighting should be representative of the Plan’s actual external cash flow timing.

For the years ended June 30, 2017 and 2016, the annual money-weighted rates of return on the PERA pension plan investments net of investment expense were 10.66% and 0.70%, respectively. For the ERB pension plan, it was 11.91% and 2.68%, respectively.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

#### D. Employer Reporting – Public Employees Retirement Association of New Mexico (PERA)

##### State – Funded Divisions of PERA

For the fiscal year ended June 30, 2017, the State Funded Divisions of PERA were composed of State General, State Police and Legislative. The measurement date used by State was June 30, 2016.

**Contributions** – As stated earlier in this note, the contribution requirements of the plan members and the State are established in the state statute. Statutorily required contributions from the State to the State funded divisions of the pension plan were \$184,801 for the fiscal year ended June 30, 2017.

##### ***Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The State-Funded Divisions of PERA reported net pension liabilities as follows (in thousands):

<u>Division</u>	<u>Net Pension Liability</u>
State General	\$ 3,279,838
State Police	(113,226)
Legislative	<u>(9,827)</u>
Total	<u>\$ 3,156,785</u>

The net pension liability is further segregated in the following amounts in Governmental and Business-Types (in thousands):

Governmental Activities (including Internal Service Funds)	\$ 3,093,059
Business-type Activities (including Nonmajor enterprise funds and two educational institutions)	<u>63,726</u>
Total	<u>\$ 3,156,785</u>

At June 30, 2017, the State's total proportion was 51.25 percent and at June 30, 2016, the State's total proportion was 52.70%. Total contributions were \$160,683, \$21,718, and \$2,400 for the three divisions respectively. Pension expense was \$379,375, \$9,743 and \$159 respectively.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

#### Single-Employer Funds

The State contributes 100 percent of the contributions to three single-employer funds in the PERA System. They are the Judicial, Magistrate, and Volunteer Firefighters Retirement Funds. The measurement date used by State was June 30, 2016 (in thousands).

	<b>Judicial</b> <b>Year-Ended</b> <b>June 30, 2016</b>	<b>Magistrate</b> <b>Year-Ended</b> <b>June 30, 2016</b>	<b>Volunteer</b> <b>Firefighters</b> <b>Year-Ended</b> <b>June 30, 2016</b>
<b>Total Pension Liability</b>			
Service Cost	3,245	1,118	1,439
Interest	10,238	3,452	3,376
Benefit Changes	-	-	-
Difference Between Expected and Actual Experience	4,737	1,571	(498)
Changes of Assumptions	46,155	8,832	1,976
Benefit Payments	(9,813)	(3,977)	(1,835)
Refunds of Contributions	(45)	(14)	-
Net Change in Total Pension Liability	54,517	10,982	4,458
Total Pension Liability - Beginning	137,038	63,536	44,477
Total Pension Liability - Ending (a)	191,555	74,518	48,935
<b>Plan Net Position</b>			
Contributions - Employer	4,237	1,280	750
Contributions - Member	1,582	587	-
Net Investment Income	232	70	206
Benefit Payments	(9,813)	(3,977)	(1,835)
Administrative Expense	(64)	(24)	(47)
Refunds of Contributions	(45)	(15)	-
Other	72	27	51
Net Change in Plan Net Position	(3,799)	(2,052)	(875)
Plan Net Position - Beginning	88,988	33,187	62,103
Prior period adjustments	(257)	(98)	(179)
Plan net position - Beginning, Restated	88,731	33,089	61,924
Plan Net Position - Ending (b)	84,932	31,038	61,049
<b>Net Pension Liability Ending (a) - (b)</b>	<b>\$ 106,623</b>	<b>\$ 43,480</b>	<b>\$ (12,114)</b>

**Contributions** – Statutorily required contributions from the State to the PERA Judicial, Magistrate Retirement and Volunteer Firefighter funds were \$4,524, \$1,282, and \$750, respectively, for the year ended June 30, 2017.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - The State reported liabilities of \$106,623 and \$43,480 for the net pension liabilities of the Judicial and Magistrate Retirement Funds, respectively, which were 100 percent of the proportionate share. For the year ended June 30, 2017, the State recognized \$21,624 and \$9,920 as pension expense for the Judicial and Magistrate Retirement Funds, respectively.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

The Volunteer Firefighters Retirement Fund reported a plan net position of \$61,049 and a total pension liability of \$48,935 for a positive net position of \$12,114. Therefore, in accordance with accounting guidance, the positive net position is reported as a net pension asset in the financial statements. Pension expense was \$1,423.

At June 30, 2017, these plans reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

PERA - State-Funded and Single-Employer Funds (Judicial and Magistrates Funds)	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 138,261	\$ (4,032)	\$ 2,701	\$ (52)
Changes of assumptions	184,449	(30,278)	2,862	(546)
Net difference between projected and actual earnings on pension plan investments	415,308	-	7,760	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-	-	-
State contributions subsequent to measurement date	187,078	-	3,530	-
Totals	<u>\$ 925,096</u>	<u>\$ (34,310)</u>	<u>\$ 16,853</u>	<u>\$ (598)</u>

The amounts of \$187,078 for governmental activities and \$3,530 for business-type activities, reported as deferred outflows of resources related to pensions resulting from the State's contributions subsequent to the measurement date June 30, 2016, will be recognized as a reduction of the respective net pension liability in the following year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Governmental		Business-type	
Year ended June 30:		Year ended June 30:	
2016	\$ 165,739	2016	\$ 2,997
2017	\$ 161,433	2017	\$ 2,919
2018	\$ 270,886	2018	\$ 4,898
2019	\$ 105,651	2019	\$ 1,911
2020	\$ -	2020	\$ -
Thereafter	\$ -	Thereafter	\$ -

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

The deferred outflows and inflows of resources are presented separately for the Volunteer Firefighter’s Fund because this fund reports a positive net position (in thousands).

<b>Volunteer Firefighter's Fund</b>	Governmental		Year ended June 30	
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experiences	\$ 376	\$ (424)	2018	\$ 1,226
			2019	\$ 1,053
Changes of assumptions	1,730	-	2020	\$ 1,886
			2021	\$ 1,152
Net difference between projected and actual earnings on pension plan investments	4,007	-	2022	\$ 221
			Thereafter	\$ 151
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-		
State contributions subsequent to measurement date	750	-		
<b>Totals</b>	<u>\$ 6,863</u>	<u>\$ (424)</u>		

#### E. Employer Reporting – Educational Retirement Board (ERB)

**Contributions** – As stated earlier in this note, the contribution requirements of ERB plan members and the State are established in state statute. Statutorily required contributions for the fiscal year ended June 30, 2017, from the State to the ERB were \$ 1,190 for governmental activities and \$ 113,728 from the twelve educational institutions reported as business-type activities.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principals. Therefore, the employer’s portion was established as of the measurement date June 30, 2016. At June 30, 2017, the State reported a liability of \$ 21,580 for its proportionate share of the net pension liability covering state employees in governmental activities, and \$ 2,061,616 for the collective proportionate share of the twelve educational institutions reported as business-type activities. At June 30, 2016, the proportion was 9.56 percent for governmental activities and 90.44 percent for business-type activities. The State’s proportion of the net pension liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978.

For the year ended June 30, 2017, the State recognized pension expense of \$178 in governmental activities and \$182,639 in business-type activities. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>ERB Fund</b>				
Differences between expected and actual experiences	\$ 94	\$ (205)	\$ 8,536	\$ (19,610)
Changes of assumptions	439	-	41,966	-
Net difference between projected and actual earnings on pension plan investments	1,288	-	123,106	(54)
Changes in proportion and differences between State contributions and proportionate share of contributions	144	(3,225)	16,043	(31,234)
State contributions subsequent to measurement date	1,086	-	113,921	-
Totals	<u>\$ 3,051</u>	<u>\$ (3,430)</u>	<u>\$ 303,572</u>	<u>\$ (50,898)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Governmental		Business-type	
Year ended June 30		Year ended June 30	
2018	\$ (1,633)	2018	\$ 25,520
2019	\$ (232)	2019	\$ 27,739
2020	\$ 87	2020	\$ 55,675
2010	\$ 313	2021	\$ 29,819
2022	\$ -	2022	\$ -
Thereafter	\$ -	Thereafter	\$ -



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

#### Net Pension Liabilities and Related Deferred Inflows/Outflows of Resources Reconciliation to Financial Statements (in thousands)

	Net Pension Asset	Net Pension Liability		Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Governmental Activities</u>			<u>Governmental Activities</u>		
PERA - State Divisions	\$ -	\$ 3,093,059	PERA - State Divisions, Judicial & Magistrate	\$ 925,096	\$ (34,310)
PERA - Judicial	-	106,623	PERA - Volunteer Firefighters	6,863	(424)
PERA - Magistrate	-	43,481	ERB	3,051	(3,430)
PERA - Volunteer Firefighters	12,114	-	Rounding	-	-
ERB	-	21,580	Total Governmental Activities	935,010	(38,164)
Total Governmental Activities	12,114	3,264,743			
<u>Business-type Activities</u>			<u>Business-type Activities</u>		
PERA - State Divisions	-	63,726	PERA - State Divisions	16,853	(597)
ERB	-	2,061,616	ERB	303,572	(50,898)
Total Business-type Activities	-	2,125,342	Rounding	(2)	-
			Total Business-type Activities	320,423	(51,495)
Component Units	-	174,709	Component Units	47,547	(5,384)

#### F. Discount Rates and Sensitivity Analysis

##### *Discount Rate –*

**PERA** - The discount rate used to measure the total pension liability was 7.51 percent for the State-Funded Divisions and the Volunteer Firefighters Fund. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefits payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75 percent assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability of the Magistrate fund was 5.48 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are not sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, a 5.61% discount rate was applied to all periods of projected benefit payments to determine the total pension liability. This rate is a blend of the expected rate of return on assets of 7.75% and the 20-year tax-exempt municipal bond rate 3.82% as of the measurement date. The discount rate for the Judicial fund was 5.77%.

**Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table provides the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the State's net pension liability as if it were calculated using a discount rate one percentage point lower or one percentage point higher than the single discount rate.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

**Public Employees Retirement Association  
Employer Reporting  
Sensitivity of the Net Pension Liability to  
Changes in the Discount Rate  
(Expressed in Thousands)**

Net Pension Liability	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
State-Funded Divisions	\$ 4,317,951	\$ 3,156,785	\$ 2,190,417
<b>Single-Employer Funds:</b>			
Judicial	(4.77%) \$ 129,168	(5.77%) \$ 106,623	(6.77%) \$ 87,711
Volunteer Firefighters	(6.51%) \$ 6,344	(7.51%) \$ (12,114)	(8.51%) \$ (16,921)
Net Pension Liability Magistrate	(4.48%) \$ 52,822	(5.48%) \$ 43,481	(6.48%) \$ 35,754

**ERB** - A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 5.90%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used this single rate assuming that Plan contributions will be made at the current statutory levels. Additionally, contributions received through NMERB's Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB plan payroll, where the percentage of payroll is based on the most recent five-year contribution history.

**Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table provides the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the State's net pension liability as if it were calculated using a discount rate one percentage point lower or one percentage point higher than the single discount rate.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

**Educational Retirement Board  
Employer Reporting  
Sensitivity of the Net Pension Liability to  
Changes in the Discount Rate  
(Expressed in Thousands)**

Net Pension Liability	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
State Employees (Governmental Activities)	\$ <u>28,582</u>	\$ <u>21,580</u>	\$ <u>15,770</u>
Educational Institution Employees (Business-type Activities)	\$ <u>2,730,562</u>	\$ <u>2,061,616</u>	\$ <u>1,506,579</u>
<b>Total Primary Government- ERB</b>	<b>\$ <u>2,759,144</u></b>	<b>\$ <u>2,083,196</u></b>	<b>\$ <u>1,522,349</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13

#### NOTE 13. Post - Employment Benefits Other Than Pensions

##### A. New Accounting Standard

In addition to pension benefits as described in Note 11, the State provides other post-employment benefits (OPEB). GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2009. The State of New Mexico has also, adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This supersedes GASB Statement No. 43 (GASB 43), *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, as a multi-employer cost-sharing plan, for the year ended June 30, 2017.

##### B. Plan Description

The New Mexico Retiree Health Care Authority (RHCA) was formed February 13, 1990 under the New Mexico Retiree Health Care Act (Act), Chapters 10-7C-1 to 10-7C-19, NMSA 1978, to administer the retiree health care fund which was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents, and surviving spouses) who have retired or will retire from public service in New Mexico. The Retiree Health Care Act (Chapters 10-7C-1 to 10-7C-19, NMSA 1978) established a cost-sharing multi-employer defined benefit postemployment health care plan (Plan) that provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Act created a governing board composed of 11 members (a twelfth member was added through an amendment). RHCA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to RHCA, 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

The legislation establishing RHCA specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and RHCA administering the Act. However, the substantive plan created by the Act contains all requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan, and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for a participating government entity to withdraw membership and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. RHCA received a legal opinion that the manner of legal organization of RHCA is substantially equivalent to a trust. As such, RHCA was required to apply GASB Statement No. 43 (GASB 43), *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, as a multi-employer cost-sharing plan. GASB 43 as amended was superseded with GASB Statement No. 74 (GASB 74) *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans* which was implemented by the State effective for fiscal year ending June 30, 2017. GASB 74 also replaced GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The Net Position of the RHCA is reported as restricted per GASB Statement No. 46 and Chapter 10-7-C-14, NMSA 1978.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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.

#### Plan Membership (Not in Thousands):

Current Retirees and Surviving Spouses	51,208
Inactive and Eligible for Deferred Benefit	11,478
Current Active Members	97,349
<b>Total</b>	<b>160,035</b>

#### Active Membership:

State General	19,593
State Police and Corrections	1,886
Municipal General	21,004
Municipal Police	3,820
Municipal FTRE	2,290
ERB	48,756
<b>Total</b>	<b>97,349</b>

#### C. Funding and Benefit Policies

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Plan on the person's behalf, unless that person retires before the employer's effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's 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. Employees of RHCA are allowed to participate in the Plan.

The New Mexico Retiree Health Care Act (Chapter 10-7C-13, NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars (not in thousands) if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100.0 percent of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from NMRHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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*Contributions* - The New Mexico Retiree Health Care Act (Chapter 10-7C-15, NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The contributions are set by legislation and are not based on an actuarial calculation. The Legislature periodically reviews the contribution rates pursuant to Chapter 10-7C-15, NMSA 1978.

For the fiscal year ended June 30, 2017, for regular state employees, the statute required each participating employer to contribute 2.0 percent of each participating employee's annual salary; each participating employee was required to contribute 1.0 percent of their salary.

For employees who were members of an enhanced retirement plan (state police, adult correctional officers, fire fighters and judges) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5 percent of each participating employee's annual salary, and each participating employee was required to contribute 1.25 percent of their salary.

Current retirees are required to make monthly contributions for individual basic medical coverage. Retiree premium contribution increases are no longer limited by the Act, which the RHCA's health care trend will be the basis for any rate increases for the New Mexico basic plan of benefits. The Board may designate other plans as "optional coverages." Optional and/or voluntary coverages are not subject to the 9.0 percent cap, which expired in fiscal year 2008 per Chapter 10-7C-13, NMSA 1978.

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

The required and actual contributions of employers in accordance with the funding policy and the percentage of current-year covered payroll for the ten preceding fiscal years are as follows:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

#### Schedule of Required Contributions (In Thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions - Employers	Percentage Contributed
2017	\$ 317,547	\$ 159,379	50.2 %
2016	303,631	159,863	52.7 %
2015	292,657	156,670	53.5 %
2014	367,804	149,277	40.6 %
2013	353,658	135,388	38.3 %
2012	340,075	142,054	41.8 %
2011	326,995	120,873	37.0 %
2010	298,000	114,847	38.5 %
2009	286,538	96,817	33.8 %
2008	275,518	94,224	34.1 %

The above schedule presents trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 74. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years using an open-ended amortization.

#### Schedule of Employer Contributions

Year Ended June 30,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 317,547	\$ 159,379	\$ 158,168	\$ 4,165,647	3.83%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years with available information.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

#### D. Funded Status

The funded status as of June 30, 2017, the most recent valuation date, was as follows (dollar amount in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 471,978	\$ 4,277,042	\$ 3,805,064	11.04 %	\$ 4,271,184	89 %
June 30, 2014	377,087	3,740,368	3,363,280	10.08 %	3,941,588	85 %
June 30, 2012	227,488	3,915,114	3,687,626	5.81 %	3,877,827	95 %
June 30, 2010	176,923	3,523,665	3,346,742	5.02 %	4,001,802	84 %
June 30, 2008	170,626	3,116,916	2,946,290	5.47 %	4,020,509	73 %
June 30, 2006	154,539	4,264,181	4,109,643	3.62 %	4,073,732	101 %

*Investments and Fair Value Measurements:* The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of June 30, 2017.

The RHCA invested in a number of investment pools offered by New Mexico State Investment Council (NMSIC). Each pool is comprised of units of participation of unlimited quantity. The pools are held in NMSIC's name. No unit in the pool has priority or preference over any other unit and represents an equal beneficial interest in the pool. The valuation of the RHCA's units in the investment pool is provided by the NMSIC on a monthly basis and represents the fair market value as of that date. Therefore, RHCA has determined that all the investments are measured at Net Asset Value as a practical expedient (NAV practical expedient).

The table below summarizes the investments valued at NAV practical expedient and other pertinent liquidity information:



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Investments Measured at NAV Practical Expendient	Fair Value June 30, 2017	Redemption Frequency	Redemption Notice Period
Core Plus Bond Pools	\$ 107,756	Daily	5 business days
U.S. Large Cap Index Pool	119,944	Daily	5 business days
Non U.S. Emerging Markets Index Pool	82,734	Daily	5 business days
Non U.S. Developed Markets Index Pool	64,778	Daily	5 business days
Private Equity Pool	61,435	Twice per year	9 months
Credit and Structured Finance Pool	56,324	4 times per year	3 months
Real Estate Pool	31,675	Twice per year	6 months
Absolute Return Pool	26,345	4 times per year	3 months
Small/Mid Cap Active Pool	16,319	Daily	5 business days
	<u>\$ 567,310</u>		

There are requirements for frequency and timing of actuarial valuations, as well as actuarial methods and assumptions that are acceptable for financial reporting. The Authority obtains actuarial valuations at least biannually and a single actuarial valuation covers all plan members.

***RHCA Asset Allocations*** – RHCA’s investment allocation policy is periodically reviewed and amended by the Board of Trustees, as needed. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Further detail of the individual Investment Pools and their management can be obtained from a publicly available financial report that includes financial statements and required supplementary information for the post-employment healthcare plan at RHCA website <https://www.nmrhca.state.nm.us> .

The actuarial methods and assumptions for the Plan at June 30, 2017, were as follows:

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level of percent of pay, calculated on individual employee basis
Amortization method	30-year open-ended amortization, level percent of payroll
Remaining amortization period	30 years as of June 30, 2016
Asset valuation method	Market value of assets
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases:	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate:	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

The Annual Money-Weighted rate of return is required to be shown for 10 years. However, until a full 10-year trend is compiled, this will be presented using information for those years which are available.

#### Schedule of Annual Money-Weighted Rate of Return

<u>Year Ended June 30,</u>	<u>Annual Money- Weighted Rate Of Return</u>
2017	13.98%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The following schedule summarizes the current investment allocation policy as of June 30, 2017:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

<u>Asset Class</u>	<u>Target Allocations</u>
U.S. core fixed income	20%
U.S. equity - large cap	20%
Non U.S. - emerging markets	15%
Non U.S. - developed equities	12%
Private equity	10%
Credit and structured finance	10%
Real estate	5%
Absolute return	5%
U.S. equity - small/mid cap	3%

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1%
Non U.S. - emerging markets	12.2%
Non U.S. - developed equities	9.8%
Private equity	13.8%
Credit and structured finance	7.3%
Real estate	6.9%
Absolute return	6.1%
U.S. equity - small/mid cap	9.1%

#### E. Net OPEB Liability

**Net OPEB liability** - The net OPEB liability and the plan's actuarial valuation were calculated by the Authority's independent actuary as of June 30, 2017. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB 74 requirements at the request of the Authority.

The discount rate used to measure the total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates.

For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

for future plan members are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 3.81% is the blended discount rate.

The following presents the net OPEB liability, calculated using the discount rate of 3.81%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$ 5,496,849	\$ 4,531,673	\$ 3,774,406

The total OPEB liability, net OPEB liability, and certain sensitivity information presented are based on an actuarial valuation performed as of June 30, 2016. The total OPEB liability was rolled forward from the valuation date to the plan year ending June 30, 2017. The change in net OPEB liability as of June 30, 2017, is as follows:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Schedule of Changes in the Net OPEB Liability  
(000) omitted

<b>TOTAL OPEB LIABILITY</b>	
Service Cost	\$ 265,229
Interest	187,563
Differences between expected and actual experience	(210,436)
Changes in assumptions	(958,756)
Claims and premiums	(294,107)
Retiree's contributions offset to claims and premiums	153,464
Medicare Part D and rebates offset to claims and premiums	26,945
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	<u>(830,098)</u>
<b>TOTAL OPEB LIABILITY - BEGINNING</b>	<u>5,941,239</u>
<b>TOTAL OPEB LIABILITY - ENDING (a)</b>	<u>5,111,141</u>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions - employee and retiree	196,393
Contributions - employer	85,858
Net investment income	67,760
Other revenue	55,556
Claims and premiums paid	(294,393)
Administrative expenses	(4,180)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<u>106,994</u>
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<u>472,474</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING (b)</b>	<u>579,468</u>
<b>NET OPEB LIABILITY (a) - (b)</b>	<u>\$ 4,531,673</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY</b>	11.34%
<b>COVERED-EMPLOYEE PAYROLL</b>	4,165,647
<b>NET OPEB LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL</b>	108.79%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years with available information.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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The Net OPEB liability for June 30, 2017 is as follows:

	<u>June 30, 2017</u>
Total OPEB liability	\$ 5,111,142
Plan fiduciary net position	<u>579,469</u>
Net OPEB liability	<u>\$ 4,531,673</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 11.34%

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 14

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#### **NOTE 14. Deferred Compensation Plan**

The State of New Mexico offers state, local government, and school district employees a deferred compensation plan (Deferred Plan) under Chapters 10-7A-1 to 10-7A-12, NMSA 1978, the “Deferred Compensation Act,” in accordance with Internal Revenue Code Section 457. The Deferred 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.

PERA is the trustee of the Deferred Plan; however, the Deferred Plan uses a third party administrator, acting under contract with PERA. All costs of administration and funding are borne by the Deferred Plan participants. The Administrator has authority to control and manage the operation of the Deferred Plan. The Administrator is delegated any and all powers as may be necessary or advisable to discharge its duties under the Deferred Plan, and has certain discretionary authority to decide all matters under the Deferred Plan. As Deferred Plan trustee, PERA’s primary responsibility is to select investment options that are safe and provide a reasonable rate of return and to ensure that all investments, amounts, property, and rights under the executed Deferred Plan-Trust are held for the exclusive benefit of Deferred Plan participants and their beneficiaries, as defined in the Deferred Plan. The assets of the Deferred Plan are not assets of the State, but are held in trust for the exclusive benefit of Deferred Plan participants and their beneficiaries. The State has no liability for losses under the Deferred Plan but does have the duty of due care that would be required of a fiduciary agent.

The Deferred Plan issues a publically available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, 33 Plaza La Prensa, Santa Fe, NM 87507. This report is also available online at: <http://www.nmpera.org/deferred-compensation>.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 15

#### NOTE 15. Arbitrage on Tax-Exempt Bonds

Arbitrage is the excess interest earned by a state or local government on proceeds from the sale of its bonds over interest paid to bondholders. The Tax Reform Act of 1986 TRA required rebate of such arbitrage to the U.S. Treasury Department on governmental bonds issued after August 31, 1986, and on private activity bonds issued after December 31, 1984, when the proceeds were held for six months or longer. These rebates must be calculated annually and paid at the end of every fifth year until the bonds are retired.

The Revenue Reconciliation Act of 1989 amended the six-month rule. For bonds issued after December 19, 1989, the rebate requirement does not apply if, both, all of the gross proceeds of the issue, other than the reserve fund, are spent within the six-month period following the date of issue, and the rebate requirement is satisfied for the reserve fund after the six-month period. The term gross proceeds for purposes of the rule includes both the sale proceeds received from the bonds purchaser on the issue date and investment earnings on such proceeds during the six 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 year-ends and arbitrage rebate due dates. The State Treasurer has completed the first arbitrage computation for the bonds as indicated:

	<b>First Computation Date</b>	<b>First Payment Due to IRS</b>	<b>Computation of Arbitrage Completed</b>	<b>Next Payment Due to IRS</b>
General Obligation Bonds Series 2009	5/28/2014	7/28/2014	X	3/1/2019
General Obligation Bonds Series 2011	5/26/2016	7/25/2016	X	3/1/2021
General Obligation Bonds Series 2013	4/23/2018	6/22/2018	X	3/1/2023
General Obligation Bonds Series 2015	3/25/2020	5/26/2020	X	3/1/2025
Severance Tax Bonds Series 2009A	7/30/2014	9/29/2014	X	7/1/2019
Severance Tax Bonds Series 2010A	3/24/2015	5/26/2015	X	3/24/2020
Supplemental Severance Tax Bonds Series 2010B	3/24/2015	5/26/2015	X	3/24/2020
Severance Tax Bonds Refunding Series 2010D	12/8/2015	2/8/2016	X	7/1/2017
Severance Tax Bonds Series 2011A-1	12/6/2016	2/6/2017	X	7/1/2021
Severance Tax Bonds Refunding Servies 2011A-2	12/6/2016	2/6/2017	X	7/1/2021
Severance Tax Bonds Series 2012A	6/21/2017	8/21/2017	X	6/21/2022
Severance Tax Bonds Series 2013A	7/23/2018	9/24/2018	X	7/1/2023
Severance Tax Bonds Series 2014A	6/24/2019	8/23/2019	X	6/24/2024
Severance Tax Bonds Series 2015A	8/12/2020	10/11/2020	X	7/1/2025
Severance Tax Bonds Series 2015B	8/12/2020	10/11/2020	X	7/1/2025
Severance Tax Bonds Series 2016A	6/23/2021	8/22/2021	X	6/23/2026
Severance Tax Bonds Series 2016B	6/23/2021	8/22/2021	X	7/1/2024



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 16

#### NOTE 16. Segment Information

The following is condensed financial information for the segments within the proprietary funds which have revenue bonds (in thousands):

	<u>Educational Institutions</u>								
	<u>State Fair Commission</u>	<u>Miners' Colfax Medical Center</u>	<u>New Mexico State University</u>	<u>Eastern New Mexico University</u>	<u>New Mexico Highlands University</u>	<u>New Mexico Institute of Mining and Technology</u>	<u>New Mexico Military Institute</u>	<u>Western New Mexico University</u>	<u>University of New Mexico</u>
<b>Condensed Statement of Net Position:</b>									
Current Assets	\$ 3,238	\$ 7,209	\$ 142,012	\$ 57,727	\$ 16,109	\$ 79,650	\$ 23,038	\$ 22,843	\$ 1,081,307
Other Assets	-	1,000	125,509	19,104	9,307	62,559	47,344	3,231	433,863
Capital Assets, Net	43,151	26,527	502,900	174,331	99,189	160,786	71,685	50,166	1,303,030
<b>Total Assets</b>	<b>46,389</b>	<b>34,736</b>	<b>770,421</b>	<b>251,162</b>	<b>124,603</b>	<b>302,995</b>	<b>142,067</b>	<b>76,240</b>	<b>2,818,200</b>
Deferred Outflows of Resources	1,283	7,943	70,110	12,680	7,715	13,365	5,059	7,475	193,812
Current Liabilities	5,246	5,755	58,343	16,713	10,892	12,562	5,619	4,637	385,012
Long-term Liabilities	4,481	38,588	671,968	130,028	79,264	124,013	41,628	61,333	1,929,068
<b>Total Liabilities</b>	<b>9,727</b>	<b>44,343</b>	<b>730,311</b>	<b>146,741</b>	<b>90,156</b>	<b>136,575</b>	<b>47,247</b>	<b>65,970</b>	<b>2,314,080</b>
Deferred Inflows of Resources	49	313	24,850	3,274	2,799	2,792	390	1,666	12,833
Net Investment in Capital Assets	43,151	15,380	396,577	133,131	73,330	149,662	60,978	31,714	717,706
Restricted	1,501	1,000	64,187	12,898	16,122	56,136	44,317	13,752	214,579
Unrestricted	(6,756)	(18,357)	(375,394)	(32,202)	(50,089)	(28,805)	(5,806)	(29,387)	(247,186)
<b>Total Net Position</b>	<b>\$ 37,896</b>	<b>\$ (1,977)</b>	<b>\$ 85,370</b>	<b>\$ 113,827</b>	<b>\$ 39,363</b>	<b>\$ 176,993</b>	<b>\$ 99,489</b>	<b>\$ 16,079</b>	<b>\$ 685,099</b>
<b>Condensed Statement of Activities:</b>									
Operating Revenues:									
Charges for Services	\$ 11,722	\$ 21,397	\$ 20,068	\$ 7,708	\$ 3,689	\$ 4,902	\$ 7,663	\$ 3,765	\$ 137,166
Net Student Tuition and Fees	-	-	67,125	19,501	15,020	11,123	2,590	11,909	137,853
Loan and Other Income	-	764	-	-	-	-	-	-	-
State, Local, Private Grants/Contracts	-	-	28,468	10,137	3,530	14,878	3,779	2,876	79,808
Patient Income	-	-	-	-	-	-	-	-	1,191,251
Federal Funds	-	-	89,478	9,999	11,272	39,803	997	1,571	211,039
Other Operating Revenues	941	64	16,568	5,146	857	17,901	990	1,788	50,398
<b>Total Operating Revenue</b>	<b>12,663</b>	<b>22,225</b>	<b>221,707</b>	<b>52,491</b>	<b>34,368</b>	<b>88,607</b>	<b>16,019</b>	<b>21,909</b>	<b>1,807,515</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 16 (CONTINUED)

	Educational Institutions								
	State Fair Commission	Miners' Colfax Medical Center	New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
<b>Condensed Statement of Activities</b>									
<b>(Continued)</b>									
Operating Expenses:									
Operating Expenses	\$ 484	\$ 308	\$ 362,285	\$ 72,264	\$ 41,342	\$ 54,823	\$ 18,739	\$ 29,794	\$ 1,996,867
Depreciation Expense	2,553	2,383	35,474	7,865	4,572	10,365	3,087	3,631	104,109
General and Administrative	13,087	30,490	130,054	25,959	22,761	78,051	15,139	11,006	263,467
<b>Total Operating Expenses</b>	<b>16,124</b>	<b>33,181</b>	<b>527,813</b>	<b>106,088</b>	<b>68,675</b>	<b>143,239</b>	<b>36,965</b>	<b>44,431</b>	<b>2,364,443</b>
Operating Income (Loss)	(3,461)	(10,956)	(306,106)	(53,597)	(34,307)	(54,632)	(20,946)	(22,522)	(556,928)
Nonoperating Revenue (Expense)									
Government Grants and									
Contracts	-	634	68,170	12,071	-	-	-	5,038	192,116
Net Investment Income	-	-	3,009	1,791	669	504	4,587	46	31,934
Other Revenue	-	-	4,969	-	-	8,908	211	-	4,795
Interest Expense	-	-	(5,146)	(1,467)	(382)	(775)	(273)	-	(24,717)
Private Grants And Gifts	-	-	9,066	-	-	1,587	-	-	33,198
State Permanent Fund Income	-	-	3,110	-	258	1,505	17,241	271	-
Gain (Loss) On Sale Of Capital Assets	-	-	2,050	(1)	-	-	-	(11)	(128)
<b>Total Nonoperating Income (Expense)</b>	<b>-</b>	<b>634</b>	<b>85,228</b>	<b>12,394</b>	<b>545</b>	<b>11,729</b>	<b>21,766</b>	<b>5,344</b>	<b>237,198</b>
Capital Contributions	-	-	4,747	145	260	5,194	1,263	(2)	-
Permanent Fund Contributions	-	-	19,440	6,365	2,846	11,200	-	711	39,120
Net Transfers	2,183	5,119	192,696	43,316	29,376	35,883	2,871	19,152	294,671
Change in Net Position	(1,278)	(5,203)	(3,995)	8,623	(1,280)	9,374	4,954	2,683	14,061
Net Position, Beginning, restated	39,174	3,226	89,365	105,204	40,643	167,619	94,535	13,396	671,038
<b>Net Position, Ending</b>	<b>\$ 37,896</b>	<b>\$ (1,977)</b>	<b>\$ 85,370</b>	<b>\$ 113,827</b>	<b>\$ 39,363</b>	<b>\$ 176,993</b>	<b>\$ 99,489</b>	<b>\$ 16,079</b>	<b>\$ 685,099</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 16 (CONTINUED)

	Educational Institutions								
	State Fair Commission	Miners' Colfax Medical Center	New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
<b>Condensed Statement of Cash Flows:</b>									
Net Cash Provided (Used) by:									
Operating Activities	\$ (86)	\$ (7,892)	\$ (257,924)	\$ (46,228)	\$ (28,443)	\$ (39,262)	\$ (15,465)	\$ (18,919)	\$ (350,164)
Noncapital Financing Activities	2,183	6,280	268,017	53,233	29,630	48,161	20,547	24,461	508,144
Capital and Related Financing Activities	(2,278)	(2,610)	(21,024)	(12,923)	(4,554)	(5,931)	(4,222)	(2,387)	(75,185)
Investing Activities	0	0	4,225	9,699	4,016	1,332	596	(252)	8,404
Cash and Cash Equivalents at Beginning of Year, as Restated	3,392	5,586	84,069	24,519	11,319	44,172	15,324	8,174	361,428
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,211</b>	<b>\$ 1,364</b>	<b>\$ 77,364</b>	<b>\$ 28,301</b>	<b>\$ 11,968</b>	<b>\$ 48,472</b>	<b>\$ 16,780</b>	<b>\$ 11,076</b>	<b>\$ 452,628</b>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 17

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#### **NOTE 17. State General Fund Investment Pool**

The Financial Control Division (FCD), within the Department of Finance and Administration (DFA), in collaboration with the New Mexico State Treasurer's Office (STO), implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool (SGFIP) to the associated resources held by STO. This process has been in place for nearly two years and applied across three fiscal years with stable results. There have been many reviews of the process and each review has deemed it to be adequate and in compliance with established procedures. Successfully addressing this issue in fiscal year 2015 allowed the DFA to reinstate \$100 million that had been reserved as a loss contingency.

For fiscal year 2017, the following assertions are provided:

- 1) The calculated difference between resources maintained by the STO and the agency claims has remained stable and with a very narrow and acceptable range over the twelve months of fiscal year 2017.
- 2) Resources are equivalent to and can cover the face value of all agency claims against the pool.
- 3) All claims honored at face value.

For cash management and investment purposes, funds of various state agencies are deposited in the SGFIP, which is managed by STO. The SGFIP is reported as a fiduciary fund in the financial statements of STO. Claims on the SGFIP are reported as assets by the various agencies investing in the SGFIP. By statute, the DFA is responsible for reconciling the SGFIP balances. As of June 30, 2017, the Component Appropriations Funds report an aggregate investment of \$27.678 million in the SGFIP.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18

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#### **NOTE 18. Property Tax Abatements:**

In fiscal year 2017, the State adopted Statement No. 77 of the Government Accounting Standards Board, entitled, Tax Abatement Disclosures. Statement No. 77 requires the governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should also recognize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements.
- The specific taxes being abated.
- The gross dollar amount of taxes abated during the period.

The State has provided the following disclosure of tax abatements affecting the State of New Mexico. Tax receipts processed by the Department of Taxation and Revenue are recognized as revenue in various departments of the State. Abatements affecting local governments are disclosed in the financial statements of each local governmental entity, and can be obtained from the accounting department of each local government.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	DEDUCTION -- GROSS RECEIPTS TAX -- SALE OF ENGINEERING, ARCHITECTURAL AND NEW FACILITY CONSTRUCTION SERVICES USED IN CONSTRUCTION OF CERTAIN PUBLIC HEALTH CARE FACILITIES
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Gross Receipts Tax
Specific Tax(es) Being Abated	Gross Receipts Tax
Legal authority under which tax abatement agreement was entered into	Section 7-9-99 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	Receipts from selling an engineering, architectural or construction service used in the new facility construction of a sole community provider hospital that is located in a federally designated health professional shortage area may be deducted from gross receipts if the sale of the engineering, architectural or construction service is made to a foundation or a Nonprofit organization that: A. has entered into a written agreement with a county to pay at least ninety-five percent of the costs of new facility construction of that sole community provider hospital; and B. delivers to the seller of the engineering, architectural or construction service either an appropriate Nontaxable transaction certificate or other evidence acceptable to the secretary of a written agreement made in accordance with Subsection A of this section.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$-0-, no taxpayers have claimed this tax deduction since FY2011
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	N/A - no taxpayer has claimed this deduction since inception
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	DEDUCTION - GROSS RECEIPTS TAX - SALE OF CONSTRUCTION EQUIPMENT AND CONSTRUCTION MATERIALS USED IN NEW FACILITY CONSTRUCTION OF A SOLE COMMUNITY PROVIDER HOSPITAL THAT IS LOCATED IN A FEDERALLY DESIGNATED HEALTH PROFESSIONAL SHORTAGE AREA
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Gross Receipts Tax
Specific Tax(es) Being Abated	Gross Receipts Tax
Legal authority under which tax abatement agreement was entered into	Section 7-9-100 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	Receipts from selling construction equipment or construction materials used in the new facility construction of a sole community provider hospital that is located in a federally designated health professional shortage area may be deducted from gross receipts if the sale of the construction equipment or construction materials is made to a foundation or a Nonprofit organization that: A. has entered into a written agreement with a county to pay at least ninety-five percent of the costs of new facility construction of that sole community provider hospital; and B. delivers to the seller either an appropriate Nontaxable transaction certificate or other evidence acceptable to the secretary of a written agreement made in accordance with Subsection A of this section.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$-0-, no taxpayers have claimed this tax deduction since inception
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	N/A - no taxpayer has claimed this deduction since inception
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	ADVANCED ENERGY DEDUCTION -- GROSS RECEIPTS AND COMPENSATING TAXES
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Gross Receipts Tax
Specific Tax(es) Being Abated	Gross Receipts Tax
Legal authority under which tax abatement agreement was entered into	Section 7-9-114 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	Receipts from selling or leasing tangible personal property or services that are eligible generation plant costs to a person that holds an interest in a qualified generating facility may be deducted from gross receipts if the holder of the interest delivers an appropriate Nontaxable transaction certificate to the seller or lessor. The department shall issue Nontaxable transaction certificates to a person that holds an interest in a qualified generating facility upon presentation to the department of a certificate of eligibility obtained from the department of environment pursuant to Subsection G of this section for the deduction created in this section or a certificate of eligibility pursuant to Section 7-2-18.25, 7-2A-25 or 7-9G-2 NMSA 1978. The deduction created in this section may be referred to as the "advanced energy deduction".
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$500,000 - however, the Taxation and Revenue Department is unable to segregate the gross receipts from the compensating tax component, nor is the impact to local governments determinable at this time.
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	The Taxation and Revenue Department is unable to segregate the gross receipts from the compensating tax component, nor is the impact to local governments determinable at this time.
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	CREDIT FOR PRESERVATION OF CULTURAL PROPERTY
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Personal Income Tax
Specific Tax(es) Being Abated	Personal Income Tax
Legal authority under which tax abatement agreement was entered into	Section 7-2-18.2 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	The taxpayer may claim the credit if: (1) the taxpayer submitted a plan and specifications for restoration, rehabilitation or preservation to the committee and received approval from the committee for the plan and specifications prior to commencement of the restoration, rehabilitation or preservation; (2) the taxpayer received certification from the committee after completing the restoration, rehabilitation or preservation, or committee-approved phase, that it conformed to the plan and specifications and preserved and maintained those qualities of the property that made it eligible for inclusion in the official register; and (3) the project is completed within twenty-four months of the date the project is approved by the committee in accordance with Paragraph (1) of this subsection.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of credit claimed on the personal income tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of credit claimed on the personal income tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$0
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No - the only government affected is the State of New Mexico (State General Fund)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	FILM AND TELEVISION TAX CREDIT--FILM PRODUCTION COMPANIES THAT COMMENCE PRINCIPAL PHOTOGRAPHY ON OR AFTER JANUARY 1, 2016.
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Personal or Corporate Income Tax
Specific Tax(es) Being Abated	Personal or Corporate Income Tax
Legal authority under which tax abatement agreement was entered into	Section 7-2F-6 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	To be eligible for the film production tax credit, a film production company shall submit to the division information required by the division to demonstrate conformity with the requirements of the Film Production Tax Credit Act, including detailed information on each direct production expenditure and each postproduction expenditure. A film production company shall make reasonable efforts, as determined by the division, to contract with a specialized vendor that provides goods and services, inventory or services directly related to that vendor's ordinary course of business. A film production company shall provide to the division a projection of the film production tax credit claim the film production company plans to submit in the fiscal year.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of credit claimed on the personal or corporate income tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of credit claimed on the personal or corporate income tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$1,380,619
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No - the only government affected is the State of New Mexico (State General Fund)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	CREDIT FOR PRESERVATION OF CULTURAL PROPERTY – CORPORATE INCOME TAX CREDIT
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Corporate Income Tax
Specific Tax(es) Being Abated	Corporate Income Tax
Legal authority under which tax abatement agreement was entered into	Section 7-2A-8.6 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	The taxpayer may claim the credit if: (1) the taxpayer submitted a plan and specifications for restoration, rehabilitation or preservation to the committee and received approval from the committee for the plan and specifications prior to commencement of the restoration, rehabilitation or preservation; (2) the taxpayer received certification from the committee after completing the restoration, rehabilitation or preservation, or committee-approved phase, that it conformed to the plan and specifications and preserved and maintained those qualities of the property that made it eligible for inclusion in the official register; and (3) the project is completed within twenty-four months of the date the project is approved by the committee in accordance with Paragraph (1) of this subsection.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of credit claimed on the corporate income tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of credit claimed on the corporate income tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$166,694
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No - the only government affected is the State of New Mexico (State General Fund)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	RENEWABLE ENERGY PRODUCTION TAX CREDIT
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Corporate Income Tax
Specific Tax(es) Being Abated	Corporate Income Tax
Legal authority under which tax abatement agreement was entered into	Section 7-2A-19 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	The taxpayer may claim the credit if: (1) the taxpayer holds title to a qualified energy generator that first produced electricity on or before January 1, 2018; or (2) leases property upon which a qualified energy generator operates from a county or municipality under authority of an industrial revenue bond and if the qualified energy generator first produced electricity on or before January 1, 2018.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of credit claimed on the corporate income tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of credit claimed on the corporate income tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$0
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No - the only government affected is the State of New Mexico (State General Fund)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 19

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#### NOTE 19. Commitments

##### A. Construction Commitments

The State has active construction projects as of June 30, 2017. The projects include highway construction, university infrastructure, and facilities construction and renovation. At year-end, the State's commitments for construction were \$23.3 million for governmental activities and \$154.9 million for business-type activities.

##### B. Loan Commitments

###### *New Mexico Environment Department*

The New Mexico Environment Department had loan commitments at June 30, 2017 of the following:

Wastewater Loan Construction Fund – the agency has executed binding commitments to disburse \$49.72 million for future loans.

Rural Infrastructure Loan Fund – the agency has executed binding commitments to disburse \$6.22 million for loans and grants.

##### C. Capital Commitments

###### *State of New Mexico Investment Council*

The State of New Mexico Investment Council has commitments for capital contributions to various private equity partnerships and real estate/real asset investments. As of June 30, 2017, unfunded commitments to private equity partnerships were approximately \$1.57 billion, and unfunded commitments to real estate and real asset investments were approximately \$1.82 billion. Unfunded commitments to credit and structured were \$160 million. There is also an additional \$100 million to a fixed income investment.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 20

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#### NOTE 20. Contingencies

##### A. Contingent Liabilities

###### *Public Education Department*

The State did not meet its required level of financial support for the Special Education Cluster of programs for fiscal years 2011 and 2012. As a result, the Department may have a one-time reduction of future federal funding. Management's estimate of the potential one-time reduction in federal funding ranges from \$0 to \$63.49 million.

###### *Children, Youth and Families Department*

A judgment in a legal matter was rendered against the Children, Youth, and Families Department in the amount of \$3.6 million. The Department is currently appealing the judgment. This amount would not be covered by Risk Management Division. A liability has been recorded.

###### *State Fair Commission*

The State Fair Commission (SFC) has a liability due to another executive agency the General Services Division (GSD). The outstanding amount of \$4.57 million is for insurance premiums due for prior years. SFC is currently working with GSD to resolve and settle the amount outstanding.

###### *Northern New Mexico College*

During the course of the June 30, 2016 routine audit, potential embezzlement and larceny of College funds was uncovered. As of May 2, 2018, the impact of this on the College's finances and compliance has not been determined. Management has recorded a \$ 0.25 million loss contingency for this matter. The loss amount could be higher since the actual loss amount is unknown at this time. Restitution and amounts owed to the College are an unrecorded receivable to the College, as it would be fully offset by an allowance and the receivable is unknown.

The College is involved in litigation related to a Whistleblower Protection Act claim. The College has recorded a total amount of \$ 0.496 million as a loss contingency related to this claim.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 20 (CONTINUED)

#### *Department of Cultural Affairs*

During 2009 Cultural Affairs entered into an agreement with the New Mexico Finance Authority for the issuance of \$ 0.37 million in Energy Efficiency Renewable Energy Bonds for energy efficiency improvements at three museums. As authorized by the Energy Efficiency and Renewable Energy Bonding Act (Chapter 6, Article 21D, NMSA 1978), debt service on the bonds is covered by gross receipt revenue transferred to the Energy Efficiency and Renewable Energy Bonding fund. The source of the repayment was intended to be the savings from the energy efficiency improvements, but Cultural Affairs contends that those savings were swept by reductions in their general fund operating budget since 2009. No provision has been made in these financial statements for separate repayment of the bonds due to circumstances surrounding the transaction to this point including uncertainty in timing of the repayment, source of repayment and possible need for special appropriation funding to provide for the bond liability.

#### *Office of the State Engineer*

A state district judge ruled that the Interstate Stream Commission violated the Open Meetings Act when approving two contracts involving a diversion project in southern part of the state. As a result of the ruling, the Office of the State Engineer is exposed to a liability of \$77,500 (previously reported as \$268,000 in their FY2015 audit report) as the plaintiff is seeking reimbursement of legal costs.

#### *New Mexico Mortgage Finance Authority*

The New Mexico Mortgage Finance Authority (NMMFA) entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development (HUD) under Section 542(c) of the Housing and Community Development Act of 1992, whereby HUD and the NMMFA provide credit enhancements for third party multifamily housing project loans. HUD has assumed 90% of the risk and the NMMFA guarantees the remaining 10% risk of loss in the event of default on specific loans. As of September 30, 2017 and 2016, NMMFA's is committed to assumed a risk of approximately \$10.39 million and \$11.82 million for the 45 and 48 loans closed, respectively. These loans are considered in NMMFA's assessment for the allowance for mortgage loan losses.

The NMMFA also entered into a risk-sharing agreement with the U.S. Department of Agriculture under Section 538 Rural Rental Housing Guaranteed Loan Program. The Rural Housing Service (RHS), Department of Agriculture (USDA) provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The NMMFA assumes 10% of the risk of loss and as of September 30, 2017 and 2016, is committed to assume risk of \$114,000 and \$116,000 respectively on these two closed loans.

On June 27, 2007, the Board of Directors approved the write-off of two HOME Loans: Mesa Grande Apartments, LTD., for \$209,000 and Sunrise Homes Apartments, LTD. For \$229,000. Management has determined that it is probable that the NMMFA has incurred a contingent liability of \$438,000 for the balance of the loans, which may be payable to HUD for non-compliance with the affordability requirement.

On September 30, 2014, management approved a reserve for contingent liability for Home for Women and Children for \$19,000. Management has determined that it is probable that the NMMFA has incurred a contingent liability under the 2012 Emergency Solutions Grant, which may be payable to HUD for unsupported expenditures. The reserve for contingent liability is included in Net Position as of September 30, 2017.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 20 (CONTINUED)

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#### *Office of the Superintendent of Insurance*

There is a possible Contingent Liability of an additional \$3.1 M that has been requested from Regulators. Office of the Superintendent of Insurance (OSI) disagrees with the request and may litigate if necessary.

Current lawsuit is pending where Plaintiff is seeking judgement against OSI so Plaintiff will not owe approximately \$1.3 million in premium tax underpayment.

#### **B. Other Matters**

##### *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.

##### *Taxation and Revenue Department*

There is pending or threatened litigation in the form of various protests and lawsuits by taxpayers or other parties claiming abatements, refunds and the recovery of unclaimed property arising from various tax programs administered by the Taxation and Revenue Department. The total dollar amount representing the claims in protest or pending in state courts is \$221.15 million.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21

#### NOTE 21. Subsequent Events

##### A. Bond Issues

On July 18, 2017, the State issued 2017A Severance Tax Bonds in the principal amount of \$69.47 million and General Obligation Bonds, Series 2017A and 2017B. On March 1, 2018 General Obligation Bond Refunding Series 2017B, in the preliminary estimated aggregate principal amount of \$148.52 million and \$151.79 million, respectively. After issuance of the State of New Mexico Capital Project General Obligation Bonds, Refunding Series 2017B (the “Series 2017B Bonds”), the State discovered that its State of New Mexico Capital Project General Obligation Bonds, Series 2015, dated March 25, 2015 (the “Series 2015 Bonds”), which were intended to be refunded with a portion of the proceeds of the Series 2017B Bonds, were not subject to redemption prior to maturity. The State of New Mexico Capital Projects General Obligation Bonds, Series 2013, dated April 23, 2013 (the “Series 2013 Bonds”) were refunded with a portion of the proceeds of the Series 2017B Bonds, were paid in full on September 1, 2017. The bonds were issued to provide funds for capital improvements as approved by the State Legislature. Series 2017A and Series 2017B bonds have a coupon rate of 5.00% with a final maturity in 2027. Series 2017A Severance Tax Bonds have a coupon rate final maturity in 2028.

##### *New Mexico Finance Authority*

The Finance Authority Board approved at the July 27, 2017 board meeting the issuance of the 2017D Series Subordinate Lien Public Project Revolving Fund Revenue and Refunding Bonds in the amount of \$41.395 million. The transaction took place August 20, 2017 and the issue has maturity dates from June 15, 2018 to June 15, 2033 and coupon rate of 5.00% with initial yields from .78% to 2.59%. The purpose is for the financing and refinancing of loans for respective units within the State of New Mexico. It will also refund the Finance Authority’s Subordinate Lien PPRF Bonds, Series 2007D in the amount of approximately \$18.195 million and finance the Costs of Issuance of the Series 2017D Bonds.

The Finance Authority Board approved at the October 27, 2017 board meeting the issuance of the 2017E Series Senior Lien Public Project Revolving Fund Revenue and Refunding Bonds in the amount of \$40.19 million. The issue sold on November 7, 2017 has maturity dates from June 15, 2018 to June 15, 2030 and coupon rates from 4.00% to 5.00% with initial yields from 1.010% to 2.650%. The purpose is for the financing and refinancing of loans for respective units within the State of New Mexico.

The Finance Authority Board approved at the October 27, 2017 board meeting the issuance of the 2017F Series Subordinate Lien Public Project Revolving Fund Revenue and Refunding Bonds in the amount of \$19.315 million. The issue sold on November 8, 2017, and has maturity dates from June 15, 2018 to June 15, 2030 and coupon rates from 1.84% to 3.313% with initial yields from 1.840% to 3.313%. The purpose is for the financing and refinancing of loans for respective units within the State of New Mexico.

The Finance Authority Board approved at the January 25, 2018 the issuance of the 2018A Series Senior Lien Public Project Revolving Fund Revenue and Refunding Bonds in the amount of \$124.33 million. The issue sold on February 21, 2018, and has maturity dates from June 1, 2018 to June 1, 2038 and coupon rates from 3.50% to 5.00% with initial yields from 1.150% to 3.560%. The purpose is for the financing and refinancing of loans for respective units within the State of New Mexico. This issuance is also to refund the Series 2008A Bonds.

The Finance Authority has in process an issuance of the 2018B Series Senior Lien Public Project Revolving Fund Revenue and Refunding Bonds in the amount of \$22.465 million. The issue has maturity dates from June 1, 2019 to June 1, 2031 and the coupon rates and initial yields are yet to be determined. The purpose is for the financing and refinancing of loans for respective units within the State of New Mexico.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

The Finance Authority has authorized an issuance of the 2018C-1 Series Subordinate Lien Public Project Revolving Fund Revenue and Refunding Bonds in the amount of \$28.145 million. The issue has maturity dates from June 15, 2019 to June 15, 2039 the coupon rates and initial yields are yet to be determined. The purpose is for the financing and refinancing of loans for respective entities within the State of New Mexico.

The Finance Authority has authorized an issuance of the 2018C-2 Series Subordinate Lien Public Project Revolving Fund Revenue and Refunding Bonds in the amount of \$6.155 million. The issue has maturity dates from June 15, 2019 to June 15, 2025 the coupon rates and initial yields are yet to be determined. The purpose is for the financing and refinancing of loans for respective entities within the State of New Mexico.

The Finance Authority has authorized the issuance of \$425.0 million for planned sales and closing by June 15, 2018.

#### *New Mexico Mortgage Finance Authority*

On February 21, 2018 the Mortgage Finance Authority Board of Directors authorized the issuance of the 2018 Series A Single Family Bonds in the aggregate amount not to exceed \$75 million which is anticipated to refund the 2008 Series C and 2008 Series D bond issues and provide funds for \$50 - \$60 million of new Single Family mortgage loans. The bonds are expected to close on May 10, 2018.

#### *New Mexico Department of Transportation*

On March 15, 2018 the New Mexico Department of Transportation was approved to move forward with the restructuring the variable rate bonds by the New Mexico State Transportation Commission. The goal is to have the restructuring moving forward by June 30, 2018.

#### *Eastern New Mexico University*

The main campus located in Portales issued System Improvement Revenue Bonds, Series 2017, via the New Mexico Finance Authority in the amount of \$5.645 million.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

#### **B. Other Events**

##### *New Mexico State Personnel Office*

The State of New Mexico State Personnel Office was named as a defendant in the Voting Leave Restrictions case. This case involves voting leave restrictions. The impact relates to a negative outcome in the case and the use of time for voting when comparing the use of “administrative time” as opposed to “annual leave”. Neither the final outcome nor the amount of potential loss from the case is presently determinable. However, management estimates that the potential loss to the department, if any, is likely to be material to the financial statements.

##### *New Mexico Spaceport America*

Note 20 in the FY17 Financial Statements provided a going concern disclosure regarding a funding shortfall for the New Mexico Spaceport Authority. This concern was addressed during the NM Legislative Session in January/February 2018. The New Mexico Spaceport Authority received a supplemental appropriation for the FY18 operating budget, and an increase in General Appropriation for the FY19 operating budget. The agency does not expect to receive a going concern disclosure in the future.

##### *New Mexico State Land Office*

As of March 8, 2018, there is Settlement Agreement and Release Agreement that the petitioners have released the Commissioner from all pending claims and any further obligation under Professional Services Contract No. 30508 in exchange for (i) payment of \$ 0.3 million. held in the Fifth Judicial District court registry in connection what the action styled ConocoPhillips Company and Burlington Resources Oil & Gas Co. LP v Dunn and (ii) payment of an additional \$ 0.4 million (half of which was to be and has been paid on or before May 15,2018 and the balance of which is due on or before August 15, 2018). This resolves a contingent liability in excess of \$8 million arising from the claims made by the petitioners as well as a potential obligation under PSC No. 30508 to pay for unreimbursed expenses incurred by the petitioners in representing the Commissioner of Public Lands in the Conoco case.

##### *New Mexico Environment Department*

The New Mexico Environment Department is conducting an analysis of their general fund deficit in the amount of approximately two million dollars. They anticipate having a report to the Department of Finance and Administration by the end of fiscal year 2018 to determine how it will resolve the issue with or general fund deficit.

##### *New Mexico Department of Transportation*

As of May 11, 2018, the New Mexico Department of Transportation was named as a defendant in several lawsuits or complaints. Neither the final outcome nor the amount of potential loss from the cases is presently determinable. However, management estimates that the potential loss to the department, if any, is not likely to be material to the financial statements.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21

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STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

# FINANCIAL SECTION

## REQUIRED SUPPLEMENTARY INFORMATION



GATHERING OF NATIONS – ALBUQUERQUE, NM  
SOURCE – WWW.PINTEREST.COM

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND For the Year Ended June 30, 2017 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Taxes	\$ 535,720	\$ 546,191	\$ 559,996	\$ 13,805
Federal Revenue	6,563,738	7,020,109	6,144,631	(875,478)
Investment Income	24,024	24,025	25,601	1,576
Rentals and Royalties	21,169	21,182	26,389	5,207
Charges for Services	151,440	163,088	158,202	(4,886)
Licenses, Fees, and Permits	125,549	127,433	225,939	98,506
Assessments	13,339	13,339	13,373	34
Miscellaneous and Other	187,779	197,625	696,714	499,089
Operating Transfers In	5,819,135	5,833,704	5,221,676	(612,028)
<b>Total Revenues and Other Financing Sources</b>	<b>13,441,893</b>	<b>13,946,696</b>	<b>13,072,521</b>	<b>(874,175)</b>
Fund Balance Budgeted	201,650	354,852		
Total	13,643,543	14,301,548		
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
<b>Culture, Recreation, and Natural Resources</b>				
Museums and Monuments	22,867	23,206	22,681	525
Preservation	4,209	4,209	2,966	1,243
Library Services	4,686	4,708	4,648	60
Program Support	3,954	3,844	3,816	28
Water Resource Allocation	15,660	16,315	15,182	1,133
Interstate Stream Compact Compliance and Water Development	23,072	23,297	14,378	8,919
Litigation and Adjudication	10,521	10,303	8,136	2,167
Program Support	5,276	5,429	4,828	601
Commissioner of Public Lands	15,895	15,895	15,261	634
Livestock inspection	6,123	6,265	5,665	600
Youth Conservation Corps	4,676	4,926	3,477	1,449
Office of the Natural Resources Trustee	2,277	5,777	1,669	4,108
Sport Hunting and Fishing	9,022	9,372	9,058	314
Conservation Services	22,762	24,709	23,294	1,415
Wildlife Depredation and Nuisance Abatement	903	923	592	331
Program Support	7,667	7,667	7,270	397
Renewable Energy and Energy Efficiency	3,662	4,318	2,904	1,414
Healthy Forests	14,517	16,892	12,940	3,952
Parks and Recreation	20,279	20,706	16,929	3,777
Mine Reclamation	8,181	8,305	3,683	4,622
Oil and Gas Conservation	11,236	11,186	7,431	3,755
Program Leadership and Support	4,856	4,936	4,718	218
Arts	1,922	2,074	2,023	51
Intertribal Ceremonial	77	77	77	-
Special Appropriations	5,834	5,834	4,140	1,694
<b>Total Culture, Recreation, and Natural Resources</b>	<b>230,134</b>	<b>241,173</b>	<b>197,766</b>	<b>43,407</b>
<b>Education</b>				
Operations	22,027	24,631	21,698	2,933
Student Financial Aid	85,390	85,424	82,932	2,492
Rehab Services	27,608	30,623	28,950	1,673
Independent Living	1,449	1,649	1,575	74
Disability Determination	17,108	17,108	11,331	5,777
SDE Operation	15,202	15,268	14,733	535
Education Trust	-	2,895	1,964	931
Public Schools Facilities Auth	6,040	6,040	5,555	485
Special Appropriations	2,715,070	2,725,882	2,620,701	105,181
<b>Total Education</b>	<b>2,889,894</b>	<b>2,909,520</b>	<b>2,789,439</b>	<b>120,081</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2017

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>General Control</b>				
Policy Development, Budget Oversight and Educational Accountability	\$ 3,204	\$ 3,204	\$ 2,906	\$ 298
Program Support	923	879	879	-
Community Development, Local Government				
Assistance and Fiscal Oversight	41,175	41,219	34,062	7,157
Fiscal Management and Oversight	78,463	78,463	78,029	434
Program Support	19,701	19,870	19,194	676
Tax Administration	29,256	29,293	28,174	1,119
Motor Vehicle	26,641	34,438	33,270	1,168
Property Tax	3,367	3,367	3,042	325
Compliance Enforcement	1,602	1,566	1,400	166
State Purchasing	2,254	2,254	1,960	294
Facilities Management Division	11,669	11,669	11,520	149
Office of the Attorney General	29,314	29,677	25,479	4,198
Medicaid Fraud Program	2,564	2,813	2,664	149
State Auditor	3,503	3,653	3,344	309
State Investment Program	56,589	56,589	47,844	8,745
Criminal & Juvenile Justice	577	627	604	23
Governor	3,261	3,261	2,999	262
Lieutenant Governor	532	532	455	77
Records Info & Archival Mgmt.	2,501	2,501	2,476	25
Secretary of State	4,192	3,870	3,869	1
New Mexico State Personnel	4,182	4,182	4,126	56
State Treasurer	3,555	3,555	3,510	45
Public Employees Labor Relations Board	214	214	208	6
Enterprise Services	444	514	315	199
Elections	4,576	5,028	4,967	61
Compliance and Project Management	885	885	834	51
Administrative Hearings Office	1,606	1,606	1,509	97
Special Appropriations	59,122	59,231	39,106	20,125
<b>Total General Control</b>	<b>395,872</b>	<b>404,960</b>	<b>358,745</b>	<b>46,215</b>
<b>Health and Human Services</b>				
Administration	13,476	15,817	13,992	1,825
Financial Oversight	177,655	186,438	161,208	25,230
Epidemiology and Response	28,448	33,238	29,635	3,603
Laboratory Services	12,480	13,046	12,166	880
Program Area 6 - Facilities	136,486	136,549	128,272	8,277
Developmental Disabilities Support	160,672	162,931	158,591	4,340
Health Certification, Licensing and Oversight	12,796	12,796	11,323	1,473
Program Support	53,479	54,117	53,751	366
Child Support Enforcement	30,970	30,970	30,624	346
Medical Assistance Program	5,314,236	5,333,893	4,935,872	398,021
Income Support Program	961,274	974,834	941,395	33,439
Resource Management	9,350	9,400	8,304	1,096
Water Quality	30,689	31,084	18,398	12,686
Environmental Health	14,761	15,011	11,519	3,492
Environmental Protection	23,770	24,053	19,593	4,460
Program Support	19,456	19,786	19,385	401
Juvenile Justice Facilities	73,062	74,791	69,586	5,205
Protective Services	147,433	147,451	142,991	4,460
Program Support	4,169	4,264	3,959	305

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2017

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>Health and Human Services (Continued)</b>				
Consumer and Elder Rights	\$ 3,873	\$ 4,353	\$ 3,990	\$ 363
Adult Protective Services	13,024	13,106	12,699	407
Community Involvement	39,237	39,626	37,731	1,895
Office of African-American Affairs	748	748	676	72
Commission For Deaf and Hard of Hearing	5,650	5,650	4,562	1,088
Martin Luther King Jr., Commission	311	311	177	134
Blind Services Program	7,681	7,881	7,312	569
Indian Affairs Department	2,772	2,816	1,986	830
Workers' Compensation Administration	11,457	11,457	11,215	242
Governor's Commission On Disability	1,553	1,644	1,497	147
Brain Injury Advisory Council	205	205	198	7
Veterans' Services Department	5,262	5,427	4,419	1,008
Developmental Disabilities Planning Council	1,218	1,259	1,218	41
Office of Guardianship	5,222	5,367	4,643	724
Medicaid Behavioral Health	508,183	508,183	496,195	11,988
Behavioral Health Services	56,593	59,313	57,905	1,408
Workforce Transition Services	10,312	10,007	9,145	862
Labor Relations	3,639	4,310	3,976	334
Workforce Technology	14,533	17,118	16,020	1,098
Business Services	16,231	16,300	14,503	1,797
Program Support	23,178	24,392	20,091	4,301
Uninsured Employers Fund	1,187	1,187	630	557
Early Childhood Services	227,897	242,866	226,433	16,433
Early Childhood Services	1,513	2,981	2,956	25
Early Childhood Services	18,225	18,933	17,376	1,557
Special Revenue	9,236	9,879	9,975	1,904
Early Childhood Services	48,345	49,023	35,289	13,734
Special Appropriations	25,424	25,424	24,839	585
<b>Total Health and Human Services</b>	<b>8,287,371</b>	<b>8,370,235</b>	<b>7,796,220</b>	<b>574,015</b>
<b>Highways &amp; Transportation</b>				
Construction Program	519,085	988,743	514,884	473,859
Maintenance Program	233,795	259,152	218,380	40,772
Program Support	42,172	42,172	36,530	5,642
MODAL	61,681	75,452	37,744	37,708
<b>Total Highways and Transportation</b>	<b>856,733</b>	<b>1,365,519</b>	<b>807,538</b>	<b>557,981</b>
<b>Judicial</b>				
Supreme Court Law Library	1,510	1,510	1,501	9
New Mexico Compilation Commission	1,853	1,854	1,561	293
Judicial Standards Commission	818	818	817	1
Court of Appeals	5,663	5,663	5,631	32
Supreme Court	3,229	3,229	3,228	1
Supreme Court Building Commission	931	931	922	9
First Judicial District Court	8,035	8,058	7,727	331
Second Judicial District Court	27,029	26,989	25,846	1,143
Third Judicial District Court	7,381	7,381	7,320	61
Fourth Judicial District Court	2,457	2,465	2,452	13
Fifth Judicial District Court	7,077	7,098	7,029	69
Sixth Judicial District Court	3,462	3,381	3,378	3
Seventh Judicial District Court	2,777	2,777	2,689	88
Eighth Judicial District Court	3,176	3,176	3,136	40
Ninth Judicial District Court	4,131	4,083	4,061	22
Tenth Judicial District Court	940	940	899	41
Eleventh Judicial District Court	7,158	7,202	7,164	38



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2017

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>Judicial (Continued)</b>				
Twelfth Judicial District Court	\$ 3,561	3,557	3,489	\$ 68
Thirteenth Judicial District Court	8,323	8,443	8,298	145
Bernalillo County Metropolitan Court	26,112	26,752	25,708	1,044
First Judicial District Attorney	5,451	5,527	5,503	24
Second Judicial District Attorney	18,692	18,813	18,698	115
Third Judicial District Attorney	5,400	5,420	5,318	102
Fourth Judicial District Attorney	3,032	3,032	3,027	5
Fifth Judicial District Attorney	5,055	5,106	5,080	26
Sixth Judicial District Attorney	2,968	2,968	2,916	52
Seventh Judicial District Attorney	2,410	2,410	2,388	22
Eighth Judicial District Attorney	2,593	2,593	2,555	38
Ninth Judicial District Attorney	2,824	2,825	2,817	8
Tenth Judicial District Attorney	1,202	1,202	1,200	2
Eleventh Judicial District Attorney-Division I	4,199	4,222	4,161	61
Twelfth Judicial District Attorney	3,308	3,331	3,293	38
Thirteenth Judicial District Attorney	5,088	5,074	4,918	156
Administrative Office of the District Attorneys	2,501	2,506	2,429	77
Eleventh Judicial District Attorney-Division II	2,300	2,300	2,262	38
Administrative Support	12,123	12,084	11,578	506
Administrative Support	9,067	9,067	8,583	484
Statewide Judiciary Automation	30,228	30,278	29,335	943
Administrative Support	47,640	48,052	47,241	811
Special Appropriations	17,511	17,551	15,101	2,450
<b>Total Judicial</b>	<b>309,215</b>	<b>310,668</b>	<b>301,259</b>	<b>9,409</b>
<b>Legislative</b>				
Leg Analysis/Oversight Program	4,100	4,100	3,876	224
Education Study Committee	1,234	1,234	1,180	54
Special Appropriations	11,943	11,943	24,257	(12,314)
<b>Total Legislative</b>	<b>17,277</b>	<b>17,277</b>	<b>29,313</b>	<b>(12,036)</b>
<b>Public Safety</b>				
Program Support	9,426	10,426	7,933	2,493
Law Enforcement	117,985	118,645	109,721	8,924
Program Support	13,344	12,450	12,413	37
Inmate Management and Control	265,103	266,924	265,527	1,397
Community Offender Management	32,930	32,567	31,825	742
Parole Board	476	476	426	50
Juvenile Parole Board	14	14	12	2
Victim Compensation	3,321	3,321	2,838	483
Federal Grant Administration	10,172	10,531	8,757	1,774
National Guard Support	21,860	25,545	22,038	3,507
Homeland Security and Emergency Management Department	17,700	17,700	15,454	2,246
Motor Transportation Program	-	-	(3)	3
State Law Enforcement Support Program	24,776	25,292	17,195	8,097
Special Appropriations	2,063	2,063	1,447	616
<b>Total Public Safety</b>	<b>519,170</b>	<b>525,954</b>	<b>495,583</b>	<b>30,371</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2017

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>Regulation and Licensing</b>				
Economic Development	\$ 6,149	11,984	\$ 8,120	\$ 3,864
Film	706	706	693	13
Program Support	1,710	1,710	1,650	60
Program Support	1,327	1,288	1,222	66
Outreach	2,111	2,662	2,234	428
Marketing and Promotion	10,608	10,467	10,323	144
Construction Industries and Manufactured Housing	8,365	8,500	8,325	175
Financial Institutions and Securities	2,955	2,955	2,553	402
Alcohol and Gaming	872	872	863	9
Program Support	3,486	3,486	3,320	166
Policy and Regulation	7,043	7,114	7,045	69
Public Safety	5,374	15,780	15,497	283
Program Support	1,756	1,792	1,700	92
Special Revenues	6,329	6,331	2,138	4,193
Board of Examiners for Architects	388	388	303	85
New Mexico Border Authority	481	641	518	123
Medical Board	1,891	1,891	1,718	173
Board of Nursing	2,273	2,273	2,001	272
ASD/PEPS	840	840	767	73
Gaming Control Board	5,158	5,158	5,089	69
State Racing Commission	3,902	3,902	3,787	115
Board of Veterinary Medicine	342	359	349	10
Office of Military Base Planning and Support	182	182	169	13
Spaceport Authority	\$ 4,506	\$ 4,506	\$ 3,982	\$ 524
Special Revenue	7,139	7,139	7,139	-
Insurance Operations Program	11,460	12,622	9,144	3,478
Boards and Commission	12,928	13,098	10,536	2,562
Securities Division	2,182	2,182	1,677	505
Special Appropriations	25,414	25,414	25,414	-
<b>Total Regulation and Licensing</b>	<b>137,877</b>	<b>156,242</b>	<b>138,276</b>	<b>17,966</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>13,643,543</b>	<b>14,301,548</b>	<b>12,914,139</b>	<b>\$ 1,387,409</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 158,382</b>	

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2017

(In Thousands)

<b>Budget Basis to GAAP Basis Reconciliation</b>	
Net Change in Fund Balance (Budgetary Basis)	\$ 158,382
Differences:	
Taxes - excludes 117 and 917 bud refs	4,469,361
Investment Income - excludes 117 and 917 bud refs	(3,231)
Rent and Royalties - excludes 117 and 917 bud refs	507,187
Charges for Services - excludes 117 and 917 bud refs	2,574
Licenses, Fees and Permits - excludes 117 and 917 bud refs	66,412
Assessments - excludes 117 and 917 bud refs	447
Misc. and Other Revenue - excludes 117 and 917 bud refs	18,993
Federal Revenue - excludes 117 and 917 bud refs	436,719
Elimination Expenses excludes 117 and 917 bud refs	352
Expenses - excludes 117 and 917 bud refs	(892,434)
Transfers Out - excludes 117 and 917 bud refs	(5,761,333)
Transfers In - excludes 117 and 917 bud refs	1,982,347
577200 - excludes 117 and 917 bud refs	(634,251)
NonBudgeted Revenue - Sale of Capital Assets	1,226
NonBudgeted Account - 569000 In-Kind Expenditure	(34,370)
NonBudgeted Account - 566100 (Reversions)	(256,782)
Non Budgeted Account -565200 - Distr. To Beneficiaries	(4,546)
Agency Fund 00900 converted to Special Revenue Fund	(13,189)
Agency Fund 57800 converted to Special Revenue Fund	(6,836)
Tax revenue associated with debt service - Fund 17400 (NMFA)	5,398
NonBudgeted Debt Service - Fund 17400	(5,398)
NonBudgeted Transfer - Fund 95200 - BU33700	(37,000)
Tobacco Settlement - 497101	54,301
975001 - Indirect Memo Expense Account	31
Elimination Revenue/Expenses increased	113,602
Elimination Expenses not included in Budgetary Comparison	3
A Code Expenditures not included in Budgetary Comparison Actuals	(11,145)
<b>Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>\$ <u>156,820</u></b>

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2017

(In Thousands)

### **Budget Process**

The State Legislature makes annual appropriations, which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget (Modified Accrual Budgetary Basis) and a financial control system, which permits a budget to actual expenditures comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Program appropriation unit is identified in the State's accounting records and in the budgetary schedules as P-Codes, such as "P523 Child Support Enforcement." Budgeted program 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 represent the final authorized amounts. Administrative line item expenditures (personnel, contractual, and other) may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed the approved budget for the program appropriation. Chapter 6-3, NMSA 1978, 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 (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 authorized by the Legislature. DFA reviews and approves the operating budget, which becomes effective on July 1.
5. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds.

### **Budgetary Basis of Accounting**

The budget is adopted on the modified accrual basis of accounting, per statute; however, accounts payable which are not recorded in a timely manner (before the statutory fiscal year-end deadline) will not be paid from the current year appropriation, and they are thus not recorded as a budgetary expenditure. Instead, they must be paid out of the next year's budget. This budgetary basis is not consistent with generally accepted accounting principles (GAAP). 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. Encumbrances do not carry over to the next year for operating budgets.

### **Multiple Year Appropriation – Capital Projects Budgets and Special Appropriation Budgets**

Budgets for multiple year monies are not made on an annual basis, but are adopted on a project length basis. Budgets for, the Capital Projects Fund may be established for periods from two to five years depending on the nature of the project or appropriation. These nonoperating budgets primarily serve as a management control purpose, and because

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2017

(In Thousands)

related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

### **Budget to GAAP Reconciliation**

The budgetary comparison schedules of the various funds present comparisons of the original estimated budget and legally adopted budget with actual data on a budgetary basis. Both the budget and actual amounts represent single year activity based on the budget reference assigned to the particular transaction. Since accounting principles applied for the purposes of developing data on a budgetary basis, differ significantly from those used to present financial statements in conformity with GAAP, a budget to GAAP reconciliation is presented following the budgetary comparison schedules.

In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities for the operating budgets. Expenditures are classified in the financial control system based on whether the appropriation is from the operating or multiple year budgets (special or capital). Expenditures funded by the operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are fixed asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures. Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated.

The State's component appropriation accounts do not adopt an annual appropriated budget; however, the expenditures of the component appropriations by law must equal the individual amounts appropriated in the various appropriation acts. Other activities designated as nonappropriated (not budgeted) by the Legislature are the Severance Tax Fund, the Land Grant Fund., and the following Enterprise Funds: State Fair Commission, Environment Department, State Infrastructure Bank, and Unemployment Insurance Funds.

### **Excess of Expenses/Expenditures Over Budget**

Expenses/expenditures in excess of budget were reported in the following P Codes:

Legislative            Z007    Special Appropriation

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year Ended June 30 , 2017	Fiscal Year Ended June 30 , 2016	Fiscal Year Ended June 30 , 2015	Fiscal Year Ended June 30 , 2014
<b>Total Pension Liability</b>				
Service Cost	\$ 405,561	\$ 390,221	\$ 389,052	\$ 418,996
Interest	1,452,723	1,393,557	1,335,950	1,286,996
Difference Between Expected and Actual Experience	(584,186)	330,751	59,112	-
Changes of Assumptions	(62,778)	424,792	-	(91,857)
Benefit Payments	(1,084,818)	(1,024,399)	(966,237)	(905,329)
Refunds of Contributions	(44,396)	(44,938)	(46,010)	(47,377)
Net Change in Total Pension Liability	82,105	1,469,984	1,469,984	661,429
Total Pension Liability - Beginning	19,986,038	18,516,054	18,516,054	17,082,758
Total Pension Liability - Ending	20,068,142	19,986,038	19,986,038	17,744,187
<b>Plan Net Position</b>				
Contributions - Employer	334,049	324,752	317,164	370,766
Contributions - Member	271,253	265,529	258,920	174,037
Net Investment Income	1,500,759	47,445	251,488	2,118,285
Benefit Payments	(1,084,818)	(1,024,399)	(966,237)	(905,329)
Administrative Expenses	(11,506)	(10,754)	(9,886)	(10,336)
Refunds of Contributions	(44,396)	(44,938)	(46,011)	(47,377)
Other	471	12,318	25,296	17,006
Net Change in Plan Net Position	965,812	(430,047)	(169,264)	1,717,052
Plan Net Position - Beginning	13,826,658	14,255,528	14,424,793	12,707,741
Prior Period Adjustments	6,447	1,177	-	1,177
Plan Net Position - beginning, restated	13,833,105	14,256,705	14,424,793	12,707,741
Plan Net Position - Ending	14,798,917	13,826,658	14,255,529	14,424,793
<b>Net Pension Liability - Ending</b>	<b>\$ 5,269,225</b>	<b>\$ 6,159,380</b>	<b>\$ 6,159,380</b>	<b>\$ 3,319,394</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>				
Service Cost	\$ 5,492	\$ 3,245	\$ 3,344	\$ 3,793
Interest	9,066	10,238	9,900	10,798
Benefit Changes	-	-	-	(16,059)
Difference Between Expected and Actual Experience	(2,474)	4,737	755	-
Changes of Assumptions	(17,241)	46,155	-	(1,004)
Benefit Payments	(10,096)	(9,813)	(9,373)	(8,770)
Refunds of Contributions	(11)	(45)	(40)	(52)
Net Change in Total Pension Liability	(15,264)	54,517	4,586	(11,294)
Total Pension Liability - Beginning	191,554	137,038	132,452	143,746
Total Pension Liability - Ending	176,290	191,555	137,038	132,452
<b>Plan Net Position</b>				
Contributions - Employer	4,524	4,237	4,196	3,741
Contributions - Member	1,635	1,582	1,579	1,086
Net Investment Income	9,012	232	1,512	13,197
Benefit Payments	(10,096)	(9,813)	(9,373)	(8,770)
Administrative Expenses	(69)	(64)	(60)	(64)
Refunds of Contributions	(11)	(45)	(40)	(53)
Other	-	72	33	486
Net Change in Plan Net Position	4,996	(3,800)	(2,153)	9,623
Plan Net Position - Beginning	84,932	88,988	91,142	81,519
Prior Period Adjustments	(312)	(257)	-	(257)
Plan Net Position - beginning, restated	84,620	88,732	91,142	81,519
Plan Net Position - Ending	89,616	84,932	88,988	91,142
<b>Net Pension Liability - Ending</b>	<b>\$ 86,674</b>	<b>\$ 106,623</b>	<b>\$ 48,050</b>	<b>\$ 41,310</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>				
Service Cost	\$ 1,537	\$ 1,118	\$ 948	\$ 1,428
Interest	3,192	3,452	3,445	3,689
Benefit Changes	-	-	-	(7,528)
Difference Between Expected and Actual Experience	(1,539)	1,571	6,703	-
Changes of Assumptions	(8,114)	8,832	-	(7,644)
Benefit Payments	(3,966)	(3,977)	(3,956)	(3,690)
Refunds of Contributions	-	(15)	(5)	(15)
Net Change in Total Pension Liability	(8,891)	10,982	7,135	(13,760)
Total Pension Liability - Beginning	74,518	63,536	56,401	70,161
Total Pension Liability - Ending	65,627	74,518	63,536	56,401
<b>Plan Net Position</b>				
Contributions - Employer	1,282	1,280	937	793
Contributions - Member	603	587	490	266
Net Investment Income	3,290	70	579	5,199
Benefit Payments	(3,966)	(3,977)	(3,956)	(3,690)
Administrative Expenses	(25)	(24)	(23)	(24)
Refunds of Contributions	-	(15)	(5)	(15)
Other	3	27	(19)	217
Net Change in Plan Net Position	1,187	(2,052)	(1,997)	2,746
Plan Net Position - Beginning	31,039	33,188	35,185	32,439
Prior Period Adjustments	-	(98)	-	-
Plan Net Position - beginning, restated	31,039	33,090	35,185	32,439
Plan Net Position - Ending	32,225	31,039	33,188	35,185
<b>Net Pension Liability - Ending</b>	<b>\$ 33,402</b>	<b>\$ 43,480</b>	<b>\$ 30,349</b>	<b>\$ 21,216</b>



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>				
Service Cost	\$ 2,337	\$ 1,440	\$ 1,251	\$ 1,254
Interest	3,584	3,376	3,105	2,872
Difference Between Expected and Actual Experience	(4,102)	(498)	874	-
Changes of Assumptions	-	1,976	-	408
Benefit Payments	(222)	(1,835)	(1,633)	(1,419)
Refunds of Contributions	(2,031)	-	-	-
Net Change in Total Pension Liability	(433)	4,458	3,597	3,115
Total Pension Liability - Beginning	48,936	44,478	40,881	37,766
Total Pension Liability - Ending	48,503	48,936	44,478	40,881
<b>Plan Net Position</b>				
Contributions - Employer	750	750	750	750
Net Investment Income	6,682	206	1,094	8,920
Benefit Payments	(2,031)	(1,835)	(1,633)	(1,419)
Administrative Expenses	(52)	(47)	(43)	(44)
Other	1	51	12	404
Net Change in Plan Net Position	5,351	(875)	180	8,611
Plan Net Position - Beginning	61,049	62,103	61,923	53,312
Prior Period Adjustments	-	(179)	-	(179)
Plan Net Position - beginning, restated	61,049	61,924	61,923	53,312
Plan Net Position - Ending	66,401	61,049	62,103	61,923
<b>Net Pension Liability - Ending</b>	<b>\$ (17,898)</b>	<b>\$ (12,113)</b>	<b>\$ (17,626)</b>	<b>\$ (21,042)</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2017 (In Thousands)

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>				
Service Cost	\$ 357,631	\$ 356,874	\$ 346,956	\$ 350,248
Interest	1,424,586	1,367,647	1,321,048	1,254,730
Difference Between Expected and Actual Experience	(207,789)	42,492	(86,722)	(114,508)
Changes of Assumptions	4,371,800	-	299,085	-
Benefit Payments	(1,052,675)	(1,012,731)	(957,185)	(907,214)
Net Change in Total Pension Liability	4,893,553	754,282	923,182	583,256
Total Pension Liability - Beginning	18,729,272	17,974,990	17,051,807	16,468,551
Total Pension Liability - Ending	23,622,825	18,729,272	17,974,989	17,051,807
<b>Plan Net Position</b>				
Contributions - Employer	395,844	396,989	395,130	362,463
Contributions - Member	292,809	295,946	294,561	271,514
Net Investment Income	1,350,389	364,571	429,738	1,444,233
Benefit Payments	(1,052,675)	(1,012,731)	(957,183)	(907,214)
Administrative Expenses	(9,848)	(9,661)	(10,598)	(16,619)
Net Change in Plan Net Position	976,518	35,115	151,648	1,154,377
Plan Net Position - Beginning	11,532,839	11,497,724	11,346,076	10,191,699
Plan Net Position - beginning, restated	11,532,839	11,497,724	11,346,076	10,191,699
Plan Net Position - Ending	12,509,357	11,532,839	11,497,724	11,346,076
<b>Net Pension Liability - Ending</b>	<b>\$ 11,113,468</b>	<b>\$ 7,196,433</b>	<b>\$ 6,477,266</b>	<b>\$ 5,705,731</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 20,068,142	\$ 19,986,038	\$ 18,516,055	\$ 17,744,187
Plan Net Position	<u>14,798,917</u>	<u>13,826,658</u>	<u>14,255,529</u>	<u>14,424,793</u>
Net Pension Liability	<u>\$ 5,269,225</u>	<u>\$ 6,159,380</u>	<u>\$ 4,260,526</u>	<u>\$ 3,319,394</u>
Percentage of Plan Net Position to Total Pension Liability	<u>73.74%</u>	<u>69.18%</u>	<u>76.99%</u>	<u>81.29%</u>
Covered Payroll	<u>\$ 2,193,889</u>	<u>\$ 2,326,943</u>	<u>\$ 2,248,254</u>	<u>\$ 2,102,265</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>240.18%</u>	<u>264.70%</u>	<u>189.50%</u>	<u>157.90%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 176,291	\$ 191,554	\$ 137,038	\$ 132,452
Plan Net Position	<u>89,616</u>	<u>84,933</u>	<u>88,988</u>	<u>91,141</u>
Net Pension Liability	<u>\$ 86,675</u>	<u>\$ 106,621</u>	<u>\$ 48,050</u>	<u>\$ 41,311</u>
Percentage of Plan Net Position to Total Pension Liability	<u>50.83%</u>	<u>44.34%</u>	<u>64.94%</u>	<u>68.81%</u>
Covered Payroll	<u>\$ 15,493</u>	<u>\$ 15,612</u>	<u>\$ 15,084</u>	<u>\$ 13,163</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>559.45%</u>	<u>682.94%</u>	<u>318.55%</u>	<u>313.84%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 65,628	\$ 74,518	\$ 63,536	\$ 56,401
Plan Net Position	<u>32,226</u>	<u>31,039</u>	<u>33,187</u>	<u>35,185</u>
Net Pension Liability	<u>\$ 33,402</u>	<u>\$ 43,479</u>	<u>\$ 30,349</u>	<u>\$ 21,216</u>
Percentage of Plan Net Position to Total Pension Liability	<u>49.10%</u>	<u>41.65%</u>	<u>52.23%</u>	<u>62.38%</u>
Covered Payroll	<u>\$ 5,633</u>	<u>\$ 5,243</u>	<u>\$ 5,066</u>	<u>\$ 3,516</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>592.97%</u>	<u>829.28%</u>	<u>599.07%</u>	<u>603.41%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 48,503	\$ 48,936	\$ 44,478	\$ 40,881
Plan Net Position	66,401	61,049	62,103	61,923
Net Pension Liability	<u>\$ (17,898)</u>	<u>\$ (12,113)</u>	<u>\$ (17,625)</u>	<u>\$ (21,042)</u>
Percentage of Plan Net Position to Total Pension Liability	<u>136.90%</u>	<u>124.75%</u>	<u>139.63%</u>	<u>151.47%</u>
Covered Payroll	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2017 (In Thousands)

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 23,622,825	\$ 18,729,272	\$ 17,974,989	\$ 17,051,807
Plan Net Position	12,509,357	11,532,839	11,497,723	11,346,076
Net Pension Liability	<u>\$ 11,113,468</u>	<u>\$ 7,196,433</u>	<u>\$ 6,477,266</u>	<u>\$ 5,705,731</u>
Percentage of Plan Net Position to Total Pension Liability	<u>52.95%</u>	<u>61.58%</u>	<u>63.97%</u>	<u>66.54%</u>
Covered Payroll	\$ 2,728,362	\$ 2,740,527	\$ 2,730,320	\$ 2,718,101
Net Pension Liability as a Percentage of Covered Payroll	<u>407.33%</u>	<u>262.59%</u>	<u>237.23%</u>	<u>209.92%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2017 (In Thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
Contractually Required Contributions	\$ 334,049	\$ 324,752	\$ 317,164	\$ 370,766	\$ 285,560
Actual Employer Contributions	<u>334,049</u>	<u>324,752</u>	<u>317,164</u>	<u>370,766</u>	<u>285,560</u>
Annual Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ <u>2,193,889</u>	\$ <u>2,326,943</u>	\$ <u>2,248,254</u>	\$ <u>2,102,265</u>	\$ <u>2,049,738</u>
Annual Contribution as a Percentage of Covered Payroll	<u>15.23%</u>	<u>13.96%</u>	<u>14.11%</u>	<u>17.64%</u>	<u>13.93%</u>



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED) For the Last Ten Years (a) Ending June 30, 2017 (In Thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
Contractually Required Contributions	\$ 274,906	\$ 283,377	\$ 291,683	\$ 311,082	\$ 292,569
Actual Employer Contributions	<u>274,906</u>	<u>283,377</u>	<u>291,683</u>	<u>311,082</u>	<u>292,569</u>
Annual Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,994,280	\$ 1,935,014	\$ 1,993,517	\$ 2,081,259	\$ 1,965,064
Annual Contribution as a Percentage of Covered Payroll	<u>13.78%</u>	<u>14.64%</u>	<u>14.63%</u>	<u>14.95%</u>	<u>14.89%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
Actuarially Determined Contributions	\$ 4,975	\$ 4,816	\$ 4,919	\$ 6,413	\$ 7,235
Actual Employer Contributions	<u>4,524</u>	<u>4,237</u>	<u>4,196</u>	<u>3,741</u>	<u>3,527</u>
Annual Contribution Deficiency (Excess)	<u>\$ 451</u>	<u>\$ 579</u>	<u>\$ 723</u>	<u>\$ 2,672</u>	<u>\$ 3,708</u>
Covered Payroll	<u>\$ 15,493</u>	<u>\$ 15,612</u>	<u>\$ 15,084</u>	<u>\$ 13,163</u>	<u>\$ 13,226</u>
Annual Contribution as a Percentage of Covered Payroll	<u>29.20%</u>	<u>27.14%</u>	<u>27.82%</u>	<u>28.42%</u>	<u>26.67%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS JUDICIAL RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
Actuarially Determined Contributions	\$ 5,835	\$ 5,784	\$ 5,658	\$ 4,690	\$ 4,149
Actual Employer Contributions	3,266	3,824	3,699	4,058	3,832
Annual Contribution Deficiency (Excess)	<u>\$ 2,569</u>	<u>\$ 1,960</u>	<u>\$ 1,959</u>	<u>\$ 632</u>	<u>\$ 317</u>
Covered Payroll	<u>\$ 12,691</u>	<u>\$ 12,267</u>	<u>\$ 13,042</u>	<u>\$ 13,011</u>	<u>\$ 11,697</u>
Annual Contribution as a Percentage of Covered Payroll	<u>25.73%</u>	<u>31.17%</u>	<u>28.36%</u>	<u>31.19%</u>	<u>32.76%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
Actuarially Determined Contributions	\$ 1,576	\$ 1,463	\$ 1,967	\$ 1,992	\$ 2,286
Actual Employer Contributions	1,282	1,280	937	793	805
Annual Contribution Deficiency (Excess)	\$ 294	\$ 183	\$ 1,030	\$ 1,199	\$ 1,481
Covered Payroll	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516	\$ 3,137
Annual Contribution as a Percentage of Covered Payroll	22.76%	24.41%	18.50%	22.55%	25.66%

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS MAGISTRATE RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
Actuarially Determined Contributions	\$ 1,793	\$ 2,014	\$ 1,698	\$ 1,151	\$ 1,030
Actual Employer Contributions	676	895	825	1,000	981
Annual Contribution Deficiency (Excess)	<u>\$ 1,117</u>	<u>\$ 1,119</u>	<u>\$ 873</u>	<u>\$ 151</u>	<u>\$ 49</u>
Covered Payroll	<u>\$ 3,214</u>	<u>\$ 3,405</u>	<u>\$ 3,520</u>	<u>\$ 4,129</u>	<u>\$ 3,363</u>
Annual Contribution as a Percentage of Covered Payroll	<u>21.03%</u>	<u>26.28%</u>	<u>23.44%</u>	<u>24.22%</u>	<u>29.17%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
Actuarially Determined Contributions	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Actual Employer Contributions	750	750	750	750	750
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Annual Contribution as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
Actuarially Determined Contributions	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Actual Employer Contributions	750	750	750	750	750
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Annual Contribution as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
Actuarially Determined Contributions	\$ 477,840	\$ 465,341	\$ 450,951	\$ 479,884	\$ 480,700
Actual Employer Contributions	395,844	396,989	395,130	362,463	299,658
Annual Contribution Deficiency (Excess)	<u>\$ 81,996</u>	<u>\$ 68,352</u>	<u>\$ 55,821</u>	<u>\$ 117,421</u>	<u>\$ 181,042</u>
Covered Payroll	<u>\$ 2,728,362</u>	<u>\$ 2,740,527</u>	<u>\$ 2,730,320</u>	<u>\$ 2,718,101</u>	<u>\$ 2,706,170</u>
Annual Contribution as a Percentage of Covered Payroll	<u>14.51%</u>	<u>14.49%</u>	<u>14.47%</u>	<u>13.34%</u>	<u>11.07%</u>



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
Actuarially Determined Contributions	\$ 400,461	\$ 377,885	\$ 357,220	\$ 375,431	\$ 368,197
Actual Employer Contributions	253,845	308,368	313,282	323,621	290,875
Annual Contribution Deficiency (Excess)	\$ 146,616	\$ 69,517	\$ 43,938	\$ 51,810	\$ 77,322
Covered Payroll	\$ 2,495,300	\$ 2,523,800	\$ 2,575,800	\$ 2,585,700	\$ 2,491,700
Annual Contribution as a Percentage of Covered Payroll	10.17%	12.22%	12.16%	12.52%	11.67%

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – ALL RETIREMENT SYSTEMS

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	<u>Fiscal Year, Ended June 30, 2017</u>	<u>Fiscal Year, Ended June 30, 2016</u>	<u>Fiscal Year, Ended June 30, 2015</u>	<u>Fiscal Year, Ended June 30, 2014</u>
Annual Money-weighted Rate of Return, Net of Investment Expenses	<u>10.60%</u>	<u>0.70%</u>	<u>1.70%</u>	<u>17.40%</u>

\* Information for prior years not available.

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2017 (In Thousands)

	Fiscal Year						
	2017	2016	2015	2014	2013	2012	2011
Annual Money-weighted Rate of Return, Net of Investment Expenses	11.91%	2.68%	4.06%	14.71%	11.12%	1.87%	19.30%

\* Information for prior years not available.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

### ALL RETIREMENT SYSTEMS

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

	PERS	JRS	MRS	VFRS	EERS	LGS
Valuation date	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Pay	Level Percent of	Level Percent of	Level Dollar, Open	30 years, Open-Ended Amortization. Level percent of Payroll.	30 years
Amortization period	Solved for Based on Statutory Rates	Pay, Open 30 years	Payroll, Open 30 years	30 years	30 years, open ended.	30 years
Asset valuation method	4 year smoothed Market Value	4 year smoothed Market Value	4 year smoothed Market Value	4 year smoothed Market Value	5 Year Smoothed Market	
Actuarial Assumptions:						
Investment Rate of Return SEIR	7.51%	7.51% 5.77%	7.51% 5.48%	7.51%	7.75%	7.25%, and 7.75% after 10 yrs.
Payroll Growth	2.75% first 9 years, then 3.25%	2.75% first 9 years, then 3.25%	2.75% first 9 years, then 3.25%		N/A	-
Projected Salary Increases	2.75% - 14.00%	3.5% first 9 years, then 4.00%	3.0% first 9 years, then 3.5%		N/A	3.00% Inflation, plus .75% Prod, Inc.
Includes Inflation At	2.25% first 9 years, then 2.75%	2.25% first 9 years, then 2.75%	-	N/A		3.00%
Discount Rate		5.77%	5.48%			3.81%
Municipal Bond Rate		3.56%	3.56%			

All percentages are stated at an annual rate.

Investment rate of return is net of investment expenses.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE RETIREE HEALTH CARE AUTHORITY For the Last Ten Years (a) Ending June 30, 2017 (In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2017	\$ 579,469	\$ 5,111,142	\$ 4,531,673	3.83 %	\$ 4,165,647	92.2 %
June 30, 2016	471,978	4,277,042	3,805,064	11.04 %	4,271,184	89.0 %
June 30, 2014	377,087	3,740,367	3,363,280	10.08 %	3,941,588	85.0 %
June 30, 2012	227,488	3,915,114	3,687,626	5.81 %	3,877,827	95.0 %
June 30, 2010	176,923	3,523,665	3,346,742	5.02 %	4,001,802	84.0 %
June 30, 2008	170,626	3,116,916	2,946,290	5.47 %	4,020,509	73.0 %
June 30, 2006	154,539	4,264,181	4,109,642	3.62 %	4,073,732	101.0 %

### Schedule of Employers and Other Contributing Entities Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions Employers	Percentage Contributed
2017	\$ 317,547	\$ 159,379	50.2 %
2016	303,631	159,863	52.7 %
2015	292,657	156,670	53.5 %
2014	367,804	149,277	40.6 %
2013	353,658	135,388	38.3 %
2012	340,075	142,054	41.8 %
2011	326,995	120,873	37.0 %
2010	298,000	114,847	38.5 %
2009	286,538	96,817	33.8 %
2008	275,518	94,060	34.1 %

### Additional Information

The 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, 2016
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	30 Year Open-Ended Amortization, with the initial payment determined as if the future payments would theoretically increase each year on a level percent of pay basis
Amortization period	30 Years, Open ended
Asset valuation method	Market Value
Actuarial assumptions:	
Investment Rate of Return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Discount rate	3.81%
Projected payroll increases	3.50%
Health care cost trend rate:	
Prescription Drug & Medical (Under Age 65, Age 65, and Over)	8.0% from July 1, 2009 to July 1, 2018, graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs.

Note: Certain amounts in the above schedule were corrected for rounding errors and certain prior-year amounts were restated.

# STATE OF NEW MEXICO

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## **REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**For the Last Ten Years (a) Ending June 30, 2017**  
(In Thousands)

The Following Presents Required Supplementary Information for the Pension Plans

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTION SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2017

(In Thousands)

PERA - State-Funded Divisions	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	\$ 3,156,785	\$ 2,243,965	\$ 1,795,898
State proportionate share of the net pension liability	51.25%	52.70%	54.10%
State covered payroll (b)	\$ 1,192,558	\$ 1,184,830	\$ 1,137,325
State proportionate share of the net pension liability as a percentage of its covered payroll	264.71%	189.39%	157.91%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

PERA - Judicial Fund	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	\$ 106,623	\$ 48,050	\$ 41,310
State proportionate share of the net pension liability	100.00%	100.00%	100.00%
State covered payroll (b)	\$ 15,612	\$ 15,084	\$ 13,163
State proportionate share of the net pension liability as a percentage of its covered payroll	682.95%	318.54%	313.83%
Plan fiduciary net position as a percentage of the total pension liability	44.34%	64.94%	68.81%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

PERA - Magistrate Fund	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	\$ 43,481	\$ 30,349	\$ 21,216
State proportionate share of the net pension liability	100.00%	100.00%	100.00%
State covered payroll (b)	\$ 5,243	\$ 5,066	\$ 3,516
State proportionate share of the net pension liability as a percentage of its covered payroll	829.29%	599.09	603.49%
Plan fiduciary net position as a percentage of the total pension liability	41.65%	52.23%	62.38%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

PERA - Volunteer Firefighters Fund	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	\$ (12,114)	\$ (17,626)	\$ (21,042)
State proportionate share of the net pension liability	100.00%	100.00%	100.00%
State covered payroll (b)	*	*	*
State proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

\* There is no covered payroll. The State Legislature provides a contribution of \$750 thousand per year.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

<u>ERB - State Agencies</u>	<u>Measurement Date</u>		
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
State proportion of the net pension liability	\$ 21,580	\$ 22,015	\$ 19,127
State proportionate share of the net pension liability	0.30%	0.34%	0.34%
State covered payroll (b)	\$ 8,564	\$ 9,280	\$ 9,242
State proportionate share of the net pension liability as a percentage of its covered payroll	251.97%	237.23%	206.96%
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

### Schedule of the State of New Mexico's Proportionate Share of the Net Pension Liability Last Ten Fiscal Years (a)

ERB - Educational Institutions	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	\$ 2,061,616	\$ 1,868,432	\$ 1,665,276
State proportionate share of the net pension liability	28.65%	28.85%	29.19%
State covered payroll (b)	\$ 784,874	\$ 787,588	\$ 930,167
State proportionate share of the net pension liability as a percentage of its covered payroll	262.67%	237.23%	179.03%
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

The Following Presents Required Supplementary Information for the State as Employer

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

<b>PERA - State-Funded Divisions</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>
Actuarial determined contribution	\$ 171,200	\$ 171,144	\$ 176,397
Contributions in relation to contractually required contribution	171,200	171,144	176,397
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State covered payroll	\$ 1,192,558	\$ 1,184,830	\$ 1,137,393
Contributions as a percentage of covered payroll	14.36%	14.44%	15.51%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

<u>PERA - Judicial Fund</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Actuarial determined contribution	\$ 4,975	\$ 4,816	\$ 4,919	\$ 6,413
Contributions in relation to contractually required contributions	4,524	4,237	4,196	3,741
Contribution deficiency	<u>\$ 451</u>	<u>\$ 579</u>	<u>\$ 723</u>	<u>\$ 2,672</u>
State covered payroll	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
Contributions as a percentage of covered payroll	29.20%	27.14%	27.82%	28.42%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

<u>PERA - Magistrate Fund</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Actuarial determined contribution	\$ 1,576	\$ 1,463	\$ 1,967	\$ 1,992
Contributions in relation to contractually required contributions	1,282	1,280	937	793
Contribution deficiency	<u>\$ 294</u>	<u>\$ 183</u>	<u>\$ 1,030</u>	<u>\$ 1,199</u>
State covered payroll	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
Contributions as a percentage of covered payroll	22.76%	24.42%	18.49%	22.56%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

<u>PERA - Volunteer Firefighters Fund</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Statutorily determined contribution *	\$ 750	\$ 750	\$ 750	\$ 750
Contributions in relation to statutorily determined contributions	750	750	750	750
Contribution deficiency	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 750</u>
State covered payroll	*	*	*	*
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

\* There is no covered payroll. The State Legislature provides a contribution of \$750 thousand per year.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

<u>ERB - State Agencies</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
Actuarial determined contribution	\$ 1,190	\$ 1,343	\$ 1,215
Contributions in relation to contractually required contributions	1,190	1,343	1,215
Contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State covered payroll	8,564	9,280	9,240
Contributions as a percentage of covered payroll	13.90%	14.47%	13.15%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2017

(In Thousands)

<b>ERB - Educational Institutions</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>
Actuarial determined contribution	\$ 108,947	\$ 109,475	\$ 129,246
Contributions in relation to contractually required contributions	113,728	113,979	105,788
Contribution excess	<u>\$ (4,781)</u>	<u>\$ (4,504)</u>	<u>\$ 23,458</u>
Educational Institutions' covered payroll	783,792	787,588	929,829
Contributions as a percentage of covered payroll	14.51%	14.47%	11.38%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

# FINANCIAL SECTION

## OTHER SUPPLEMENTARY INFORMATION



BOSQUE DEL APACHE NATIONAL WILDLIFE RESERVE  
SOURCE - [WWW.INSIDER.KELBYONE.COM](http://WWW.INSIDER.KELBYONE.COM)

# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR PROPRIETARY FUNDS COMBINING FINANCIAL STATEMENTS

### **Enterprise Funds**

Enterprise funds report the activities for which fees are charged to external users for goods and services. Enterprise Funds are presented beginning on page 209.

### **Internal Service Funds**

Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public. Internal Service Funds are presented beginning on page 221.

# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR ENTERPRISE FUNDS COMBINING FINANCIAL STATEMENTS

**Industries for the Blind** – The New Mexico Commission for the Blind’s mission is to encourage and enable the State’s blind citizens to achieve vocational, economic, and social equality. This proprietary fund is used to provide career training and other assistance for New Mexico’s blind citizens and entails 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 of the Department of Corrections. These activities include the manufacture of furniture and textiles, production of agricultural crops, and data entry services.

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

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

**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. Information for the fiscal year ended June 30, 2017 was not available for this entity, so FY14 information has been provided.

**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 and the use of the Fairgrounds facilities during the year

**Department of Cultural Affairs** – This fund administers the enterprise operations of the Department of Cultural Affairs.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

June 30, 2017

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 2	\$ -	\$ -	\$ 39,371
Investment in the State General Fund					
Investment Pool	164	1,639	157,898	1,408	704
Investment in the Local Government					
Investment Pool	-	-	-	-	31,925
Prepaid Expenses and Other Assets	-	1	-	73	256
Due From Other Funds	-	-	-	-	-
Receivables, Net	318	1,801	11,813	110	1,362
Inventories	-	1,085	-	7	-
<b>Total Current Assets</b>	<u>482</u>	<u>4,528</u>	<u>169,711</u>	<u>1,598</u>	<u>73,618</u>
Noncurrent Assets:					
Loans Receivable	-	-	165,750	-	-
Investments	-	-	-	-	25,496
Nondepreciable Capital Assets	-	-	-	-	237
Capital Assets, Net	52	826	-	-	85
<b>Total Noncurrent Assets</b>	<u>52</u>	<u>826</u>	<u>165,750</u>	<u>-</u>	<u>25,818</u>
<b>Total Assets</b>	<u>534</u>	<u>5,354</u>	<u>335,461</u>	<u>1,598</u>	<u>99,436</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows - Pension	68	951	-	382	508

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2017

(In Thousands)

	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ -	\$ 1,364	\$ 422,502	\$ 1,772	-	\$ 465,011
Investment in the State General Fund						
Investment Pool	20,223	-	-	1,439	478	183,953
Investment in the Local Government						
Investment Pool	-	-	-	-	-	31,925
Prepaid Expenses and Other Assets	-	-	-	-	-	330
Due From Other Funds	-	537	-	-	-	537
Receivables, Net	714	4,279	47,948	27	-	68,372
Inventories	-	1,029	-	-	-	2,121
<b>Total Current Assets</b>	<b>20,937</b>	<b>7,209</b>	<b>470,450</b>	<b>3,238</b>	<b>478</b>	<b>752,249</b>
Noncurrent Assets:						
Loans Receivable	-	-	-	-	-	165,750
Investments	-	1,000	-	-	-	26,496
Nondepreciable Capital Assets	-	710	-	819	-	1,766
Capital Assets, Net	-	25,817	-	42,332	26	69,138
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>27,527</b>	<b>-</b>	<b>43,151</b>	<b>26</b>	<b>263,150</b>
<b>Total Assets</b>	<b>20,937</b>	<b>34,736</b>	<b>470,450</b>	<b>46,389</b>	<b>504</b>	<b>1,015,399</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - Pension	-	7,943	-	1,283	-	11,135



# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2017

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>LIABILITIES</b>					
Current Liabilities:					
Deficiency in SGFIP	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	304	1,262	-	113	77
Accrued Liabilities	4	152	-	64	96
Unearned Revenue	-	10	-	94	88
Due to Other Funds	-	-	-	-	-
Funds Held for Others	-	-	-	-	-
Bonds Payable - Current Portion	-	-	-	-	-
Other Liabilities - Current Portion	-	39	-	668	31,190
<b>Total Current Liabilities</b>	<b>308</b>	<b>1,463</b>	<b>-</b>	<b>939</b>	<b>31,450</b>
Noncurrent Liabilities:					
Bonds Payable	-	-	-	-	-
Net Pension Liability	243	3,368	-	1,387	1,784
Other Liabilities	-	-	-	268	67,613
<b>Total Noncurrent Liabilities</b>	<b>243</b>	<b>3,368</b>	<b>-</b>	<b>1,655</b>	<b>69,397</b>
<b>Total Liabilities</b>	<b>551</b>	<b>4,831</b>	<b>-</b>	<b>2,594</b>	<b>100,847</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows - Pension	3	37	-	15	20
<b>NET POSITION</b>					
Net Investment in Capital Assets	52	826	-	-	322
Restricted for:					
Capital Projects	-	-	-	-	-
Loans	-	-	335,461	-	-
Other Purposes	173	3,065	-	-	8,093
Unrestricted (Deficit)	(177)	(2,454)	-	(629)	(9,338)
<b>Total Net Position</b>	<b>\$ 48</b>	<b>\$ 1,437</b>	<b>\$ 335,461</b>	<b>\$ (629)</b>	<b>\$ (923)</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2017

(In Thousands)

	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>LIABILITIES</b>						
Current Liabilities:						
Deficiency in SGFIP	\$ -	\$ 426	\$ 90	\$ -	\$ -	\$ 516
Accounts Payable	-	1,178	9	212	197	3,352
Accrued Liabilities	-	1,193	4,465	277	-	6,251
Unearned Revenue	-	-	11,478	-	-	11,670
Due to Other Funds	-	-	-	16	-	16
Funds Held for Others	-	204	77	123	-	404
Bonds Payable - Current Portion	-	980	-	-	-	980
Other Liabilities - Current Portion	-	1,774	-	4,618	3	38,292
<b>Total Current Liabilities</b>	<b>-</b>	<b>5,755</b>	<b>16,119</b>	<b>5,246</b>	<b>200</b>	<b>61,481</b>
Noncurrent Liabilities:						
Bonds Payable	-	10,030	-	-	-	10,030
Net Pension Liability	-	28,321	-	4,481	-	39,584
Other Liabilities	-	237	-	-	-	68,118
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>38,588</b>	<b>-</b>	<b>4,481</b>	<b>-</b>	<b>117,732</b>
<b>Total Liabilities</b>	<b>-</b>	<b>44,343</b>	<b>16,119</b>	<b>9,727</b>	<b>200</b>	<b>179,213</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - Pension	-	313	-	49	-	437
<b>NET POSITION</b>						
Net Investment in Capital Assets	-	15,380	-	43,151	26	59,757
Restricted for:						
Capital Projects	-	-	-	1,501	-	1,501
Loans	-	-	-	-	-	335,461
Other Purposes	20,937	1,000	454,331	-	-	487,599
Unrestricted (Deficit)	-	(18,357)	-	(6,756)	278	(37,434)
<b>Total Net Position</b>	<b>\$ 20,937</b>	<b>\$ (1,977)</b>	<b>\$ 454,331</b>	<b>\$ 37,896</b>	<b>\$ 304</b>	<b>\$ 846,884</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2017 (In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 3,560	\$ 11,239	\$ -	\$ 2,481	\$ 378,957
Unemployment Insurance	-	-	-	-	-
Federal Revenue	-	-	6,525	-	-
Loan and Other Income	-	-	3,828	-	-
Other Operating Revenues	87	-	506	42	112
<b>Total Operating Revenues</b>	<u>3,647</u>	<u>11,239</u>	<u>10,859</u>	<u>2,523</u>	<u>379,069</u>
<b>OPERATING EXPENSES</b>					
Benefits, Claims, and Premiums	-	-	-	-	68,442
General and Administrative Expenses	90	3,848	1,949	2,229	1,596
Insurance Losses	-	-	-	-	313,223
Depreciation Expense	21	143	-	-	22
Other Operating Expenses	3,440	8,828	-	42	-
<b>Total Operating Expenses</b>	<u>3,551</u>	<u>12,819</u>	<u>1,949</u>	<u>2,271</u>	<u>383,283</u>
<b>Operating Income (Loss)</b>	<u>96</u>	<u>(1,580)</u>	<u>8,910</u>	<u>252</u>	<u>(4,214)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and Investment Income	-	9	-	-	4,284
Government Grants and Contracts	-	-	-	-	-
Other Revenue (Expenses)	-	132	-	-	363
<b>Total Nonoperating Revenues (Expenses)</b>	<u>-</u>	<u>141</u>	<u>-</u>	<u>-</u>	<u>4,647</u>
<b>Income (Loss) Before Transfers</b>	<u>96</u>	<u>(1,439)</u>	<u>8,910</u>	<u>252</u>	<u>433</u>
<b>TRANSFERS</b>					
Transfers In	-	-	1,400	-	1,347
Transfers Out	-	-	(9,842)	-	(17,347)
<b>Total Transfers</b>	<u>-</u>	<u>-</u>	<u>(8,442)</u>	<u>-</u>	<u>(16,000)</u>
<b>Change in Net Position</b>	96	(1,439)	468	252	(15,567)
<b>Net Position - Beginning, as Restated</b>	(48)	2,876	334,993	(881)	14,644
<b>Net Position - Ending</b>	<u>\$ 48</u>	<u>\$ 1,437</u>	<u>\$ 335,461</u>	<u>\$ (629)</u>	<u>\$ (923)</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED) For the Year Ended June 30, 2017 (In Thousands)

	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>OPERATING REVENUES</b>						
Charges for Services	\$ -	\$ 21,397	\$ 235	\$ 11,722	\$ -	\$ 429,591
Unemployment Insurance	-	-	205,143	-	-	205,143
Federal Revenue	-	-	4,322	-	-	10,847
Loan and Other Income	121	764	9,029	-	-	13,742
Other Operating Revenues	-	64	4,844	941	-	6,596
<b>Total Operating Revenues</b>	<u>121</u>	<u>22,225</u>	<u>223,573</u>	<u>12,663</u>	<u>-</u>	<u>665,919</u>
<b>OPERATING EXPENSES</b>						
Benefits, Claims, and Premiums	-	-	178,334	-	-	246,776
General and Administrative Expenses	-	30,490	-	13,570	71	53,843
Insurance Losses	-	-	-	-	-	313,223
Depreciation Expense	-	2,383	-	2,554	157	5,280
Other Operating Expenses	-	308	-	-	-	12,618
<b>Total Operating Expenses</b>	<u>-</u>	<u>33,181</u>	<u>178,334</u>	<u>16,124</u>	<u>228</u>	<u>631,740</u>
<b>Operating Income (Loss)</b>	<u>121</u>	<u>(10,956)</u>	<u>45,239</u>	<u>(3,461)</u>	<u>(228)</u>	<u>34,179</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Income	-	-	-	-	-	4,293
Government Grants and Contracts	-	634	-	-	-	634
Other Revenue (Expenses)	-	-	-	-	-	495
<b>Total Nonoperating Revenues (Expenses)</b>	<u>-</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,422</u>
<b>Income (Loss) Before Transfers</b>	<u>121</u>	<u>(10,322)</u>	<u>45,239</u>	<u>(3,461)</u>	<u>(228)</u>	<u>39,601</u>
<b>TRANSFERS</b>						
Transfers In	-	11,498	-	2,183	-	16,428
Transfers Out	-	(6,379)	-	-	-	(33,568)
<b>Total Transfers</b>	<u>-</u>	<u>5,119</u>	<u>-</u>	<u>2,183</u>	<u>-</u>	<u>(17,140)</u>
<b>Change in Net Position</b>	121	(5,203)	45,239	(1,278)	(228)	22,461
<b>Net Position - Beginning, as Restated</b>	20,816	3,226	409,092	39,174	532	824,423
<b>Net Position - Ending</b>	<u>\$ 20,937</u>	<u>\$ (1,977)</u>	<u>\$ 454,331</u>	<u>\$ 37,896</u>	<u>\$ 304</u>	<u>\$ 846,884</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2017 (In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	Public Schools Insurance Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from:					
Fees for Service	\$ 3,625	\$ -	\$ -	\$ 2,415	\$ 378,946
Sale of Products	-	10,748	-	21	-
Gifts, Grants, and Contracts	-	-	4,543	-	-
Loan and Note Repayments	-	-	38,336	-	(302,459)
Unemployment Insurance	-	-	-	-	-
Other Sources	-	-	1,182	-	112
Cash Payments to or for:					
Suppliers	(3,743)	(9,762)	-	(1,605)	(47,065)
Employees	(123)	(1,788)	-	(637)	-
Unemployment Benefits	-	-	-	-	-
Other Payments	-	-	(23,028)	-	(22,951)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(241)</b>	<b>(802)</b>	<b>21,033</b>	<b>194</b>	<b>6,583</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	-	-	1,400	-	1,347
Transfers Out	-	-	(9,000)	-	(17,347)
Intergovernmental Receipts	-	-	(842)	-	-
Other Noncapital Financing	1	-	-	-	363
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>1</b>	<b>-</b>	<b>(8,442)</b>	<b>-</b>	<b>(15,637)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	(8)	(108)	-	-	(18)
Capital Debt Service Payments - Principal	-	-	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(8)</b>	<b>(108)</b>	<b>-</b>	<b>-</b>	<b>(18)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Receipts of Interest and Dividends of Investments	-	9	-	-	4,248
Receipts of Rent	-	132	-	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>141</b>	<b>-</b>	<b>-</b>	<b>4,248</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(248)</b>	<b>(769)</b>	<b>12,591</b>	<b>194</b>	<b>(4,824)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>412</b>	<b>2,410</b>	<b>145,307</b>	<b>1,214</b>	<b>76,824</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 164</b>	<b>\$ 1,641</b>	<b>\$ 157,898</b>	<b>\$ 1,408</b>	<b>\$ 72,000</b>
<b>Cash and Cash Equivalents</b>					
Unrestricted	\$ -	\$ 2	\$ -	\$ -	\$ 39,371
Investment in State Gen. Fund Investment Pool	164	1,639	157,898	1,408	704
Investment in Local Government Invest Pool	-	-	-	-	31,925
<b>Total Cash and Cash Equivalents</b>	<b>\$ 164</b>	<b>\$ 1,641</b>	<b>\$ 157,898</b>	<b>\$ 1,408</b>	<b>\$ 72,000</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED) For the Year Ended June 30, 2017 (In Thousands)

	State Infrastructure Bank	Miners' Collax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from:						
Fees for Service	\$ -	\$ 19,448	\$ -	\$ 12,802	\$ -	\$ 417,236
Sale of Products	-	-	-	-	-	10,769
Gifts, Grants, and Contracts	-	-	4,322	-	-	8,865
Loan and Note Repayments	-	-	-	-	-	(264,123)
Unemployment Insurance	-	-	255,501	-	-	255,501
Other Sources	998	1,282	9,118	-	-	12,692
Cash Payments to or for:						
Suppliers	-	(12,436)	-	(7,025)	(220)	(81,856)
Employees	-	(16,186)	-	(5,863)	-	(24,597)
Unemployment Benefits	-	-	(180,469)	-	-	(180,469)
Other Payments	104	-	-	-	-	(45,875)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,102</b>	<b>(7,892)</b>	<b>88,472</b>	<b>(86)</b>	<b>(220)</b>	<b>108,143</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers In	-	5,646	-	2,183	-	10,576
Transfers Out	-	-	-	-	-	(26,347)
Intergovernmental Receipts	-	-	19	-	-	(823)
Other Noncapital Financing	-	634	(181)	-	-	817
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>-</b>	<b>6,280</b>	<b>(162)</b>	<b>2,183</b>	<b>-</b>	<b>(15,777)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of Capital Assets	-	(1,565)	-	(2,278)	-	(3,977)
Capital Debt Service Payments - Principal	-	(1,045)	-	-	-	(1,045)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(2,610)</b>	<b>-</b>	<b>(2,278)</b>	<b>-</b>	<b>(5,022)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Receipts of Interest and Dividends of Investments	-	-	-	-	-	4,257
Receipts of Rent	-	-	-	-	-	132
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,389</b>
<b>Net Increase (Decrease) in Cash</b>	<b>1,102</b>	<b>(4,222)</b>	<b>88,310</b>	<b>(181)</b>	<b>(220)</b>	<b>91,733</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>19,121</b>	<b>5,586</b>	<b>334,192</b>	<b>3,392</b>	<b>698</b>	<b>589,156</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 20,223</b>	<b>\$ 1,364</b>	<b>\$ 422,502</b>	<b>\$ 3,211</b>	<b>\$ 478</b>	<b>\$ 680,889</b>
<b>Cash and Cash Equivalents</b>						
Unrestricted	\$ -	\$ 1,364	\$ 422,502	\$ 1,772	\$ -	\$ 465,011
Investment in State Gen. Fund Investment Pool	20,223	-	-	1,439	478	183,953
Investment in Local Government Invest Pool	-	-	-	-	-	31,925
<b>Total Cash and Cash Equivalents</b>	<b>\$ 20,223</b>	<b>\$ 1,364</b>	<b>\$ 422,502</b>	<b>\$ 3,211</b>	<b>\$ 478</b>	<b>\$ 680,889</b>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2017

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>RECONCILIATION OF OPERATING INCOME</b>					
<b>TO NET CASH PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 96	\$ (1,580)	\$ 8,910	\$ 252	\$ (4,214)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)					
by Operating Activities:					
Depreciation	21	143	-	-	22
Change in net pension liability	(100)	555	-	(22)	21
Bad Debt Expense	-	-	-	-	1,302
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	(21)	(350)	12,155	(33)	3,208
Inventories	-	151	-	56	-
Prepaid Items/Other Assets	-	-	-	3	6,182
To Other Funds	(237)	279	(32)	(39)	62
Unearned Revenue	-	-	-	(23)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (241)</b>	<b>\$ (802)</b>	<b>\$ 21,033</b>	<b>\$ 194</b>	<b>\$ 6,583</b>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2017

(In Thousands)

	State Infrastructure Bank	Miners' Collax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>RECONCILIATION OF OPERATING INCOME</b>						
<b>TO NET CASH PROVIDED (USED) BY</b>						
<b>OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 121	\$ (10,956)	\$ 45,239	\$ (3,461)	\$ (228)	\$ 34,179
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	-	2,383	-	2,554	157	5,280
Change in net pension liability	-	2,696	-	484	-	3,634
Bad Debt Expense	-	1,257	-	-	-	2,559
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables/Due From Other Funds	1,161	(2,698)	46,071	81	-	59,574
Inventories	-	(313)	-	-	-	(106)
Prepaid Items/Other Assets	-	-	-	-	-	6,185
To Other Funds	(180)	(261)	(2,838)	256	(149)	(3,139)
Unearned Revenue	-	-	-	-	-	(23)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,102</b>	<b>\$ (7,892)</b>	<b>\$ 88,472</b>	<b>\$ (86)</b>	<b>\$ (220)</b>	<b>\$ 108,143</b>



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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR INTERNAL SERVICE FUNDS COMBINING FINANCIAL STATEMENTS

June 30, 2017

**Fleet Operations** – This fund accounts for the operations of the Transportation Motor Pool and the State Aircraft Pool, which provide ground and air transportation services to all state agencies on a fee basis.

**Risk Management** – This fund provides insurance coverage for all state agencies. Areas covered include public liability, workers compensation, group health and life, unemployment compensation, surety bond, and property insurance. Agencies are charged a premium based on several factors, including history and number of employees.

**Printing and Records** – This fund accounts for the provision of printing services of all kinds to state agencies according to an approved fee schedule. The fund also includes services for the retention and storage of public records for all state agencies, which pay an assessment based on size and usage.

**Communications Services** – This fund provides voice and data telecommunications services to all state agencies, which are assessed an annual fee based on size and prior usage.

**Information Processing** – This fund provides automated data processing services for all state agencies, which are assessed an annual fee based on size and prior usage.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR INTERNAL SERVICE FUNDS

June 30, 2017

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records
<b>ASSETS</b>			
Current Assets:			
Investment in the State General Fund			
Investment Pool	\$ 307	\$ 127,792	\$ 1,486
Due From Other Funds	-	-	-
Receivables, Net	606	563	87
Inventories and Other Assets	-	-	9
<b>Total Current Assets</b>	<b>913</b>	<b>128,355</b>	<b>1,582</b>
Noncurrent Assets:			
Nondepreciable Capital Assets	-	-	9
Capital Assets, Net	4,886	16	136
<b>Total Noncurrent Assets</b>	<b>4,886</b>	<b>16</b>	<b>145</b>
<b>Total Assets</b>	<b>5,799</b>	<b>128,371</b>	<b>1,727</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - Pension	870	1,974	2,316
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	383	8,696	264
Accrued Liabilities	138	216	311
Unearned Revenue	-	1,010	-
Due to Other Funds	-	600	-
Funds Held for Others	-	-	6
Other Liabilities	-	97,373	-
<b>Total Current Liabilities</b>	<b>521</b>	<b>107,895</b>	<b>581</b>
Noncurrent Liabilities:			
Net Pension Liability	3,084	7,078	8,360
Other Liabilities	9	82,782	-
<b>Total Noncurrent Liabilities</b>	<b>3,093</b>	<b>89,860</b>	<b>8,360</b>
<b>Total Liabilities</b>	<b>3,614</b>	<b>197,755</b>	<b>8,941</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pension	34	78	92
<b>NET POSITION</b>			
Net Investment in			
Capital Assets	4,886	16	145
Restricted for:			
Other Purposes	-	-	-
Unrestricted (Deficit)	(1,865)	(67,504)	(5,135)
<b>Total Net Position</b>	<b>\$ 3,021</b>	<b>\$ (67,488)</b>	<b>\$ (4,990)</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR INTERNAL SERVICE FUNDS (CONTINUED)

June 30, 2017

(In Thousands)

	Communication Services	Information Processing	Total
<b>ASSETS</b>			
Current Assets:			
Investment in the State General Fund			
Investment Pool	\$ 12,526	\$ 25,999	\$ 168,110
Due From Other Funds	-	26,202	26,202
Receivables, Net	13,556	196	15,008
Inventories and Other Assets	-	-	9
<b>Total Current Assets</b>	<u>26,082</u>	<u>52,397</u>	<u>209,329</u>
Noncurrent Assets:			
Nondepreciable Capital Assets	130	19,798	19,937
Capital Assets, Net	21,302	1,831	28,171
<b>Total Noncurrent Assets</b>	<u>21,432</u>	<u>21,629</u>	<u>48,108</u>
<b>Total Assets</b>	<u>47,514</u>	<u>74,026</u>	<u>257,437</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - Pension	5,620	2,757	13,537
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	4,086	2,813	16,242
Accrued Liabilities	955	432	2,052
Unearned Revenue	-	-	1,010
Due to Other Funds	24,922	1,663	27,185
Funds Held for Others	-	-	6
Other Liabilities	-	-	97,373
<b>Total Current Liabilities</b>	<u>29,963</u>	<u>4,908</u>	<u>143,868</u>
Noncurrent Liabilities:			
Net Pension Liability	20,210	9,718	48,450
Other Liabilities	-	-	82,791
<b>Total Noncurrent Liabilities</b>	<u>20,210</u>	<u>9,718</u>	<u>131,241</u>
<b>Total Liabilities</b>	<u>50,173</u>	<u>14,626</u>	<u>275,109</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pension	223	107	534
<b>NET POSITION</b>			
Net Investment in Capital Assets	21,432	21,629	48,108
Restricted for:			
Other Purposes	-	47,489	47,489
Unrestricted (Deficit)	(18,694)	(7,068)	(100,266)
<b>Total Net Position</b>	<u>\$ 2,738</u>	<u>\$ 62,050</u>	<u>\$ (4,669)</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR INTERNAL SERVICE FUNDS For the Year Ended June 30, 2017 (In Thousands)

	Fleet Operations	Risk Management	Printing and Records
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 7,227	\$ 437,667	\$ 2,362
Other Operating Revenues	-	-	-
Interest Income	-	759	-
<b>Total Operating Revenues</b>	<u>7,227</u>	<u>438,426</u>	<u>2,362</u>
<b>OPERATING EXPENSES</b>			
General and Administrative Expenses	7,151	410,200	6,753
Depreciation Expense	1,041	9	73
<b>Total Operating Expenses</b>	<u>8,192</u>	<u>410,209</u>	<u>6,826</u>
<b>Operating Income (Loss)</b>	<u>(965)</u>	<u>28,217</u>	<u>(4,464)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and Investment Income	-	-	-
Gain (Loss) on Sale of Capital Assets	255	-	162
<b>Total Nonoperating Revenues (Expenses)</b>	<u>255</u>	<u>-</u>	<u>162</u>
<b>Income (Loss) Before Transfers</b>	<u>(710)</u>	<u>28,217</u>	<u>(4,302)</u>
<b>TRANSFERS</b>			
Transfers In	544	8,550	3,761
Transfers Out	(2,010)	(42,838)	(256)
<b>Total Transfers</b>	<u>(1,466)</u>	<u>(34,288)</u>	<u>3,505</u>
<b>Change in Net Position</b>	(2,176)	(6,071)	(797)
<b>Net Position - Beginning</b>	5,197	(61,417)	(4,193)
<b>Net Position - Ending</b>	<u>\$ 3,021</u>	<u>\$ (67,488)</u>	<u>\$ (4,990)</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR INTERNAL SERVICE FUNDS (CONTINUED) For the Year Ended June 30, 2017 (In Thousands)

	Communication Services	Information Processing	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 52,666	\$ 9,054	\$ 508,976
Other Operating Revenues	7	20	27
Interest Income	-	-	759
<b>Total Operating Revenues</b>	<u>52,673</u>	<u>9,074</u>	<u>509,762</u>
<b>OPERATING EXPENSES</b>			
General and Administrative Expenses	41,497	9,000	474,601
Depreciation Expense	6,180	1,663	8,966
<b>Total Operating Expenses</b>	<u>47,677</u>	<u>10,663</u>	<u>483,567</u>
<b>Operating Income (Loss)</b>	<u>4,996</u>	<u>(1,589)</u>	<u>26,195</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and Investment Income	-	68	68
Gain (Loss) on Sale of Capital Assets	(1)	(20)	396
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(1)</u>	<u>48</u>	<u>464</u>
<b>Income (Loss) Before Transfers</b>	<u>4,995</u>	<u>(1,541)</u>	<u>26,659</u>
<b>TRANSFERS</b>			
Transfers In	2,569	24,264	39,688
Transfers Out	(8,801)	(12,523)	(66,428)
<b>Total Transfers</b>	<u>(6,232)</u>	<u>11,741</u>	<u>(26,740)</u>
<b>Change in Net Position</b>	(1,237)	10,200	(81)
<b>Net Position - Beginning</b>	3,975	51,850	(4,588)
<b>Net Position - Ending</b>	<u>\$ 2,738</u>	<u>\$ 62,050</u>	<u>\$ (4,669)</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR INTERNAL SERVICE FUNDS

June 30, 2017

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from:			
Fees for Service	\$ 7,226	\$ 437,231	\$ 2,362
Other Sources	-	759	-
Cash Payments to or for:			
Suppliers	(5,299)	(427,444)	(1,936)
Employees	(1,742)	(3,716)	(3,767)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>185</u>	<u>6,830</u>	<u>(3,341)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	544	5,212	3,761
Transfers Out	(2,010)	(39,500)	(413)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(1,466)</u>	<u>(34,288)</u>	<u>3,348</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Sale of Capital Assets	255	-	162
Acquisition of Capital Assets	-	-	(6)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>255</u>	<u>-</u>	<u>156</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts of Interest and Dividends of Investments	-	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents at Beginning of Year, as Restated</b>	(1,026)	(27,458)	163
<b>Cash and Cash Equivalents at End of Year</b>	<u>1,333</u>	<u>155,250</u>	<u>1,323</u>
	<u>\$ 307</u>	<u>\$ 127,792</u>	<u>\$ 1,486</u>
<b>Cash and Cash Equivalents</b>			
Restricted	-	2,852	-
Investment in the State General Fund Investment Pool	307	124,940	1,486
Total Cash and Cash Equivalents	<u>\$ 307</u>	<u>\$ 127,792</u>	<u>\$ 1,486</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (965)	\$ 28,217	\$ (4,464)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,041	9	74
Change in net pension liability	201	(24)	1,025
Change in deferred inflows of resources	-	1,010	-
Net Changes in Assets and Liabilities Related to Operating Activities:			
Receivables/Due From Other Funds	(29)	(419)	26
Prepaid Items/Other Assets	-	-	3
Insurance Claims Payable	-	(15,322)	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	(63)	(6,641)	(5)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 185</u>	<u>\$ 6,830</u>	<u>\$ (3,341)</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR INTERNAL SERVICE FUNDS (CONTINUED)

June 30, 2017

(In Thousands)

	Communication Services	Information Processing	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from:			
Fees for Service	\$ 50,907	\$ 9,117	\$ 506,843
Other Sources	-	-	759
Cash Payments to or for:			
Suppliers	(32,634)	(3,926)	(471,239)
Employees	(10,230)	(4,487)	(23,942)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>8,043</u>	<u>704</u>	<u>12,421</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	-	16,173	25,690
Transfers Out	(12,073)	(3,659)	(57,655)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(12,073)</u>	<u>12,514</u>	<u>(31,965)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Sale of Capital Assets	-	-	417
Acquisition of Capital Assets	(605)	(9,406)	(10,017)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(605)</u>	<u>(9,406)</u>	<u>(9,600)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts of Interest and Dividends of Investments	-	68	68
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>-</u>	<u>68</u>	<u>68</u>
<b>Net Increase (Decrease) in Cash</b>	(4,635)	3,880	(29,076)
<b>Cash and Cash Equivalents at Beginning of Year, as Restated</b>	17,161	22,119	197,186
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 12,526</u>	<u>\$ 25,999</u>	<u>\$ 168,110</u>
<b>Cash and Cash Equivalents</b>			
Restricted	-	-	2,852
Investment in the State General Fund Investment Pool	12,526	25,999	165,258
Total Cash and Cash Equivalents	<u>\$ 12,526</u>	<u>\$ 25,999</u>	<u>\$ 168,110</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 4,996	\$ (1,589)	\$ 26,195
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	6,180	1,663	8,967
Change in net pension liability	200	406	1,808
Change in deferred inflows of resources	-	-	1,010
Net Changes in Assets and Liabilities Related to Operating Activities:			
Receivables/Due From Other Funds	(1,766)	42	(2,146)
Prepaid Items/Other Assets	-	-	3
Insurance Claims Payable	-	-	(15,322)
Accounts Payable/Accrued Liabilities/Due To Other Funds	(1,567)	182	(8,094)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 8,043</u>	<u>\$ 704</u>	<u>\$ 12,421</u>



**STATE OF NEW MEXICO**

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**OTHER SUPPLEMENTARY INFORMATION  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2017  
(In Thousands)**

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION

### FIDUCIARY FUNDS

### PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS FINANCIAL STATEMENTS

**Public Employees Retirement Association - (PERA)** – PERA is comprised of four separate systems which offer an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators.

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

**New Mexico Retiree Health Care Authority (RHCA)** – RHCA is a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that provides comprehensive core group health insurance for persons who have retired from public service with entities in the State of New Mexico.

**Deferred Compensation Plan (IRC 457)** – The State of New Mexico offers its employees a deferred compensation plan (Plan) under Chapters 10-7-A-1 to 10-7A-12, NMSA 1978, 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 to employees until termination, retirement, death, or unforeseeable emergency. The Public Employee’s Retiree Association is the trustee of the Plan; however, the Plan is administered by a third party administrator acting under contract with PERA.

# STATE OF NEW MEXICO

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

June 30, 2017

(In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
<b>ASSETS</b>					
Cash and Short-Term Investments	\$ 784,986	\$ 325,614	\$ -	\$ -	\$ 1,110,600
Investment in State General Fund Investment Pool	23,215	7,680	18,204	-	49,099
Investment in Local Government Investment Pool	-	100,596	-	-	100,596
Investments:					
U.S. Gov't. and Agency Securities	660,827	570,954	-	-	1,231,781
International Securities	3,678,413	488,641	147,512	-	4,314,566
Corporate Equity Securities	3,900,783	2,618,346	197,698	-	6,716,827
Corporate and Municipal Bonds	3,601,113	350,599	107,756	-	4,059,468
Partnerships and Other Investments	2,658,179	7,879,918	114,344	556,654	11,209,095
Securities Lending Collateral Invest.	456,766	-	-	-	456,766
Receivables:					
Brokers	732	198,189	-	-	198,921
Contributions	-	-	-	861	861
Accrued Interest and Other	605,349	14,771	-	-	620,120
Accounts Receivable	20,226	89,303	16,915	-	126,444
Participant Loans	-	-	-	11,318	11,318
Other Assets	-	-	-	-	-
Capital Assets, Net	11,756	2,177	1,903	-	15,836
<b>Total Assets</b>	<u>16,402,345</u>	<u>12,646,788</u>	<u>604,332</u>	<u>568,833</u>	<u>30,222,298</u>
<b>LIABILITIES</b>					
Accounts Payable	7,111	6,346	3,635	-	17,092
Security Lending Liability	456,666	-	-	-	456,666
Accrued Liabilities	529	800	142	-	1,471
Due to Brokers	949,518	-	-	-	949,518
Unearned Revenue	-	-	443	-	443
Deposits Held in Trust	1,157	66	-	-	1,223
Other Liabilities	202	130,116	20,643	-	150,961
<b>Total Liabilities</b>	<u>1,415,183</u>	<u>137,328</u>	<u>24,863</u>	<u>-</u>	<u>1,577,374</u>
<b>NET POSITION</b>					
Restricted for:					
Pension Benefits	14,987,162	12,509,460	-	-	27,496,622
Other Employee Benefits	-	-	579,469	-	579,469
Defined Contribution	-	-	-	568,833	568,833
<b>Net Position</b>	<u>\$ 14,987,162</u>	<u>\$ 12,509,460</u>	<u>\$ 579,469</u>	<u>\$ 568,833</u>	<u>\$ 28,644,924</u>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2017

(In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
<b>ADDITIONS</b>					
Contributions:					
Employee Contributions	\$ 273,492	\$ 292,956	\$ 153,895	\$ -	\$ 720,343
Employer Contributions	337,998	395,949	128,788	-	862,735
Member Contributions	-	-	-	47,753	47,753
Other	8	-	-	-	8
Total Contributions	<u>611,498</u>	<u>688,905</u>	<u>282,683</u>	<u>47,753</u>	<u>1,630,839</u>
Investment Income (Loss):					
Net Increase in Fair Value of Investments	1,289,942	1,324,655	67,653	-	2,682,250
Interest and Dividends	287,560	125,198	126	58,957	471,841
	<u>1,577,502</u>	<u>1,449,853</u>	<u>67,779</u>	<u>58,957</u>	<u>3,154,091</u>
Less Investment Expense	-	-	-	-	-
Net Investment Income	<u>1,577,502</u>	<u>1,449,853</u>	<u>67,779</u>	<u>58,957</u>	<u>3,154,091</u>
Other Additions:					
Other Operating Revenues	3,078	3,495	55,537	-	62,110
Total Other Additions	<u>3,078</u>	<u>3,495</u>	<u>55,537</u>	<u>-</u>	<u>62,110</u>
<b>Total Additions</b>	<u>2,192,078</u>	<u>2,142,253</u>	<u>405,999</u>	<u>106,710</u>	<u>4,847,040</u>
<b>DEDUCTIONS</b>					
Benefits and Claims	1,100,911	1,019,330	-	39,511	2,159,752
Refunds	44,407	33,345	431	-	78,183
General and Administrative Expenses	68,626	112,681	298,382	1,165	480,854
Other Operating Expenses	786	273	191	42	1,292
<b>Total Deductions</b>	<u>1,214,730</u>	<u>1,165,629</u>	<u>299,004</u>	<u>40,718</u>	<u>2,720,081</u>
<b>Special Item</b>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
<b>Change in Net Position</b>	977,349	976,624	106,995	65,992	2,126,960
<b>Net Position - Beginning, as Restated</b>	14,009,813	11,532,836	472,474	502,841	26,517,964
<b>Net Position - Ending</b>	<u>\$ 14,987,162</u>	<u>\$ 12,509,460</u>	<u>\$ 579,469</u>	<u>\$ 568,833</u>	<u>\$ 28,644,924</u>

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION

### FIDUCIARY FUNDS

### EXTERNAL INVESTMENT TRUST FUNDS FINANCIAL STATEMENTS

**State Investment Council** – The State Investment Council (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, Structured Credit, Mid/Small Capitalization, Non-U.S. Equity Securities, Non-U.S. Emerging Markets, and Absolute 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. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by State are presented in both the Governmental Funds and Proprietary Funds.

**State Treasurer** – The Office of the State Treasurer holds and invests monies for other state agencies and local governments through the Local Governmental Investment Pool. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by the State are presented in both the Governmental Funds and Proprietary Funds.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION EXTERNAL INVESTMENT TRUST FUNDS

June 30, 2017

(In Thousands)

	State Investment Council	State Treasurer	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,388	\$ -	\$ 1,388
Investments	77,641	665,130	742,771
Receivables	4,421	1,084	5,505
<b>Total Assets</b>	<u>83,450</u>	<u>666,214</u>	<u>749,664</u>
<b>LIABILITIES</b>			
Other Liabilities	<u>7,383</u>	<u>-</u>	<u>7,383</u>
<b>Total Liabilities</b>	<u>7,383</u>	<u>-</u>	<u>7,383</u>
<b>NET POSITION</b>			
Held in Trust for			
External Investment Pool Participants	<u>76,067</u>	<u>666,214</u>	<u>742,281</u>
<b>Net Position</b>	<u>\$ 76,067</u>	<u>\$ 666,214</u>	<u>\$ 742,281</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION EXTERNAL INVESTMENT TRUST FUNDS For the Year Ended June 30, 2017 (In Thousands)

	State Investment Council	State Treasurer	Total
<b>ADDITIONS</b>			
Pool Participant Deposits	\$ -	\$ 702,004	\$ 702,004
Investment Income (Loss):			
Net Increase (Decrease) in			
Fair Value of Investments	10,255	839	11,094
Interest and Dividends	2,160	-	2,160
<b>Total Additions</b>	<u>12,415</u>	<u>702,843</u>	<u>715,258</u>
<b>DEDUCTIONS</b>			
General and Administrative Expenses	13	247	260
Distributions	219	519,006	519,225
<b>Total Deductions</b>	<u>232</u>	<u>519,253</u>	<u>519,485</u>
<b>Change in Net Position</b>	12,183	183,590	195,773
<b>Net Position - Beginning</b>	63,884	482,624	546,508
<b>Net Position - Ending</b>	<u>\$ 76,067</u>	<u>\$ 666,214</u>	<u>\$ 742,281</u>

\* The pool participant deposits reported for the State Treasurer above is net of actual pool participant deposits and withdrawals.

\*\* Includes reduction of interfund investments.



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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS PRIVATE PURPOSE TRUST FUNDS FINANCIAL STATEMENTS

**Scholarship Fund** – This grouping includes scholarship trust funds administered by the Higher Education Department and the Public Education Department.

**Higher Education Savings Fund** – The 529 Higher Education Savings Plan is a variable return college savings program that enables individuals to save and invest in order to fund future higher education expenses of a child or beneficiary. The program is designed to be a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and is maintained by the Education Trust Board.

**Water Trust Fund** – The Water Trust Fund accounts for monies appropriated, donated, or otherwise accrued in the fund for the water project fund, which is administered by the State Investment Council.

**Bartlett Trust Fund** – The Cultural Affairs Department is the administrator of a trust fund which was privately endowed for the benefit of the Museum of International Folk Art.

**Children’s Trust Fund** - This fund accounts for a part of marriage license fees as well as private donations for the purpose of advocacy of children and prevention of child abuse and neglect.

**Children’s Trust Fund Next Generation** – This fund accumulates resources for programs that provide positive child and youth development activities.

**Office of Superintendent of Insurance** – This fund is comprised to two funds:

- a) Patient’s Compensation Fund – This is a medical malpractice insurance risk – assuming fund mandated by the Medical Malpractice Act.
- b) Trust Fund for Policyholders and Creditors of insurance companies which have entered into receivership.

# STATE OF NEW MEXICO

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

June 30, 2017

(In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 20	\$ 8,739	\$ 1,076	\$ -
Investment in State General Fund Investment Pool	2,240	-	-	116
Investments:				
Investment Pools	1,443	2,427,299	45,359	-
Receivables:				
Brokers	-	-	1,333	-
Accrued Interest and Other	-	1,693	-	-
Accounts Receivable	-	3,479	86	-
Other Receivables	-	-	-	-
<b>Total Assets</b>	<u>3,703</u>	<u>2,441,210</u>	<u>47,854</u>	<u>116</u>
<b>LIABILITIES</b>				
Accounts Payable	-	-	-	-
Accrued Liabilities	-	4,327	-	-
Other Liabilities	-	252	2,345	-
<b>Total Liabilities</b>	<u>-</u>	<u>4,579</u>	<u>2,345</u>	<u>-</u>
<b>NET POSITION</b>				
Held in Trust for Other Purposes	3,703	2,436,631	45,509	116
<b>Net Position</b>	<u>\$ 3,703</u>	<u>\$ 2,436,631</u>	<u>\$ 45,509</u>	<u>\$ 116</u>

NOTE: Scholarship Fund – Using FY15 Balances

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS (CONTINUED)

June 30, 2017

(In Thousands)

	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,909	\$ 11,744
Investment in State General Fund Investment Pool	1,795	510	8,294	12,955
Investments:				
Investment Pools	4,032	1,346	33,883	2,513,362
Receivables:				
Brokers	-	-	-	1,333
Accrued Interest and Other	-	-	-	1,693
Accounts Receivable	11	-	-	3,576
Other Receivables	-	-	552,385	552,385
<b>Total Assets</b>	<b>5,838</b>	<b>1,856</b>	<b>596,471</b>	<b>3,097,048</b>
<b>LIABILITIES</b>				
Accounts Payable	-	-	280	280
Accrued Liabilities	-	-	1,365	5,692
Other Liabilities	-	-	618,786	621,383
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>620,431</b>	<b>627,355</b>
<b>NET POSITION</b>				
Held in Trust for Other Purposes	5,838	1,856	(23,960)	2,469,693
<b>Net Position</b>	<b>\$ 5,838</b>	<b>1,856</b>	<b>(23,960)</b>	<b>2,469,693</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS For the Year Ended June 30, 2017 (In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust
<b>ADDITIONS</b>				
Member Contributions	\$ -	\$ 723,194	\$ -	\$ -
Total Contributions	-	723,194	-	-
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	757	192,258	4,033	-
Interest and Dividends	115	40,195	946	1
	872	232,453	4,979	1
Less Investment Expense	-	-	-	-
Net Investment Income	872	232,453	4,979	1
Other Additions:				
Other Operating Revenues	-	-	-	-
Total Other Additions	-	-	-	-
<b>Total Additions</b>	872	955,647	4,979	1
<b>DEDUCTIONS</b>				
Distributions	-	799,171	4,000	-
General and Administrative Expenses	7,011	11,870	24	15
<b>Total Deductions</b>	7,011	811,041	4,024	15
<b>Change in Net Position</b>	(6,139)	144,606	955	(14)
<b>Net Position - Beginning, as Restated</b>	9,842	2,292,025	44,554	130
<b>Net Position - Ending</b>	\$ 3,703	\$ 2,436,631	\$ 45,509	\$ 116

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS (CONTINUED)

For the Year Ended June 30, 2017

(In Thousands)

	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Total
<b>ADDITIONS</b>				
Member Contributions	\$ -	\$ -	\$ -	\$ 723,194
Total Contributions	-	-	-	723,194
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	155	59	2,379	199,641
Interest and Dividends	9	3	347	41,616
	164	62	2,726	241,257
Less Investment Expense	-	-	-	-
Net Investment Income	164	62	2,726	241,257
Other Additions:				
Other Operating Revenues	107	-	21,482	21,589
Total Other Additions	107	-	21,482	21,589
<b>Total Additions</b>	<b>271</b>	<b>62</b>	<b>24,208</b>	<b>986,040</b>
<b>DEDUCTIONS</b>				
Distributions	-	-	-	803,171
General and Administrative Expenses	-	-	14,727	33,647
<b>Total Deductions</b>	<b>-</b>	<b>-</b>	<b>14,727</b>	<b>836,818</b>
<b>Change in Net Position</b>	<b>271</b>	<b>62</b>	<b>9,481</b>	<b>149,222</b>
<b>Net Position - Beginning, as Restated</b>	<b>5,567</b>	<b>1,794</b>	<b>(33,441)</b>	<b>2,320,471</b>
<b>Net Position - Ending</b>	<b>\$ 5,838</b>	<b>\$ 1,856</b>	<b>\$ (23,960)</b>	<b>\$ 2,469,693</b>

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# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES- AGENCY FUND NON-MAJOR COMPONENT UNITS

Year Ended June 30, 2017

(In Thousands)

**Agency Funds** – Agency funds report amounts which are held for other persons or governments in a fiduciary capacity before final distribution or resolution.

	Balance July 1, 2016 as Restated	Additions	Deletions	Balance June 30, 2017
<b>Assets</b>				
Cash and Cash Equivalents	\$ 18,830	\$ 63,026	\$ 51,748	\$ 30,108
Investment in State General Fund Investment Pool	79,760	14,049,596	13,945,458	183,898
Investment in Local Government Investment Pool	4,723	1	2,100	2,624
Investments	22,192	-	17,826	4,366
Receivables, Net	969,026	6,612,742	7,419,022	162,746
<b>Total Assets</b>	<b>\$ 1,094,531</b>	<b>\$ 20,725,365</b>	<b>\$ 21,436,154</b>	<b>\$ 383,742</b>
<b>Liabilities</b>				
Accounts Payable	\$ 51,352	\$ 868,497	\$ 919,345	\$ 504
Accrued Liabilities	-	1,922	1,922	-
Due to Component Units	205,111	17,370	208,501	13,980
Intergovernmental Payables	300,164	6,196,398	6,177,585	318,977
Deposits Held in Trust	385,892	114,961,892	115,303,188	44,596
Other Liabilities	152,012	297,428	443,755	5,685
<b>Total Liabilities</b>	<b>\$ 1,094,531</b>	<b>\$ 122,343,507</b>	<b>\$ 123,054,296</b>	<b>\$ 383,742</b>



**STATE OF NEW MEXICO**

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**OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES- AGENCY FUND  
NON-MAJOR COMPONENT UNITS  
Year Ended June 30, 2017  
(In Thousands)**

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED)

June 30, 2017

(In Thousands)

### **Non-major Component Units**

There were seventeen non-major component units at June 30, 2017. They are as follows: UNM Alumni Association; UNM Lobo Club; UNM Anderson School of Management Foundation; New Mexico Institute of Mining and Technology Research Foundation; New Mexico Tech Research Park Corporation; New Mexico Highlands University (NMHU) Foundation; NMHU Stable Isotopes Corporation; Western New Mexico University Foundation; Eastern New Mexico University (ENMU) Foundation; ENMU Roswell Foundation; ENMU Ruidoso Foundation; Northern New Mexico College Foundation; New Mexico Military Institute Foundation; New Mexico School for the Visually Impaired Foundation; Cumbres & Toltec Scenic Railroad Commission; New Mexico Renewable Transmission Authority; and the New Mexico Small Business Investment Corporation.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ACTIVITIES NON-MAJOR COMPONENT UNITS

June 30, 2017

(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM- Anderson Schools of Mgt. Foundation	New Mexico Institute of Mining and Technology Res. Foundation	NM Tech - Research Park Corporation	New Mexico Highlands University Foundation	NMHU - Stable Isotopes Corporation	Western New Mexico University Foundation	Eastern New Mexico University Foundation
<b>ASSETS</b>									
Current Assets:									
Cash and Cash Equivalents	\$ 711	\$ 3,482	\$ 2,116	\$ 138	\$ 323	\$ 359	\$ -	\$ 3,052	\$ 324
Investment in Local Government									
Investment Pool	8,175	-	-	-	-	-	-	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	265	-
Investments	-	-	2,127	19,289	-	-	-	-	-
Due From Primary Government	-	-	103	-	-	-	-	-	-
Due From Other Components	-	-	-	-	-	-	-	-	-
Receivables, Net	1	-	554	206	104	19	-	5	127
Loans Receivable, Current	-	42	-	-	60	-	-	-	-
Prepaid Expenses	19	6	66	-	-	3	-	-	-
Inventory	-	-	3	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>8,906</b>	<b>3,530</b>	<b>4,969</b>	<b>19,633</b>	<b>487</b>	<b>381</b>	<b>-</b>	<b>3,322</b>	<b>451</b>
Noncurrent Assets:									
Restricted Cash and Cash Equivalents	-	-	-	-	-	249	-	-	-
Restricted Investments	-	-	-	-	-	-	-	5,343	-
Loans Receivable, Net	-	-	-	447	1,399	45	-	-	-
Due From Primary Government	-	-	-	-	-	-	-	-	-
Investments	-	-	-	3,304	-	7,826	-	-	16,417
Other Noncurrent Assets	-	-	-	308	-	82	-	776	108
Nondepreciable Capital Assets	-	-	-	776	-	5,802	-	8	-
Other Capital Assets, Net	-	-	-	793	-	1,154	-	-	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,628</b>	<b>1,399</b>	<b>15,158</b>	<b>-</b>	<b>6,127</b>	<b>16,525</b>
<b>Total Assets</b>	<b>8,906</b>	<b>3,530</b>	<b>4,969</b>	<b>25,261</b>	<b>1,886</b>	<b>15,539</b>	<b>-</b>	<b>9,449</b>	<b>16,976</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Deferred Charge on Refunding	-	-	-	-	-	-	-	-	-
Deferred Outflows - Pension	-	-	-	-	-	-	-	-	-
<b>Total Deferred Outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>									
Current Liabilities:									
Accounts Payable	10	14	2	64	2	32	-	3	156
Accrued Liabilities	-	-	-	-	-	1	-	-	249
Unearned Revenue	-	-	656	-	-	-	-	-	-
Due to Primary Government	-	2,600	1,093	17	-	-	-	155	-
Due to Other Component Unit	-	-	-	-	-	-	-	-	-
Funds Held for Others	-	-	-	-	-	-	-	265	-
Bonds Payable	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	18	-	178	-	-	-
<b>Total Current Liabilities</b>	<b>10</b>	<b>2,614</b>	<b>1,751</b>	<b>99</b>	<b>2</b>	<b>211</b>	<b>-</b>	<b>423</b>	<b>405</b>
Noncurrent Liabilities:									
Bonds Payable	-	-	-	-	-	-	-	-	-
Due to Primary Government	-	-	-	-	-	-	455	-	-
Other Liabilities	-	-	-	23	-	2,911	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>2,911</b>	<b>455</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>10</b>	<b>2,614</b>	<b>1,751</b>	<b>122</b>	<b>2</b>	<b>3,122</b>	<b>455</b>	<b>423</b>	<b>405</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unearned Revenue	-	841	-	-	-	-	-	-	-
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	-	-
<b>Total Deferred Inflows</b>	<b>-</b>	<b>841</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>									
Net Investment in Capital Assets	-	-	-	1,877	-	6,186	-	8	108
Restricted:									
Nonexpendable	-	-	-	3,304	-	4,434	-	8,722	8,048
Expendable:									
Debt Service	-	-	-	-	-	-	-	-	-
Other Purposes	-	-	541	1,061	-	1,295	-	182	7,619
Unrestricted Net Position (Deficit)	8,896	75	2,677	18,897	1,884	502	(455)	114	796
<b>Total Net Position (Deficit)</b>	<b>\$ 8,896</b>	<b>\$ 75</b>	<b>\$ 3,218</b>	<b>\$ 25,139</b>	<b>\$ 1,884</b>	<b>\$ 12,417</b>	<b>\$ (455)</b>	<b>\$ 9,026</b>	<b>\$ 16,571</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED)

June 30, 2017

(In Thousands)

	ENMU - Roswell Foundation	ENMU - Ruidoso Foundation	Northern New Mexico College Foundation	New Mexico Military Institute Foundation	New Mexico School for Visually Impaired Foundation	Cumbres & Toltec Scenic RR Commission	NM Renewable Transmission Authority	NM Small Bus Investment Corp.	Total Nonmajor Component Units
<b>ASSETS</b>									
Current Assets:									
Cash and Cash Equivalents	\$ 9	\$ 158	\$ 473	\$ 678	\$ 78	\$ 2,003	\$ 43	\$ 1,332	15,279
Investment in Local Government	-	-	-	-	-	-	-	-	8,175
Investment Pool	-	-	-	-	-	-	-	-	265
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	-	39,205
Investments	9,347	180	-	-	-	-	-	8,262	534
Due From Primary Government	-	-	-	-	-	431	-	-	-
Due From Other Components	-	-	-	-	-	-	-	-	-
Receivables, Net	-	-	4	57	-	67	-	414	1,558
Loans Receivable, Current	-	-	-	-	-	-	-	-	102
Prepaid Expenses	-	-	-	4	-	43	-	4	145
Inventory	-	-	-	-	-	183	-	-	186
<b>Total Current Assets</b>	<b>9,356</b>	<b>338</b>	<b>477</b>	<b>739</b>	<b>78</b>	<b>2,727</b>	<b>43</b>	<b>10,012</b>	<b>65,449</b>
Noncurrent Assets:									
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	-	249
Restricted Investments	-	-	3,510	-	-	-	-	-	8,853
Loans Receivable, Net	-	-	-	310	-	-	-	18,433	20,634
Due From Primary Government	-	-	-	-	-	-	-	-	-
Investments	-	-	-	48,893	105	-	-	10,426	86,971
Other Noncurrent Assets	-	-	-	1,501	-	-	-	-	2,775
Nondepreciable Capital Assets	-	-	-	-	2	1,372	-	-	7,960
Other Capital Assets, Net	-	-	-	-	-	13,332	-	-	15,279
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>3,510</b>	<b>50,704</b>	<b>107</b>	<b>14,704</b>	<b>-</b>	<b>28,859</b>	<b>142,721</b>
<b>Total Assets</b>	<b>9,356</b>	<b>338</b>	<b>3,987</b>	<b>51,443</b>	<b>185</b>	<b>17,431</b>	<b>43</b>	<b>38,871</b>	<b>208,170</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Deferred Charge on Refunding	-	-	-	-	-	-	-	-	-
Deferred Outflows - Pension	-	-	-	-	-	-	-	-	-
<b>Total Deferred Outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>									
Current Liabilities:									
Accounts Payable	-	17	-	4	8	345	6	-	663
Accrued Liabilities	-	-	-	18	-	60	-	-	328
Unearned Revenue	-	-	52	-	-	930	-	-	1,638
Due to Primary Government	-	-	119	363	20	-	-	-	4,367
Due to Other Component Unit	-	-	-	-	-	-	-	-	-
Funds Held for Others	-	-	-	-	-	-	-	-	265
Bonds Payable	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	393	-	-	-	416	1,005
<b>Total Current Liabilities</b>	<b>-</b>	<b>17</b>	<b>171</b>	<b>778</b>	<b>28</b>	<b>1,335</b>	<b>6</b>	<b>416</b>	<b>8,266</b>
Noncurrent Liabilities:									
Bonds Payable	-	-	-	-	-	-	-	-	-
Due to Primary Government	-	-	-	-	-	-	-	-	455
Other Liabilities	-	-	-	-	-	17	-	-	2,951
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>3,406</b>
<b>Total Liabilities</b>	<b>-</b>	<b>17</b>	<b>171</b>	<b>778</b>	<b>28</b>	<b>1,352</b>	<b>6</b>	<b>416</b>	<b>11,672</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unearned Revenue	-	-	-	-	-	65	-	-	906
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	-	-
<b>Total Deferred Inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>906</b>
<b>NET POSITION</b>									
Net Investment in Capital Assets	-	-	-	-	2	14,704	-	-	22,885
Restricted:									
Nonexpendable	2,598	124	3,510	20,075	-	-	-	-	50,815
Expendable:									
Debt Service	-	-	-	-	-	-	-	-	-
Other Purposes	2,870	79	-	12,525	105	-	37	38,455	64,769
Unrestricted Net Position (Deficit)	3,888	118	306	18,065	50	1,310	-	-	57,123
<b>Total Net Position (Deficit)</b>	<b>\$ 9,356</b>	<b>\$ 321</b>	<b>\$ 3,816</b>	<b>\$ 50,665</b>	<b>\$ 157</b>	<b>\$ 16,014</b>	<b>\$ 37</b>	<b>\$ 38,455</b>	<b>195,592</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ACTIVITIES NON-MAJOR COMPONENT UNITS

June 30, 2017

(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM Anderson Schools of Mgt. Foundation	New Mexico Institute of Mining and Technology Res. Foundation	NM Tech - Research Park Corporation	New Mexico Highlands University Foundation	NMHU - Stable Isotopes Foundation	Western New Mexico University Foundation	Eastern New Mexico University Foundation
Expenses	\$ 1,320	\$ 4,668	\$ 1,004	\$ 2,218	\$ 27	\$ 1,213	\$ 37	\$ 514	\$ 1,548
Program Revenues:									
Charges for Services	10	-	956	-	-	416	70	-	-
Operating Grants and Contributions	676	4,673	529	428	-	1,092	-	534	200
Total Program Revenues	686	4,673	1,485	428	-	1,508	70	534	200
Nonoperating Revenues:									
Grant Revenue	-	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	(634)	5	481	(1,790)	(27)	295	33	20	(1,348)
Other Revenues & Expenses:									
Payment from State of New Mexico	-	-	-	-	-	-	-	-	-
Payment to State of New Mexico	-	-	-	-	-	-	-	-	-
Other	468	-	-	-	(1,540)	346	500	-	1,330
Investment Income	210	35	214	2,489	(138)	628	-	746	2,366
Total General Revenues	678	35	214	2,489	(1,678)	974	500	746	3,696
<b>Change in Net Position</b>	44	40	695	699	(1,705)	1,269	533	766	2,348
<b>Net Position - Beginning, as Restated</b>	8,852	35	2,523	24,440	3,589	11,148	(988)	8,260	14,223
<b>Net Position - Ending (Deficit)</b>	\$ 8,896	\$ 75	\$ 3,218	\$ 25,139	\$ 1,884	\$ 12,417	\$ (455)	\$ 9,026	\$ 16,571

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET ACTIVITIES NON-MAJOR COMPONENT UNITS (CONTINUED)

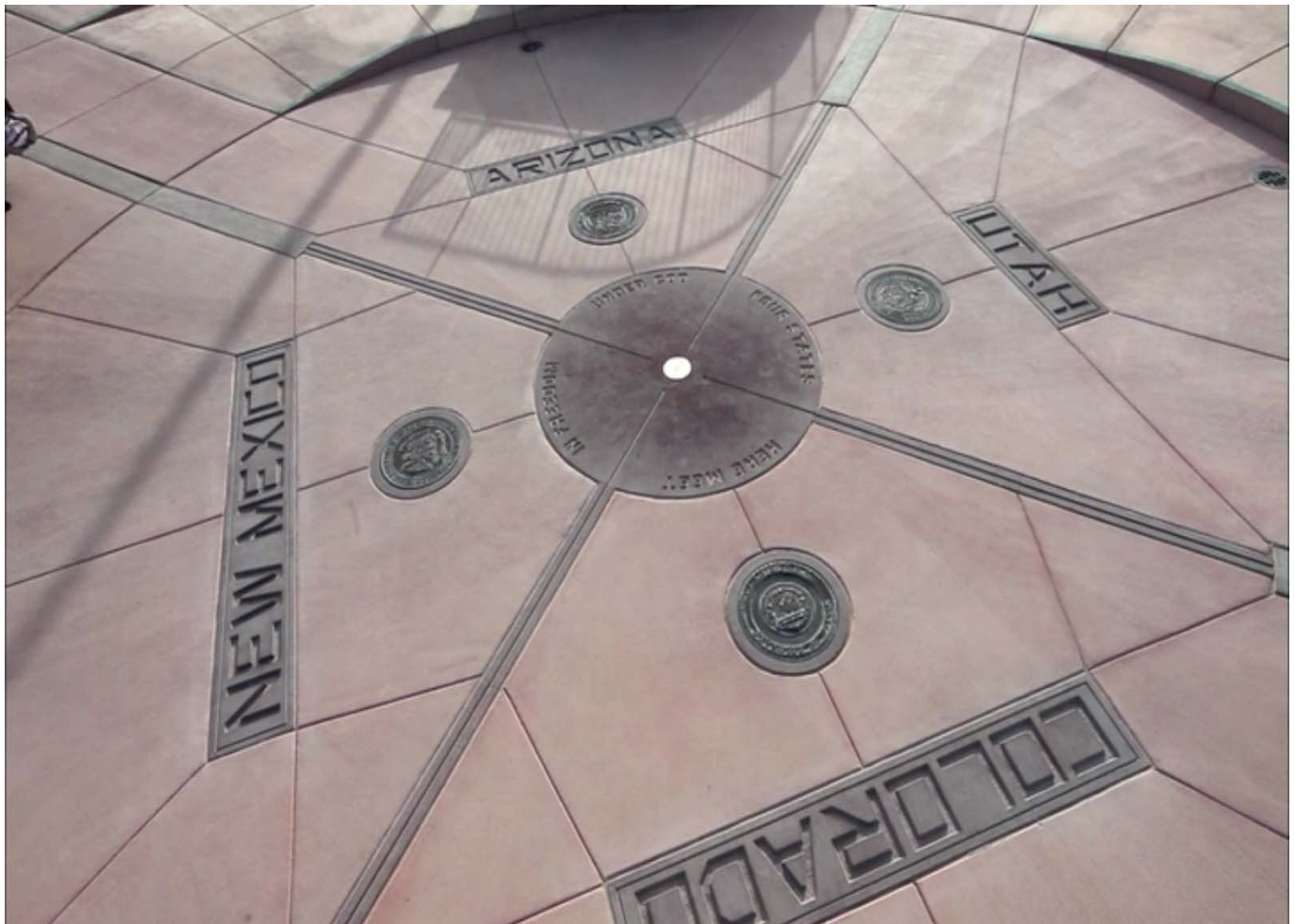
For the Year Ended June 30, 2017

(In Thousands)

	ENMU - Roswell Foundation	ENMU - Ruidoso Foundation	Northern New Mexico College Foundation	New Mexico Military Institute Foundation	New Mexico School for Visually Impaired Foundation	Cumbres & Toltec Scenic RR Commission	NM Renewable Transmission Authority	NM Small Business Investment Corp.	Total Nonmajor Component Units
Expenses	\$ 177	\$ 59	\$ 401	\$ 1,875	\$ 62	\$ 5,813	\$ 100	\$ 375	\$ 21,411
Program Revenues:									
Charges for Services	-	-	-	378	-	4,185	80	-	6,095
Operating Grants and Contributions	208	79	353	696	48	1,914	-	-	11,430
Total Program Revenues	208	79	353	1,074	48	6,099	80	-	17,525
Nonoperating Revenues:									
Grant Revenue	-	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	31	20	(48)	(801)	(14)	286	(20)	(375)	(3,886)
Other Revenues & Expenses:									
Payment from State of New Mexico	-	-	-	-	-	118	-	-	118
Payment to State of New Mexico	-	-	-	-	-	-	-	-	-
Other	30	-	-	-	6	11	-	-	1,151
Investment Income	822	24	234	5,267	8	3	-	(204)	12,704
Total General Revenues	852	24	234	5,267	14	132	-	(204)	13,973
<b>Change in Net Position</b>	883	44	186	4,466	-	418	(20)	(579)	10,087
<b>Net Position - Beginning, as Restated</b>	8,473	277	3,630	46,199	157	15,596	57	39,034	185,505
<b>Net Position - Ending (Deficit)</b>	\$ 9,356	\$ 321	\$ 3,816	\$ 50,665	\$ 157	\$ 16,014	\$ 37	\$ 38,455	\$ 195,592

STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

# STATISTICAL SECTION



FOUR CORNERS MONUMENT  
SOURCE - WWW.VOYAGENATION.COM

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### INDEX TO STATISTICAL SECTION

The Statistical Section provides additional historical context and detail to aid in using the information in the financial statements, notes to the financial statements and required supplementary information for the primary government of the State of New Mexico in understanding and assessing the State's overall financial health.

#### Financial Trends Information

These schedules present trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.

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#### Revenue Capacity Information

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These schedules offer operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

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# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

### INDEX TO STATISTICAL SECTION

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#### **Other Information**

These graphs and schedules offer a historical view of expenditures in constant dollars.

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State of New Mexico Comprehensive Annual Financial Report.

Note: The statements which comprise the Statistical Section have not been audited.

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# STATE OF NEW MEXICO

## NET POSITION BY COMPONENT

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year					
	2017	2016	* 2015	2014	2013	
<b>Governmental Activities</b>						
Net Investment in Capital Assets	\$ 5,904,225	\$ 5,930,820	\$ 5,356,468	\$ 5,164,435	\$ 5,552,572	
Restricted	23,268,593	18,311,421	12,658,737	6,925,810	4,774,368	
Unrestricted	(3,311,310)	(326,978)	7,158,005	1,464,494	2,417,608	
Total Governmental Activities Net Position	<u>\$ 25,861,508</u>	<u>\$ 23,915,263</u>	<u>\$ 25,173,210</u>	<u>\$ 13,554,739</u>	<u>\$ 12,744,548</u>	
<b>Business-type Activities</b>						
Net Investment in Capital Assets	\$ 1,742,100	\$ 1,654,692	\$ 1,589,677	\$ 1,517,364	\$ 1,507,921	
Restricted	1,251,369	1,317,251	987,021	2,919,494	2,143,068	
Unrestricted	(846,458)	(975,829)	(827,718)	139,334	697,511	
Total Business-type Activities Net Position	<u>\$ 2,147,011</u>	<u>\$ 1,996,114</u>	<u>\$ 1,748,980</u>	<u>\$ 4,576,192</u>	<u>\$ 4,348,500</u>	
<b>Primary Government</b>						
Net Investment in Capital Assets	\$ 7,646,325	\$ 7,585,511	\$ 6,946,145	\$ 6,681,799	\$ 7,060,493	
Restricted	24,519,962	19,628,672	13,645,758	9,845,304	6,917,436	
Unrestricted	(4,157,768)	(1,302,806)	6,330,287	1,603,828	3,115,119	
Total Primary Government Net Position	<u>\$ 28,008,519</u>	<u>\$ 25,911,377</u>	<u>\$ 26,922,190</u>	<u>\$ 18,130,931</u>	<u>\$ 17,093,048</u>	

\* Implementation of GASB 68 - Effective FY15

# STATE OF NEW MEXICO

## SCHEDULE A-1

(Accrual Basis of Accounting)

	Fiscal Year				
	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated	2008 as Restated
<b>Governmental Activities</b>					
Net Investment in Capital Assets	\$ 6,463,198	\$ 6,671,011	\$ 6,994,968	\$ 6,995,306	\$ 6,204,269
Restricted	5,542,541	5,685,913	4,868,634	4,530,761	7,558,292
Unrestricted	450,731	261,333	(108,104)	606,498	486,879
Total Governmental Activities Net Position	<u>\$ 12,456,470</u>	<u>\$ 12,618,257</u>	<u>\$ 11,755,498</u>	<u>\$ 12,132,565</u>	<u>\$ 14,249,440</u>
<b>Business-type Activities</b>					
Net Investment in Capital Assets	\$ 1,488,738	\$ 1,491,224	\$ 1,453,705	\$ 1,381,260	\$ 1,090,692
Restricted	1,471,752	1,978,206	1,841,424	1,853,252	2,610,808
Unrestricted	1,256,024	767,876	731,394	659,451	471,516
Total Business-type Activities Net Position	<u>\$ 4,216,514</u>	<u>\$ 4,237,306</u>	<u>\$ 4,026,523</u>	<u>\$ 3,893,963</u>	<u>\$ 4,173,016</u>
<b>Primary Government</b>					
Net Investment in Capital Assets	\$ 7,951,936	\$ 8,162,235	\$ 8,448,673	\$ 8,376,566	\$ 7,294,961
Restricted	7,014,293	7,664,119	6,710,058	6,384,013	10,169,100
Unrestricted	1,706,755	1,029,209	623,290	1,265,949	958,395
Total Primary Government Net Position	<u>\$ 16,672,984</u>	<u>\$ 16,855,563</u>	<u>\$ 15,782,021</u>	<u>\$ 16,026,528</u>	<u>\$ 18,422,456</u>

# STATE OF NEW MEXICO

## CHANGES IN NET POSITION

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014 as Restated	2013 as Restated
<b>Program Expenses</b>					
Governmental Activities:					
General Control	\$ 1,722,399	\$ 1,706,181	\$ 993,220	\$ 918,870	\$ 1,254,250
Culture, Recreation, and Natural Resources	247,510	239,104	203,319	228,000	187,209
Highway and Transportation	824,522	987,512	1,051,567	1,230,707	1,023,696
Judicial	304,097	315,829	255,761	242,449	235,363
Legislative	26,834	23,184	29,626	23,751	25,774
Public Safety	552,421	498,391	480,286	457,119	469,359
Regulation and Licensing	124,269	118,405	126,917	112,770	104,919
Health and Human Services	7,756,544	8,008,413	7,401,005	6,284,737	5,777,302
Education	3,286,148	3,554,909	4,024,669	3,223,837	3,215,643
Unemployment Benefits	-	-	-	-	-
Interest	115,594	123,083	131,154	127,001	110,413
Special Items					
Indian Water Rights Settlement	-	12,436	15,561	-	-
Arizona Water Settlement	-	-	-	-	-
Reduction of Receivable, Internal Service Fund	-	-	977	-	-
<b>Total Governmental Activities Expenses</b>	<b>14,960,338</b>	<b>15,587,447</b>	<b>14,714,062</b>	<b>12,849,241</b>	<b>12,403,928</b>
Business-type Activities:					
Educational Institutions	3,383,288	3,126,892	3,041,713	2,901,959	2,845,355
Public Schools Insurance	383,282	395,579	363,373	349,589	331,783
Environmental Loans	1,949	2,266	441	294	673
Lottery	-	-	-	-	-
Miners' Colfax Medical Center	33,180	31,295	24,967	29,650	23,229
Unemployment Insurance	178,334	195,506	193,479	261,763	356,558
State Fair	16,124	14,841	15,417	14,671	14,613
Other Business-type Activities	18,869	16,524	18,199	11,409	9,934
Special Items - Expo	-	866	-	-	-
<b>Total Business-type Activity Expenses</b>	<b>4,015,026</b>	<b>3,783,769</b>	<b>3,657,589</b>	<b>3,569,335</b>	<b>3,582,145</b>
<b>Total Primary Government Expenses</b>	<b>\$ 18,975,364</b>	<b>\$ 19,371,216</b>	<b>\$ 18,371,651</b>	<b>\$ 16,418,576</b>	<b>\$ 15,986,073</b>

# In fiscal year 2011, the New Mexico Lottery Authority was determined to be a discrete component unit. Prior to fiscal year 2011, the New Mexico Lottery Authority was considered to be a blended component unit and was presented as a nonmajor proprietary fund.

+In 2010, the President of the United States signed into law the American Recovery and Reinvestment Act (ARRA) of 2010. The State accounts for all ARRA revenue and expenditures under fund 89000, which is classified as a special revenue fund. Under ARRA, the State received federal unemployment monies that were accounted for in fund 89000. The Unemployment expenditures reported in the governmental activities represent funds from ARRA.

\*In fiscal year 2006, the Unemployment fund was determined to be a nonmajor propriety fund.

# STATE OF NEW MEXICO

## SCHEDULE A-2 (CONTINUED)

(Accrual Basis of Accounting)

	Fiscal Year				
	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated	2008 as Restated
<b>Program Expenses</b>					
Governmental Activities:					
General Control	\$ 1,311,355	\$ 1,217,362	\$ 1,197,734	\$ 1,313,985	\$ 1,020,981
Culture, Recreation, and Natural Resources	308,748	226,366	227,367	216,328	215,727
Highway and Transportation	945,406	905,469	1,007,714	939,111	999,407
Judicial	230,465	237,705	244,824	252,343	231,571
Legislative	24,047	26,147	25,474	27,766	22,236
Public Safety	441,675	449,734	456,583	505,599	453,297
Regulation and Licensing	145,748	105,199	117,728	132,021	119,865
Health and Human Services	5,603,724	5,631,423	5,995,540	5,297,968	4,854,810
Education	3,117,733	3,180,978	3,325,810	3,277,536	3,221,028
Unemployment Benefits	-	15,809	11,537	1,986	-
Interest	119,779	154,043	130,997	117,338	175,364
Special Items					
Indian Water Rights Settlement	91,400				
Arizona Water Settlement	-	-	-	-	-
Reduction of Receivable, Internal Service Fund	101,735	-	-	-	-
<b>Total Governmental Activities Expenses</b>	<b>12,441,815</b>	<b>12,150,235</b>	<b>12,741,308</b>	<b>12,081,981</b>	<b>11,314,286</b>
Business-type Activities:					
Educational Institutions	2,768,492	2,761,289	2,678,999	2,668,110	2,921,387
Public Schools Insurance	322,904	320,762	298,852	334,740	309,955
Environmental Loans	874	14,908	7,581	863	8,433
Lottery	-	-	99,997	101,750	106,997
Miners' Colfax Medical Center	22,608	24,706	24,896	26,908	24,459
Unemployment Insurance	546,600	742,883	781,494	368,957	159,776
State Fair	16,115	16,031	18,916	20,025	19,381
Other Business-type Activities	10,387	11,988	8,726	9,909	10,347
Special Items - Expo	-	-	-	-	-
<b>Total Business-type Activity Expenses</b>	<b>3,687,980</b>	<b>3,892,567</b>	<b>3,919,461</b>	<b>3,531,262</b>	<b>3,560,735</b>
<b>Total Primary Government Expenses</b>	<b>\$ 16,129,795</b>	<b>\$ 16,042,802</b>	<b>\$ 16,660,769</b>	<b>\$ 15,613,243</b>	<b>\$ 14,875,021</b>

# STATE OF NEW MEXICO

## CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014 as Restated	2013 as Restated
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services					
General Control	\$ 1,581,393	\$ 1,457,352	\$ 1,880,869	\$ 796,337	\$ 784,337
Culture, Recreation, and Natural Resources	64,956	63,474	59,392	94,694	89,063
Highway and Transportation	109,835	110,754	105,215	301,126	185,593
Judicial	17,011	15,620	6,243	5,040	109,660
Legislative	-	-	-	-	-
Public Safety	9,326	9,345	9,162	26,711	263,568
Regulation and Licensing	34,304	35,218	45,558	75,308	65,646
Health and Human Services	159,894	147,373	135,431	365,016	133,060
Education	7,346	7,362	8,726	7,535	5,329
Operating Grants and Contributions	6,595,050	6,855,527	6,356,248	4,932,895	4,777,647
Capital Grants and Contributions	-	-	-	400,212	210,500
<b>Total Governmental Activities</b>	<b>8,579,115</b>	<b>8,702,025</b>	<b>8,606,844</b>	<b>7,004,874</b>	<b>6,624,403</b>
<b>Business-type Activities:</b>					
Charges for Services					
Educational Institutions	1,642,869	1,521,460	1,567,129	1,380,232	1,359,675
Public Schools Insurance	378,957	363,949	351,731	342,725	321,549
Lottery	-	-	-	-	-
Environmental Loans	-	-	-	3,905	4,423
Miners' Colfax Medical Center	21,396	26,672	17,450	25,025	21,784
Unemployment Insurance	235	361	-	215,699	223,057
State Fair	11,722	11,928	11,556	12,142	12,142
Other Business-type Activities	17,280	13,954	16,304	10,523	10,562
Nonmajor Enterprise Funds					
Operating Grants and Contributions	896,071	595,057	627,067	771,706	751,861
Capital Grants and Contributions	11,607	6,906	12,524	25,541	8,392
<b>Total Business-type Activities</b>	<b>2,980,137</b>	<b>2,540,287</b>	<b>2,603,761</b>	<b>2,787,498</b>	<b>2,713,445</b>
<b>Total Primary Government</b>					
<b>Program Revenues</b>	<b>\$ 11,559,252</b>	<b>\$ 11,242,312</b>	<b>\$ 11,210,605</b>	<b>\$ 9,792,372</b>	<b>\$ 9,337,848</b>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (5,869,851)	\$ (6,885,422)	\$ (6,107,218)	\$ (5,844,367)	\$ (5,779,525)
Business-type Activities	(1,034,888)	(1,243,482)	(1,053,828)	(781,837)	(868,700)
<b>Total Primary Government Net Expense</b>	<b>\$ (6,904,740)</b>	<b>\$ (8,128,904)</b>	<b>\$ (7,161,046)</b>	<b>\$ (6,626,204)</b>	<b>\$ (6,648,225)</b>

# STATE OF NEW MEXICO

## SCHEDULE A-2 (CONTINUED)

(Accrual Basis of Accounting)

	Fiscal Year				
	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated	2008 as Restated
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services					
General Control	\$ 305,992	\$ 187,280	\$ 196,030	\$ 246,637	\$ 381,779
Culture, Recreation, and Natural Resources	134,163	125,711	151,080	174,137	160,091
Highway and Transportation	268,612	272,038	78,887	162,366	146,165
Judicial	177,156	151,097	172,084	206,442	167,600
Legislative	-	-	-	-	-
Public Safety	363,078	355,965	328,297	494,388	409,075
Regulation and Licensing	95,278	138,848	90,715	110,738	107,218
Health and Human Services	167,230	275,408	361,077	101,945	86,810
Education	4,899	6,252	279	2,071	1,170
Operating Grants and Contributions	4,578,609	5,220,477	5,331,479	4,272,942	3,715,696
Capital Grants and Contributions	447,962	369,813	376,259	388,792	311,661
<b>Total Governmental Activities</b>					
<b>Program Revenues</b>	<u>6,542,979</u>	<u>7,102,889</u>	<u>7,086,187</u>	<u>6,160,458</u>	<u>5,487,265</u>
Business-type Activities:					
Charges for Services					
Educational Institutions	1,289,871	1,169,885	1,116,796	1,104,240	997,629
Public Schools Insurance	322,593	326,622	322,741	320,132	293,758
Lottery	-	-	143,539	142,316	147,152
Environmental Loans	4,384	4,215	-	-	-
Miners' Collax Medical Center	23,455	22,442	20,588	15,650	15,022
Unemployment Insurance	216,824	-	-	35	-
State Fair	13,831	11,983	13,859	14,489	12,763
Other Business-type Activities	10,260	11,218	11,883	8,812	9,312
Nonmajor Enterprise Funds					
Operating Grants and Contributions	1,041,706	1,306,820	1,188,887	692,833	454,131
Capital Grants and Contributions	16,132	998	26,966	29,682	73,918
<b>Total Business-type Activities</b>					
<b>Program Revenues</b>	<u>2,939,056</u>	<u>2,854,183</u>	<u>2,845,259</u>	<u>2,328,189</u>	<u>2,003,685</u>
<b>Total Primary Government</b>					
<b>Program Revenues</b>	<u>9,482,035</u>	<u>\$ 9,957,072</u>	<u>\$ 9,931,446</u>	<u>\$ 8,488,647</u>	<u>\$ 7,490,950</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (5,898,836)	\$ (5,047,346)	\$ (5,655,121)	\$ (5,921,523)	\$ (5,827,021)
Business-type Activities	<u>(748,924)</u>	<u>(1,038,384)</u>	<u>(1,074,202)</u>	<u>(1,203,073)</u>	<u>(1,557,050)</u>
<b>Total Primary Government Net Expense</b>	<u>\$ (6,647,760)</u>	<u>\$ (6,085,730)</u>	<u>\$ (6,729,323)</u>	<u>\$ (7,124,596)</u>	<u>\$ (7,384,071)</u>



# STATE OF NEW MEXICO

## CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014 as Restated	2013 as Restated
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,418,070	\$ 1,320,154	\$ 1,451,288	\$ 1,236,674	\$ 1,236,015
Corporate Income Tax	76,274	118,502	262,600	196,762	277,029
Gross Receipts Taxes	2,168,168	2,109,889	4,238,670	2,133,540	1,985,601
Business Privilege	1,863,055	1,622,513			
Unemployment Insurance	7,200	18,970			
Other Taxes	3,545	7,055	33,424	2,048,944	1,736,620
Investment Income	2,548,331	909,846	1,212,060	1,351,182	1,208,035
Non Operating Investment Income and Other	68	34			
Other Revenue (Expense)	177,692	629,959	129,035	355,202	271,525
Special Item - Potential Loss SGFIP	-	-	100,000	(30,000)	-
Special Item - AZ Water Settlement	-	9,040	9,040	-	-
Transfers	(616,992)	(1,084,495)	(797,559)	(687,979)	(647,222)
<b>Total Governmental Activities</b>	<u>7,645,411</u>	<u>5,661,468</u>	<u>6,638,558</u>	<u>6,604,325</u>	<u>6,067,603</u>
Business-type Activities:					
Taxes					
Other Taxes	205,143	342,488	269,593	-	-
Investment Income (Loss)	13,742	9,838	9,292	220,411	214,413
Non Operating Investment Income and Other	47,928	21,465			
Other Revenue	216,012	242,772	244,201	140,737	139,051
Transfers	616,992	831,243	797,559	687,979	647,222
<b>Total Business-type Activities</b>	<u>1,099,816</u>	<u>1,447,806</u>	<u>1,320,645</u>	<u>1,049,127</u>	<u>1,000,686</u>
<b>Total Primary Government</b>	<u>\$ 8,745,228</u>	<u>\$ 7,109,274</u>	<u>\$ 7,959,203</u>	<u>\$ 7,653,452</u>	<u>\$ 7,068,289</u>
<b>Change in Net Position</b>					
Governmental Activities	1,775,559	(1,223,953)	531,340	759,958	288,078
Business-type Activities	64,928	204,324	266,817	267,290	131,986
<b>Total Primary Government</b>	<u>\$ 1,840,488</u>	<u>\$ (1,019,629)</u>	<u>\$ 798,157</u>	<u>\$ 1,027,248</u>	<u>\$ 420,064</u>

# STATE OF NEW MEXICO

## SCHEDULED A-2 (CONTINUED)

(Accrual Basis of Accounting)

	Fiscal Year				
	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated	2008 as Restated
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,189,273	\$ 1,088,300	\$ 956,560	\$ 918,090	\$ 1,618,406
Corporate Income Tax	270,118	238,452	125,101	192,487	403,525
Gross Receipts Taxes	522,847	444,717	737,996	1,831,946	397,894
Business Privilege					
Unemployment Insurance					
Other Taxes	3,362,391	3,145,105	2,547,648	1,864,838	3,358,466
Investment Income	708,673	1,618,785	1,252,935	(373,965)	595,463
Non Operating Investment Income and Other					
Other Revenue (Expense)	304,819	103,917	183,159	134,477	(114,555)
Special Item - Potential Loss SGFIP	-	-	-	-	-
Special Item - AZ Water Settlement	-	-	-	-	-
Transfers	(544,880)	(704,549)	(723,795)	(763,662)	(692,490)
<b>Total Governmental Activities</b>	<u>5,813,241</u>	<u>5,934,727</u>	<u>5,079,604</u>	<u>3,804,211</u>	<u>5,566,709</u>
Business-type Activities:					
Taxes					
Other Taxes	-	207,140	188,465	193,380	-
Investment Income (Loss)	70,774	261,972	220,917	(188,463)	170,050
Non Operating Investment Income and Other					
Other Revenue	27,713	75,506	103,066	93,204	424,018
Transfers	629,645	704,549	723,795	763,662	692,490
<b>Total Business-type Activities</b>	<u>728,132</u>	<u>1,249,167</u>	<u>1,236,243</u>	<u>861,783</u>	<u>1,286,558</u>
<b>Total Primary Government</b>	<u>\$ 6,541,373</u>	<u>\$ 7,183,894</u>	<u>\$ 6,315,847</u>	<u>\$ 4,665,994</u>	<u>\$ 6,853,267</u>
<b>Change in Net Position</b>					
Governmental Activities	(85,595)	887,381	(575,517)	(2,117,312)	(260,312)
Business-type Activities	(20,792)	210,783	162,041	(341,290)	(270,492)
<b>Total Primary Government</b>	<u>\$ (106,387)</u>	<u>\$ 1,098,164</u>	<u>\$ (413,476)</u>	<u>\$ (2,458,602)</u>	<u>\$ (530,804)</u>

# STATE OF NEW MEXICO

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016 as Restated	2015	2014	2013
<b>General Fund</b>					
Nondisposable	\$ 59,626	\$ 64,166	\$ 52,433	\$ 54,809	\$ 5,968
Restricted	835,483	890,206	916,201	864,359	67,315
Committed	388,030	250,021	695,182	220,535	23,159
Assigned	9,088	9,989	16,395	9,881	488
Unassigned	4,895	(120,451)	189,932	626,317	769,738
<b>Total General Fund</b>	<b>\$ 1,297,122</b>	<b>\$ 1,093,931</b>	<b>\$ 1,870,143</b>	<b>\$ 1,775,901</b>	<b>\$ 866,668</b>
<b>All Other Governmental Funds</b>					
Post-GASB 54 Implementation					
Nondisposable	\$ -	\$ -	\$ 10,000,000	\$ 5,687,834	\$ 5,006,506
Restricted	22,503,741	20,783,582	10,987,671	318,808	540,063
Committed	1,959	11,315	10,758	1,190,318	1,413,633
Assigned	-	-	-	-	989
Unassigned (Deficit)	(3,329)	(9,342)	-	-	18,242
<b>Total All Other Governmental Funds</b>	<b>\$ 22,502,371</b>	<b>\$ 20,785,555</b>	<b>\$ 20,998,429</b>	<b>\$ 7,196,960</b>	<b>\$ 6,979,433</b>
<b>All Governmental Funds</b>					
Post-GASB 54 Implementation					
Nondisposable	\$ 59,626	\$ 64,166	\$ 10,052,433	\$ 5,742,643	\$ 5,012,474
Restricted	23,339,224	21,673,788	11,903,872	1,183,167	607,378
Committed	389,989	261,336	705,940	1,410,853	1,436,792
Assigned	9,088	9,989	16,395	9,881	1,477
Unassigned (Deficit)	1,566	(129,793)	189,932	626,317	787,980
<b>Total All Governmental Funds</b>	<b>\$ 23,799,493</b>	<b>\$ 21,879,486</b>	<b>\$ 22,868,572</b>	<b>\$ 8,972,861</b>	<b>\$ 7,846,101</b>

\* Implementation of GASB 54 - Effective FY10

# STATE OF NEW MEXICO

## SCHEDULE A-3

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2012	2011 as Restated	* 2010 as Restated	2009 as Restated	2008 as Restated
<b>General Fund</b>					
Nonspendable	\$ 6,157	\$ 8,636	\$ 7,549	\$ -	\$ -
Restricted	194,988	237,097	184,417	-	-
Committed	10,082	56,219	15,562	-	-
Assigned	293	7,866	2,790	-	-
Unassigned	604,813	310,765	177,521	-	-
<b>Total General Fund</b>	<b>\$ 816,333</b>	<b>\$ 620,583</b>	<b>\$ 387,839</b>	<b>\$ -</b>	<b>\$ -</b>
<b>All Other Governmental Funds</b>					
Post-GASB 54 Implementation					
Nonspendable	\$ 4,651,829	\$ 4,755,242	\$ 4,049,274	\$ -	\$ -
Restricted	821,792	752,599	311,917	-	-
Committed	1,320,787	1,497,949	2,039,275	-	-
Assigned	-	3,745	4,997	-	-
Unassigned (Deficit)	(43,407)	(190,255)	(63,938)	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 6,751,001</b>	<b>\$ 6,819,280</b>	<b>\$ 6,341,525</b>	<b>\$ -</b>	<b>\$ -</b>
<b>All Governmental Funds</b>					
Post-GASB 54 Implementation					
Nonspendable	\$ 4,657,986	\$ 4,763,878	\$ 4,056,823	\$ -	\$ -
Restricted	1,016,780	989,696	496,334	-	-
Committed	1,330,869	1,554,168	2,054,837	-	-
Assigned	293	11,611	7,787	-	-
Unassigned (Deficit)	561,406	120,510	113,583	-	-
<b>Total All Governmental Funds</b>	<b>\$ 7,567,334</b>	<b>\$ 7,439,863</b>	<b>\$ 6,729,364</b>	<b>\$ -</b>	<b>\$ -</b>

# STATE OF NEW MEXICO

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Revenues</b>					
Taxes	\$ 5,472,102	\$ 5,197,084	\$ 5,923,849	\$ 5,626,421	\$ 5,235,786
Federal	6,595,840	6,856,707	6,363,684	5,338,059	4,981,084
Interest and Other Investment Income (Loss)	2,540,517	912,262	1,211,998	1,521,022	1,247,937
Rentals and Royalties	1,002,692	888,424	1,281,002	647,438	568,227
Charges for Services	164,565	119,509	124,674	162,757	160,931
Licenses, Fees, and Permits	294,482	307,532	295,282	364,594	364,371
Assessments *	13,820	14,389	-	-	-
Other Revenues	781,248	633,628	202,935	363,411	332,323
<b>Total Revenues</b>	<b>16,865,266</b>	<b>14,929,535</b>	<b>15,403,424</b>	<b>14,023,702</b>	<b>12,890,659</b>
<b>Expenditures</b>					
Current:					
Culture, Recreation, and Natural Resources	230,478	223,328	210,368	185,317	193,639
Education	3,285,298	3,554,249	4,025,302	3,220,213	3,214,923
General Control	465,961	1,600,674	487,468	403,590	494,668
Health and Human Services	7,737,341	7,996,609	7,355,734	6,270,002	5,756,574
Highways and Transportation	448,401	740,977	462,267	591,824	398,836
Judicial	298,224	306,727	250,360	236,575	229,405
Legislative	26,725	23,022	27,696	21,810	23,954
Public Safety	535,834	482,558	470,406	440,897	454,250
Regulation and Licensing	116,252	111,747	121,567	108,442	101,355
Unemployment Benefits	-	-	-	-	-
Land Grant	-	-	-	-	37,757
Severance Tax	-	-	-	183,216	176,173
Capital Outlay	352,204	118,018	444,308	507,435	583,782
Debt Service:					
Principal	298,168	282,120	284,766	407,074	317,991
Interest	123,810	109,886	128,197	150,738	130,755
Bond Issuance Costs	-	-	-	-	-
Provision for Potential Loss in the State General Fund Investment Pool	-	-	-	-	-
<b>Total Expenditures</b>	<b>13,918,697</b>	<b>15,549,915</b>	<b>14,268,439</b>	<b>12,727,133</b>	<b>12,114,062</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,946,569</b>	<b>(620,380)</b>	<b>1,134,985</b>	<b>1,296,569</b>	<b>776,597</b>
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	45,815	474,018	141,635	371,440	137,220
Bond Premium	5,463	82,239	43,146	50,051	45,400
Refunding Bond Issue	-	181,395	79,405	-	220,400
Proceeds from the Sale of Capital Assets	1,226	1,803	1,136	2,053	1,950
Operating Transfers In	8,030,490	7,182,543	7,233,253	6,789,132	6,135,227
Operating Transfers Out	(9,254,990)	(7,918,883)	(8,035,458)	(7,483,788)	(6,774,851)
Payment to Refunded Bond Escrow Agent	-	(208,143)	(96,083)	-	(261,769)
Nonoperating Revenues (Expenditures)	-	-	-	-	(5,211)
Note Proceeds	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,171,996)</b>	<b>(205,028)</b>	<b>(632,966)</b>	<b>(271,112)</b>	<b>(501,634)</b>
<b>Special Item</b>					
Reduction of Loss Contingency	-	-	93,479	(30,000)	-
Native American Water Rights Settlement	-	(12,436)	-	-	-
Arizona Water Settlement	-	(9,040)	-	-	-
<b>Total Special Items</b>	<b>-</b>	<b>(21,476)</b>	<b>93,479</b>	<b>(30,000)</b>	<b>-</b>
<b>Total Other Financing and Special Items</b>	<b>(1,171,996)</b>	<b>(226,504)</b>	<b>(539,487)</b>	<b>(301,112)</b>	<b>(501,634)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,774,573</b>	<b>\$ (846,884)</b>	<b>\$ 595,498</b>	<b>\$ 995,457</b>	<b>\$ 274,963</b>
Debt Service as a Percentage of Noncapital Expenditures	3.1%	2.5%	3.0%	4.6%	3.9%

# STATE OF NEW MEXICO

## SCHEDULE A-4

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2012 as Restated	2010 as Restated	2010 as Restated	2009 as Restated	2008
<b>Revenues</b>					
Taxes	\$ 5,321,538	\$ 4,926,279	\$ 4,407,236	\$ 4,769,862	\$ 5,778,291
Federal	5,035,279	5,558,515	5,722,781	4,661,734	4,027,357
Interest and Other Investment Income (Loss)	708,470	1,618,502	1,252,709	(375,149)	572,015
Rentals and Royalties	651,576	479,546	445,547	654,578	730,175
Charges for Services	155,089	212,816	241,411	69,934	66,159
Licenses, Fees, and Permits	361,671	356,897	212,328	288,697	218,066
Assessments *	-	-	-	-	-
Other Revenues	212,326	135,360	179,906	129,301	224,605
<b>Total Revenues</b>	<b>12,445,949</b>	<b>13,287,915</b>	<b>12,461,918</b>	<b>10,198,957</b>	<b>11,616,668</b>
<b>Expenditures</b>					
Current:					
Culture, Recreation, and Natural Resources	223,858	211,032	210,552	200,747	201,324
Education	3,117,042	3,180,447	3,325,183	3,276,575	3,214,688
General Control	413,807	376,279	421,810	430,195	592,814
Health and Human Services	5,625,669	5,623,871	5,907,586	5,291,005	4,851,140
Highways and Transportation	330,574	307,454	429,522	372,406	409,321
Judicial	223,942	232,136	238,608	246,565	226,465
Legislative	22,381	24,651	24,128	26,401	20,876
Public Safety	428,331	437,529	442,777	485,937	438,744
Regulation and Licensing	108,457	99,528	110,411	129,504	118,611
Unemployment Benefits	-	15,809	11,537	1,986	-
Land Grant	45,005	1,132	1,673	-	-
Severance Tax	183,423	8,318	2,772	-	-
Capital Outlay	612,156	721,706	710,727	864,676	727,171
Debt Service:					
Principal	139,847	347,486	332,447	230,504	175,043
Interest	249,345	227,115	139,666	113,284	171,673
Bond Issuance Costs	204	10,225	7,023	984	932
Provision for Potential Loss in the State General Fund Investment Pool	101,735	-	-	-	-
<b>Total Expenditures</b>	<b>11,825,776</b>	<b>11,824,718</b>	<b>12,316,422</b>	<b>11,670,769</b>	<b>11,148,802</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>620,173</b>	<b>1,463,197</b>	<b>145,496</b>	<b>(1,471,812)</b>	<b>467,866</b>
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	105,780	39,205	432,693	196,330	220,270
Bond Premium	27,668	129,344	56,025	28,082	9,120
Refunding Bond Issue	75,715	776,220	174,990	-	490,950
Proceeds from the Sale of Capital Assets	5,208	1,420	1,154	-	-
Operating Transfers In	6,414,978	6,611,286	7,418,136	8,119,988	7,191,186
Operating Transfers Out	(7,033,153)	(7,643,610)	(8,336,960)	(9,269,658)	(7,906,532)
Payment to Refunded Bond Escrow Agent	(88,898)	(668,590)	(72,570)	(95,290)	(498,480)
Nonoperating Revenues (Expenditures)	-	-	-	-	-
Note Proceeds	-	2,025	80,534	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(492,702)</b>	<b>(752,700)</b>	<b>(245,998)</b>	<b>(1,020,548)</b>	<b>(493,486)</b>
<b>Special Item</b>					
Reduction of Loss Contingency	-	-	-	-	-
Native American Water Rights Settlement	-	-	-	-	-
Arizona Water Settlement	-	-	-	-	-
<b>Total Special Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Other Financing and Special Items</b>	<b>(492,702)</b>	<b>(752,700)</b>	<b>(245,998)</b>	<b>(1,020,548)</b>	<b>(493,486)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 127,471</b>	<b>\$ 710,497</b>	<b>\$ (100,502)</b>	<b>\$ (2,492,360)</b>	<b>\$ (25,620)</b>
Debt Service as a Percentage of Noncapital Expenditures	3.5%	5.2%	4.1%	3.2%	3.3%

# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>REVENUES</b>					
<b>Taxes and License Fees</b>					
General and Selective Sales Taxes:					
Gross Receipts	\$ 2,013,548	\$ 1,975,416	\$ 2,095,153	\$ 1,992,035	\$ 1,917,660
Compensating	48,529	46,882	71,840	78,271	50,911
Tobacco (Luxury)	77,887	79,819	82,348	78,479	86,058
Alcoholic Beverage	7,376 *	6,732	26,263	26,357	26,240
Insurance	227,464	207,904	189,953	115,067	107,520
Fire Protection	-	15,069	15,156	16,082	18,316
Racing	1,096	1,130	670	821	942
Private Car	663	703	660	620	563
Motor Vehicle and Other Excise Tax	145,238	150,395	138,701	133,275	125,504
Gaming Tax	59,523	63,050	70,409	66,455	63,073
Leased Vehicles Gross Receipts and Surcharge	5,489	5,536	5,236	5,204	5,125
Gasoline Tax	(380)	867	(1,152)	1,227	(4,516)
Telecommunications Relay Surcharge	59	69	123	86	91
Boat Excise Tax	325	195	184	184	257
Other Tax	3,635	-	-	99	4
<b>Total General and Selective Sales Tax</b>	<b>2,590,452</b>	<b>2,553,767</b>	<b>2,695,544</b>	<b>2,514,262</b>	<b>2,397,748</b>
<b>Income Taxes</b>					
Gross Withholding	872,299	1,200,151	1,179,123	1,116,249	1,077,952
Final Settlements	504,741	508,566	535,298	506,245	517,862
Less:					
Transfer - Retiree Health Care	-	(29,519)	(26,678)	(24,141)	(21,876)
Transfer - PIT Suspense and Others	-	(359,043)	(355,541)	(351,365)	(340,381)
Refunds - TAA Suspense	-	-	-	-	-
Net Personal Income Taxes	<u>1,377,040</u>	<u>1,320,155</u>	<u>1,332,202</u>	<u>1,246,988</u>	<u>1,233,557</u>
Corporate Taxes	70,156	118,502	254,477	196,762	267,157
Less Refunds	-	-	-	-	-
Net Corporate Income Taxes	<u>70,156</u>	<u>118,502</u>	<u>254,477</u>	<u>196,762</u>	<u>267,157</u>
Estate Taxes	0	1	1	32	-
Fiduciary Taxes	-	7,053	7,510	7,951	7,388
<b>Total Income Taxes</b>	<b>1,447,196</b>	<b>1,445,711</b>	<b>1,594,190</b>	<b>1,451,733</b>	<b>1,508,102</b>
<b>Severance Taxes</b>					
Oil and Gas School Tax	304,262	236,818	375,423	500,659	379,899
7% Oil Conservation	17,368	11,375	20,091	27,244	20,775
Resources Excise	9,649	11,203	13,345	13,013	13,486
Natural Gas Processors	10,307	20,354	18,594	16,197	24,197
<b>Total Severance Taxes</b>	<b>341,586</b>	<b>279,750</b>	<b>427,453</b>	<b>557,113</b>	<b>438,357</b>
<b>Total Taxes</b>	<b>4,379,234</b>	<b>4,279,228</b>	<b>4,717,187</b>	<b>4,523,108</b>	<b>4,344,207</b>

# STATE OF NEW MEXICO

## SCHEDULE B-1

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>REVENUES</b>					
<b>Taxes and License Fees</b>					
General and Selective Sales Taxes:					
Gross Receipts	\$ 1,928,469	\$ 1,822,457	\$ 1,634,367	\$ 1,831,946	\$ 1,835,572
Compensating	62,066	69,135	50,935	69,947	63,778
Tobacco (Luxury)	85,360	88,158	45,731	49,580	48,115
Alcoholic Beverage	26,129	25,673	25,593	25,837	25,093
Insurance	114,076	132,659	130,347	121,893	109,825
Fire Protection	18,812	17,583	4,995	30,809	21,109
Racing	852	413	564	614	660
Private Car	553	480	382	532	936
Motor Vehicle and Other Excise Tax	114,707	103,653	92,264	100,497	127,622
Gaming Tax	65,527	65,787	65,116	69,207	56,149
Leased Vehicles Gross Receipts and Surcharge	5,366	5,047	5,663	4,901	7,541
Gasoline Tax	5,539	792	1,472	(1,241)	1,957
Telecommunications Relay Surcharge	98	121	114	104	104
Boat Excise Tax	453	494	543	534	652
Other Tax	19	73	88	112	152
<b>Total General and Selective Sales Tax</b>	<b>2,428,026</b>	<b>2,332,525</b>	<b>2,058,174</b>	<b>2,305,272</b>	<b>2,299,265</b>
<b>Income Taxes</b>					
Gross Withholding	1,151,866	1,042,323	1,020,104	982,766	1,014,975
Final Settlements	355,734	382,690	337,782	387,901	546,498
Less:					
Transfer - Retiree Health Care	(19,853)	(18,047)	(15,935)	(14,996)	(15,704)
Transfer - PIT Suspense and Others	(346,289)	(352,633)	(384,055)	(450,902)	(344,184)
Refunds - TAA Suspense	-	-	-	(365)	(16,206)
Net Personal Income Taxes	1,141,458	1,054,333	957,896	904,404	1,185,379
Corporate Taxes	281,047	229,818	125,101	253,345	479,447
Less Refunds	-	-	-	(60,858)	(75,922)
Net Corporate Income Taxes	281,047	229,818	125,101	192,487	403,525
Estate Taxes	-	12	(1)	36	40
Fiduciary Taxes	9,011	42,589	(1,336)	13,650	13,011
<b>Total Income Taxes</b>	<b>1,431,516</b>	<b>1,326,752</b>	<b>1,081,660</b>	<b>1,110,577</b>	<b>1,601,955</b>
<b>Severance Taxes</b>					
Oil and Gas School Tax	399,589	376,104	324,544	370,354	557,332
7% Oil Conservation	21,452	19,371	16,353	18,260	24,065
Resources Excise	12,018	10,139	9,368	11,237	11,641
Natural Gas Processors	23,343	18,182	40,437	40,341	30,618
<b>Total Severance Taxes</b>	<b>456,402</b>	<b>423,796</b>	<b>390,702</b>	<b>440,192</b>	<b>623,656</b>
<b>Total Taxes</b>	<b>4,315,944</b>	<b>4,083,073</b>	<b>3,530,536</b>	<b>3,856,041</b>	<b>4,524,876</b>



# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>REVENUES (CONTINUED)</b>					
<b>Taxes and License Fees (Continued)</b>					
<b>License Fees</b>					
Manufactured Housing	\$ 419	\$ 375	\$ 753	\$ 357	\$ 336
Corporate Filing	3,437	3,327	4,020	4,262	3,151
Alcoholic Beverages and Gaming	4,186	4,028	3,931	3,770	4,544
Financial Institutions	3,480	3,455	3,556	3,195	3,107
Corporate Special	2,984	2,955	3,308	3,672	3,963
Construction Industries	4,700	6,092	6,199	3,902	4,034
Gaming License and Permit Fees	577	353	416	373	362
Securities Receipts	22,399	22,016	21,267	20,201	19,065
Public Utilities	11,021	12,040	12,129	11,759	11,275
Health Facilities Fees	-	-	-	-	-
Pipeline Fees	137	153	196	65	50
Motor Vehicles Miscellaneous Fees	-	20	100	111	125
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
<b>Total License Fees</b>	<u>53,339</u>	<u>54,814</u>	<u>55,875</u>	<u>51,667</u>	<u>50,012</u>
<b>Total Taxes and License Fees</b>	<u>4,432,573</u>	<u>4,334,042</u>	<u>4,773,062</u>	<u>4,574,775</u>	<u>4,394,219</u>
<b>Other Revenue Sources</b>					
<b>Investment Income</b>					
State Land Grant Permanent Fund Income		555,103	502,757	449,382	440,876
Earnings on State Balances	(3,230)	25,224	24,160	42,293	35,925
Severance Tax Permanent Fund Earnings		193,510	182,723	170,473	176,173
<b>Total Interest Earnings</b>	<u>(3,230)</u>	<u>773,837</u>	<u>709,640</u>	<u>662,148</u>	<u>652,974</u>
<b>Rents and Royalties</b>					
Federal Mineral Leasing	435,692	47,817	42,235	569,860	459,631
Land Office	71,490	390,005	542,184	47,481	44,632
<b>Total Rents and Royalties</b>	<u>507,182</u>	<u>437,822</u>	<u>584,419</u>	<u>617,341</u>	<u>504,263</u>

# STATE OF NEW MEXICO

## SCHEDULE B-1 (CONTINUED)

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>REVENUES (CONTINUED)</b>					
<b>Taxes and License Fees (Continued)</b>					
<b>License Fees</b>					
Manufactured Housing	\$ 420	\$ 549	\$ 579	\$ 590	\$ 648
Corporate Filing	2,864	2,850	2,777	2,821	2,997
Alcoholic Beverages and Gaming	3,856	3,840	4,419	3,627	3,593
Financial Institutions	2,917	3,109	3,082	3,148	3,046
Corporate Special	4,096	1,125	3,512	4,883	5,393
Construction Industries	5,052	5,682	6,580	6,052	7,648
Gaming License and Permit Fees	392	262	387	420	609
Securities Receipts	18,765	18,374	17,838	17,031	16,946
Public Utilities	11,056	13,734	10,892	11,333	9,407
Health Facilities Fees	-	-	-	-	158
Pipeline Fees	41	74	60	34	75
Motor Vehicles Miscellaneous Fees	136	150	139	159	156
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
<b>Total License Fees</b>	<u>49,595</u>	<u>49,749</u>	<u>50,265</u>	<u>50,098</u>	<u>50,676</u>
<b>Total Taxes and License Fees</b>	<u>4,365,539</u>	<u>4,132,822</u>	<u>3,580,801</u>	<u>3,906,139</u>	<u>4,575,552</u>
<b>Other Revenue Sources</b>					
<b>Investment Income</b>					
State Land Grant Permanent Fund Income	461,737	446,227	437,128	433,497	390,484
Earnings on State Balances	17,618	17,633	22,126	67,754	114,975
Severance Tax Permanent Fund Earnings	183,424	184,571	187,072	191,292	177,172
<b>Total Interest Earnings</b>	<u>662,779</u>	<u>648,431</u>	<u>646,326</u>	<u>692,543</u>	<u>682,631</u>
<b>Rents and Royalties</b>					
Federal Mineral Leasing	502,574	411,819	355,302	507,229	45,085
Land Office	92,508	65,620	67,702	36,442	611,182
<b>Total Rents and Royalties</b>	<u>595,082</u>	<u>477,439</u>	<u>423,004</u>	<u>543,671</u>	<u>656,267</u>

# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2,017	2016	2015	2014	2013
<b>Miscellaneous Receipts and Fees</b>					
Environment Department Filing Fees	\$ 747	\$ 1,241	\$ 4,212	\$ 1,322	\$ 3,350
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	62,717	64,413	67,178	67,582	70,709
Media Lease Payments	22	18	19	18	21
MVD Penalty Assessments	4,271	4,009	5,658	5,982	6,018
Fines and Forfeitures	4,241	4,514	5,241	5,567	5,708
Birth and Death Certificates	1,184	1,043	1,019	1,010	1,045
District Judge Receipts	1,096	947	925	936	1,051
Notary Public Fees	743	984	681	628	648
Court of Appeals	-	-	-	-	-
Legislative Receipts	26	14	28	18	35
Workmen's Compensation Fees	7	3	5	268	4
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	-	15,297	7,641	3,936	4,576
Small County Assistance	-	11	5,809	3,748	1,537
Supreme Court Fees	1	1	1	-	-
Unclaimed Property	23,030	19,789	24,644	21,516	16,833
Public Defender Reimbursement	176	201	269	354	446
Small Cities Assistance	-	-	-	-	-
<b>Total Miscellaneous Receipts and Fees</b>	<u>98,260</u>	<u>112,485</u>	<u>123,330</u>	<u>112,885</u>	<u>111,981</u>
<b>Other Revenues</b>					
Miscellaneous Nonrecurring	970	39,616	36,136	29,509	39,921
Transfers - Reversions	366,208	56,367	59,163	101,751	81,167
<b>Total Other Revenues</b>	<u>367,178</u>	<u>95,983</u>	<u>95,299</u>	<u>131,260</u>	<u>121,088</u>
<b>Total Other Revenue Sources</b>	<u>969,390</u>	<u>1,420,127</u>	<u>1,512,688</u>	<u>1,523,634</u>	<u>1,390,306</u>
<b>Total Revenues</b>	<u>\$ 5,401,963</u>	<u>\$ 5,754,169</u>	<u>\$ 6,285,750</u>	<u>\$ 6,098,409</u>	<u>\$ 5,784,525</u>

Source: General Fund Financial Audit (30600) - Schedule of Revenue by Source  
Department of Finance and Administration General Fund Report

\* Alcohol is down due to sending a portion to the lottery scholarship fund

# STATE OF NEW MEXICO

## SCHEDULE B-1 (CONTINUED)

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Miscellaneous Receipts and Fees</b>					
Environment Department Filing Fees	\$ 2,048	\$ 5,201	\$ 4,412	\$ 8,551	\$ 2,253
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	68,189	65,891	64,118	65,385	66,560
Media Lease Payments	19	17	31	23	20
MVD Penalty Assessments	5,705	5,737	6,078	6,873	7,019
Fines and Forfeitures	6,052	7,104	7,276	8,756	9,110
Birth and Death Certificates	1,075	1,051	1,032	1,068	1,170
District Judge Receipts	1,064	1,196	1,260	1,202	1,208
Notary Public Fees	1,386	607	580	614	686
Court of Appeals	-	-	-	-	-
Legislative Receipts	20	46	29	54	44
Workmen's Compensation Fees	4	15	-	70	80
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	8,291	9,089	9,920	6,953	6,699
Small County Assistance	3,576	3,346	-	4,013	7,943
Supreme Court Fees	-	1	-	-	-
Unclaimed Property	15,452	18,352	11,757	13,538	-
Public Defender Reimbursement	411	414	429	533	430
Small Cities Assistance	-	-	1,546	-	-
<b>Total Miscellaneous Receipts and Fees</b>	<u>113,292</u>	<u>118,067</u>	<u>108,468</u>	<u>117,633</u>	<u>103,222</u>
<b>Other Revenues</b>					
Miscellaneous Nonrecurring	42,604	55,825	55,039	33,942	45,024
Transfers - Reversions	68,077	73,499	394,354	331,995	66,000
<b>Total Other Revenues</b>	<u>110,681</u>	<u>129,324</u>	<u>449,393</u>	<u>365,937</u>	<u>111,024</u>
<b>Total Other Revenue Sources</b>	<u>1,481,834</u>	<u>1,373,261</u>	<u>1,627,191</u>	<u>1,719,784</u>	<u>1,553,144</u>
<b>Total Revenues</b>	<u>\$ 5,847,373</u>	<u>\$ 5,506,083</u>	<u>\$ 5,207,992</u>	<u>\$ 5,625,923</u>	<u>\$ 6,128,696</u>

Source: General Fund Financial Audit (30600) - Schedule of Revenue by Source  
Department of Finance and Administration General Fund Report

\* Alcohol is down due to sending a portion to the lottery scholarship fund

# STATE OF NEW MEXICO

## REVENUE BASE

Last Ten Calendar Years  
(In Thousands)

## SCHEDULE B-2

	Calendar Year				
	2017	2016	2015	2014	2013
<b>Taxable Gross Receipts</b>					
Agriculture, Forestry and Fishing	\$ 111,430	\$ 106,156	\$ 84,720	\$ 54,047	\$ 61,294
Mining	2,213,846	2,328,158	4,144,544	2,998,455	3,668,701
Construction	6,312,982	6,537,914	6,331,176	4,257,409	5,562,314
Manufacturing	1,315,416	1,607,798	2,238,013	1,607,519	2,015,743
Transportation	571,482	668,207	867,443	543,996	780,150
Communications and Utilities	4,673,015	5,281,589	5,134,386	1,908,054	4,907,802
Wholesale Trade	1,786,231	2,030,984	2,544,689	1,790,115	2,335,113
Retail Trade	11,045,865	12,063,308	12,553,764	9,268,342	12,160,633
Finance, Insurance and Real Estate	1,559,574	1,613,419	1,630,999	1,106,612	1,377,056
Services and Other	17,675,223	19,824,081	19,219,587	15,112,166	17,413,350
Public Administration	587,747	665,833	673,442	378,243	622,335
<b>Total Taxable Gross Receipts</b>	<b>\$ 47,852,811</b>	<b>\$ 52,727,447</b>	<b>\$ 55,422,763</b>	<b>\$ 39,024,958</b>	<b>\$ 50,904,491</b>
State Gross Receipts Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%
<b>Personal Income by Industry</b>					
Federal Civilian	\$ 3,220	\$ 3,103	\$ 3,110	\$ 2,948	\$ 2,965
Federal Military	1,321	1,265	1,215	1,268	1,367
State and Local Government	9,379	9,836	9,860	9,590	9,229
Farm Earnings	889	664	1,088	1,769	1,472
Forestry, Fishing, and Related Activities	170	142	145	150	150
Mining	2,532	2,393	3,035	3,167	3,151
Utilities	490	533	503	491	520
Construction	3,368	3,146	3,111	3,042	2,978
Manufacturing	1,372	1,606	2,118	2,089	2,178
Wholesale Trade	1,517	1,491	1,442	1,441	1,451
Retail	3,667	3,670	3,546	3,505	3,412
Transportation and Warehousing	1,550	1,503	1,569	1,508	1,464
Information	812	859	927	790	881
Financial, Insurance, Real Estate, Rental, and Leasing	2,732	2,652	2,725	2,448	2,404
Services	19,782	19,465	18,166	17,790	17,652
Other <sup>1</sup>	27,992	28,063	27,490	26,432	24,537
<b>Total Personal Income</b>	<b>\$ 80,793</b>	<b>\$ 80,391</b>	<b>\$ 80,050</b>	<b>\$ 78,428</b>	<b>\$ 75,811</b>
Highest Income Tax Rate	4.9%	4.9%	4.9%	4.9%	4.9%

<sup>1</sup>Other personal income includes dividends, interest and rent, residence adjustment, personal current transfer receipts and deduction for insurance contributions.

<sup>2</sup>Data for 2012 is based on fiscal year.

Source: New Mexico Department of Taxation and Revenue Department, RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code.

Department of Commerce Bureau of Economic Analysis, SQ5N - Personal Income by Major Source and Earnings by Major NAICS Industry Report.

Note: 2009 Personal income by industry information was updated as of December 2010

# STATE OF NEW MEXICO

## SCHEDULE B-2

	Calendar Year				
	2012	2011	2010 as Restated	2009	2008
<b>Taxable Gross Receipts</b>					
Agriculture, Forestry and Fishing	\$ 57,791	\$ 59,602	\$ 51,681	\$ 62,842	\$ 83,216
Mining	3,431,242	3,239,185	1,860,940	1,866,669	2,473,548
Construction	5,271,994	5,326,763	3,982,945	6,019,441	7,407,837
Manufacturing	1,833,576	1,643,653	1,038,527	1,110,799	1,340,101
Transportation	686,364	679,289	546,715	625,733	646,162
Communications and Utilities	4,803,345	4,648,079	3,445,649	3,470,163	3,396,282
Wholesale Trade	2,280,235	2,207,054	1,573,254	1,926,673	2,632,017
Retail Trade	12,024,304	11,912,593	9,292,428	11,883,094	12,610,702
Finance, Insurance and Real Estate	1,218,396	1,131,560	784,486	1,107,662	1,106,311
Services and Other	17,395,771	17,558,765	14,674,794	21,364,218	18,953,106
Public Administration	597,549	692,754	151,857	180,217	191,262
<b>Total Taxable Gross Receipts</b>	<b>\$ 49,600,567</b>	<b>\$ 49,099,297</b>	<b>\$ 37,403,276</b>	<b>\$ 49,617,511</b>	<b>\$ 50,840,544</b>
State Gross Receipts Tax Rate	5.1%	5.1%	5.3%	5.0%	5.0%
<b>Personal Income by Industry</b>					
Federal Civilian	\$ 3,351	\$ 3,331	\$ 3,395	\$ 3,166	\$ 2,999
Federal Military	1,632	1,596	1,447	1,250	1,087
State and Local Government	8,934	8,640	8,643	8,678	7,660
Farm Earnings	1,203	1,389	1,034	575	812
Forestry, Fishing, and Related Activities	132	99	115	108	112
Mining	2,410	2,045	2,040	1,891	2,037
Utilities	522	442	460	468	431
Construction	2,888	2,868	2,651	2,840	3,390
Manufacturing	2,344	2,272	2,197	2,094	2,341
Wholesale Trade	1,444	1,382	1,482	1,426	1,565
Retail	3,417	3,274	3,219	3,190	3,442
Transportation and Warehousing	1,408	1,318	1,221	1,220	1,346
Information	878	832	862	1,220	914
Financial, Insurance, Real Estate, Rental, and Leasing	2,139	2,361	2,036	2,065	2,211
Services	17,731	17,233	9,215	9,077	11,367
Other <sup>1</sup>	22,791	22,931	27,694	27,407	24,370
<b>Total Personal Income</b>	<b>\$ 73,224</b>	<b>\$ 72,013</b>	<b>\$ 67,711</b>	<b>\$ 66,675</b>	<b>\$ 66,084</b>
Highest Income Tax Rate	4.9%	4.9%	4.9%	4.9%	5.3%

# STATE OF NEW MEXICO

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

## SCHEDULE B-3

Most Current Calendar Year and Historical Comparison  
(In Thousands)

	Fiscal Year 2017				Calendar Year 2008			
	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total
Agriculture, Forestry and Fishing	1,774	0.5%	\$ 111,430	0.2%	3,745	0.4%	\$ 83,216	0.2%
Mining	3,435	1.1%	2,213,846	4.6%	7,234	0.8%	2,473,548	4.9%
Construction	33,131	10.2%	6,312,982	13.2%	104,264	11.7%	7,407,837	14.5%
Manufacturing	15,674	4.8%	1,315,416	2.7%	33,821	3.8%	1,340,101	2.6%
Transportation	4,839	1.5%	571,482	1.2%	11,224	1.3%	646,162	1.3%
Communications and Utilities	20,807	6.4%	4,673,015	9.8%	49,617	5.6%	3,396,282	6.7%
Wholesale Trade	18,358	5.6%	1,786,231	3.7%	53,692	6.0%	2,632,017	5.2%
Retail Trade	63,853	19.6%	11,045,865	23.1%	183,670	20.6%	12,610,702	24.8%
Finance, Insurance and Real Estate	19,233	5.9%	1,559,574	3.3%	40,733	4.6%	1,106,311	2.2%
Services and Other	143,808	44.2%	17,675,223	37.0%	401,158	45.1%	18,953,106	37.2%
Public Administration	714	0.2%	587,747	1.2%	773	0.1%	191,262	0.4%
<b>Total Number of Outlets and Total Taxable Gross Revenues</b>	<b>325,626</b>	<b>100.0%</b>	<b>\$ 47,852,811</b>	<b>100.0%</b>	<b>889,931</b>	<b>100.0%</b>	<b>\$ 50,840,544</b>	<b>100.0%</b>
State Gross Receipts Tax Rate	5.1%				5.0%			

<sup>1</sup>Data for 2017 is based on fiscal year.

Source: New Mexico Department of Taxation and Revenue, Monthly RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

# STATE OF NEW MEXICO

## REVENUE PAYERS – PERSONAL INCOME TAX

## SCHEDULE B-4

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

Income Level	2008				2015*			
	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total
\$200,000 and higher	17,028	1.8%	\$ 1,724,643	37.9%	23,370	2.6%	\$ 2,178,968	40.7%
\$100,000 - \$199,999	68,629	7.4%	1,198,608	26.3%	89,820	9.8%	1,544,820	28.8%
\$75,000 - \$99,999	65,298	7.1%	543,243	11.9%	70,740	7.6%	590,092	11.0%
\$50,000 - \$74,999	113,258	12.3%	566,602	12.4%	114,720	12.5%	562,949	10.5%
\$49,999 and lower	659,218	71.4%	525,015	11.5%	618,800	67.5%	479,845	9.0%
Total	923,431	100.0%	\$ 4,558,111	100.0%	917,450	100.0%	\$ 5,356,674	100.0%

\* At the time of the preparation of the 2017 New Mexico State CAFR, the 2017 and 2016 information was not available.

Source: United States Department of the Treasury, Internal Revenue Service, Tax Year 2015: Historical Table 2 (SOI Bulletin)



# STATE OF NEW MEXICO

## PERSONAL INCOME TAX RATES

Last Ten Fiscal Years

## SCHEDULE B-5

Year	Top Tax Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Effective Rate, As Restated
		Single	Married Filing Jointly	Head of Household	
2017	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
2016	4.9%	16,000	24,000	24,000	N/A
2015	4.9%	16,000	24,000	24,000	N/A
2014	4.9%	16,000	24,000	24,000	N/A
2013	4.9%	16,000	24,000	24,000	N/A
2012	4.9%	16,000	24,000	24,000	N/A
2011	4.9%	16,000	24,000	24,000	N/A
2010	4.9%	16,000	24,000	24,000	N/A
2009	4.9%	16,000	24,000	24,000	3.4%
2008	4.9%	16,000	24,000	24,000	1.7%

Source: New Mexico Department of Taxation and Revenue

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# STATE OF NEW MEXICO

## RATIOS OF OUTSTANDING DEBT BY TYPE

## SCHEDULE C-1

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016	2015 as Restated	2014 as Restated	2013
<b>Governmental Activities</b>					
General Obligation	\$ 260,760	\$ 326,755	\$ 389,270	\$ 311,270	\$ 372,700
Enhanced E-911 Revenue Bonds	-	-	-	-	-
Severance Tax Bonds	876,115	955,045	641,415	760,080	683,275
Revenue Bonds	1,367,542	1,281,950	1,558,689	1,520,839	1,562,240
Bond Premium, Discount, Net *	237,638	279,305	257,935	-	-
Total Government	<u>2,742,055</u>	<u>2,843,055</u>	<u>2,847,309</u>	<u>2,592,189</u>	<u>2,618,215</u>
<b>Business-type Activities*</b>					
Revenue Bonds	869,404	653,372	763,824	808,463	827,812
Capital Leases	1,054	1,308	1,502	1,919	1,060
Total Primary Government	<u>870,458</u>	<u>654,680</u>	<u>765,326</u>	<u>810,382</u>	<u>828,872</u>
Total Debt	<u>\$ 3,612,513</u>	<u>\$ 3,497,735</u>	<u>\$ 3,612,635</u>	<u>\$ 3,402,571</u>	<u>\$ 3,447,087</u>
New Mexico Personal Income	\$ 81,483,543	\$ 80,758,305	\$ 79,104,093	\$ 76,449,091	\$ 72,465,608
Debt as a Percentage of Personal Income	4.4%	4.3%	4.6%	4.5%	4.8%
New Mexico Population	2,088	2,081	2,080	2,083	2,085
General Obligation Debt Per Capita	\$ 125	\$ 157	\$ 187	\$ 149	\$ 179
Total Long-Term Debt Per Capita	\$ 1,730	\$ 1,681	\$ 1,737	\$ 1,633	\$ 1,653

Source: State of New Mexico Comprehensive Annual Financial Report for outstanding bonded and non-bonded debt.  
See Schedule for Demographics and Economic Statistics for personal income and population data. Ratios are calculated based upon personal income and population which are reported for the prior calendar year.

Note: In the past, total debt was used to calculate the above ratios. Beginning with fiscal year 2009, outstanding debt is used in the ratio calculation; therefore, all prior year balances were restated to reflect the change.

# STATE OF NEW MEXICO

## SCHEDULE C-1

	Fiscal Year				
	2012	2011	2010 as Restated	2009 as Restated	2008 as Restated
<b>Governmental Activities</b>					
General Obligation	\$ 296,890	\$ 379,228	\$ 423,854	\$ 453,730	\$ 388,318
Enhanced E-911 Revenue Bonds	-	-	-	-	-
Severance Tax Bonds	798,740	884,320	1,020,550	626,715	738,687
Revenue Bonds	1,723,061	1,859,403	1,703,481	1,707,996	1,790,900
Bond Premium, Discount, Net *	-	-	-	-	-
Total Government	<u>2,818,691</u>	<u>3,122,951</u>	<u>3,147,885</u>	<u>2,788,441</u>	<u>2,917,905</u>
<b>Business-type Activities*</b>					
Revenue Bonds	840,831	832,306	866,692	802,924	833,836
Capital Leases	1,292	919	248	2,025	1,711
Total Primary Government	<u>842,123</u>	<u>833,225</u>	<u>866,940</u>	<u>804,949</u>	<u>835,547</u>
Total Debt	<u>\$ 3,660,814</u>	<u>\$ 3,956,176</u>	<u>\$ 4,014,825</u>	<u>\$ 3,593,390</u>	<u>\$ 3,753,452</u>
New Mexico Personal Income	\$ 73,822,778	\$ 72,175,501	\$ 68,361,950	\$ 66,243,018	\$ 67,250,834
Debt as a Percentage of Personal Income	5.0%	5.5%	5.9%	5.4%	5.6%
New Mexico Population	2,084	2,078	2,065	2,037	2,011
General Obligation Debt Per Capita	\$ 142	\$ 182	\$ 205	\$ 223	\$ 193
Total Long-Term Debt Per Capita	\$ 1,757	\$ 1,904	\$ 1,944	\$ 1,764	\$ 1,866

# STATE OF NEW MEXICO

## LONG-TERM LIABILITIES

## SCHEDULE C-2

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016	2015	2014 As Restated	2013
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 260,760	\$ 326,755	\$ 429,764	\$ 311,270	\$ 372,700
Severance Tax Bonds	876,115	955,045	641,415	760,080	683,275
Revenue Bonds	1,367,542	1,281,950	1,423,069	1,520,839	1,562,240
Bond Premium, Discount, Net *	237,638	279,305	217,441	252,771	234,954
Notes Payable	-	14,000	5,755	1,581	1,598
Deferred Loss on Refunding, Net *	-	-	100,167	96,042	(91,257)
Claims and Judgments	180,150	195,471	100,461	259,855	348,753
Hedging Derivatives - Interest Rate Swaps	84,090	119,015	100,167	96,042	(91,257)
Native American Water Settlement Liability **	60,850	62,100	287,910	-	-
Contingent Liabilities	3,678	20,051	-	-	-
Compensated Absences	63,992	64,051	58,112	62,339	61,201
Pollution Remediation Obligation	42,651	44,278	287,910	47,129	53,373
Net Pension Liability	3,264,743	2,299,659	1,843,467	-	-
Capital Leases	51,690	53,045	53,199	-	-
Reserve for Losses	-	-	-	100,000	-
Other	-	-	52,307	212,200	252,003
Total Governmental Activities	<u>6,493,899</u>	<u>5,714,725</u>	<u>5,601,144</u>	<u>3,720,148</u>	<u>3,387,583</u>
<b>Business-type Activities</b>					
Revenue Bonds	\$ 869,404	\$ 653,372	\$ 695,552	\$ 808,463	\$ 827,812
Bond Premium, Discount, Net *	43,961	42,649	31,519	15,429	17,010
Compensated Absences	86,320	84,906	20,853	80,180	77,777
Reserve for Losses	89,501	87,453	-	69,988	65,471
Notes Payable	12,985	14,051	-	-	-
Capital Leases	1,054	1,308	1,023	1,919	1,060
Net OPEB Obligation	67,970	61,333	-	-	-
Derivative Instruments - Interest Rate Swaps	8,604	13,350	-	-	-
Student Loans	15,726	18,592	-	-	-
Environmental Cleaning	5,434	5,434	-	-	-
Net Pension Liability	2,125,341	1,913,152	-	-	-
Other	-	-	56,579	184,094	79,083
Total Business-type Activities	<u>3,326,298</u>	<u>2,895,600</u>	<u>805,526</u>	<u>1,160,073</u>	<u>1,068,213</u>
Total Primary Government Long-term Liabilities	<u>\$ 9,820,197</u>	<u>\$ 8,610,325</u>	<u>\$ 6,406,670</u>	<u>\$ 4,880,221</u>	<u>\$ 4,455,796</u>

Note: Details regarding the liabilities listed above can be found in Note 8, Changes in Long-term Liabilities in the financial statements.

\* In prior years, bond premium, discount, and loss on refunding was not stated separately.

# STATE OF NEW MEXICO

## SCHEDULE C-2

	Fiscal Year				
	2012 As Restated	2011 As Restated	2010 As Restated	2009	2008
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 296,890	\$ 379,288	\$ 423,854	\$ 481,812	\$ 388,318
Severance Tax Bonds	798,740	884,320	1,020,550	626,715	738,687
Revenue Bonds	1,723,061	1,859,403	1,703,481	1,729,205	1,790,900
Bond Premium, Discount, Net *	236,190	-	-	-	-
Notes Payable	2,454	3,715	124,205	43,781	2,943
Deferred Loss on Refunding, Net *	(81,982)	-	-	-	-
Claims and Judgments	433,547	225,248	222,821	217,426	238,714
Hedging Derivatives - Interest Rate Swaps	(81,982)	-	-	-	-
Native American Water Settlement Liability **	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-
Compensated Absences	60,946	63,934	73,483	73,757	68,898
Pollution Remediation Obligation	55,694	86,741	86,289	7,992	8,813
Net Pension Liability	-	-	-	-	-
Capital Leases	-	-	-	-	-
Reserve for Losses	-	-	-	-	-
Other	330,217	-	501	100	251
Total Governmental Activities	<u>3,773,775</u>	<u>3,502,649</u>	<u>3,655,184</u>	<u>3,180,788</u>	<u>3,237,524</u>
<b>Business-type Activities</b>					
Revenue Bonds	\$ 840,831	\$ 832,306	\$ 866,692	\$ 809,215	\$ 833,836
Bond Premium, Discount, Net *	8,831	-	-	-	-
Compensated Absences	96,219	99,689	93,997	87,747	67,466
Reserve for Losses	65,472	63,406	63,901	70,286	63,090
Notes Payable	-	-	-	-	-
Capital Leases	1,292	919	238	2,075	1,711
Net OPEB Obligation	-	-	-	-	-
Derivative Instruments - Interest Rate Swaps	-	-	-	-	-
Student Loans	-	-	-	-	-
Environmental Cleaning	-	-	-	-	-
Net Pension Liability	-	-	-	-	-
Other	56,173	52,750	45,126	50,538	29,705
Total Business-type Activities	<u>1,068,818</u>	<u>1,049,070</u>	<u>1,069,954</u>	<u>1,019,861</u>	<u>995,808</u>
Total Primary Government	<u>\$ 4,842,593</u>	<u>\$ 4,551,719</u>	<u>\$ 4,725,138</u>	<u>\$ 4,200,649</u>	<u>\$ 4,233,332</u>
Long-term Liabilities					

# STATE OF NEW MEXICO

## LEGAL DEBT MARGIN

## SCHEDULE C-3

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2017	2016 As Restated	2015	2014	2013
Net Taxable Value of Property					
Subject to Taxation	\$ 57,451,756	\$ 56,625,171	\$ 58,412,965	\$ 56,473,465	\$ 54,236,936
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	574,518	566,252	584,130	564,735	542,369
General Obligation Bonds	260,760	326,755	389,270	311,270	372,700
Total General Debt Outstanding	260,760	326,755	389,270	311,270	372,700
Legal Debt Margin	\$ 313,758	\$ 239,497	\$ 194,860	\$ 253,465	\$ 169,669
Legal Debt Margin as a Percentage of the Debt Limit	54.6%	42.3%	33.4%	44.9%	31.3%

**Note:** The *Constitution of the State of New Mexico*, Article IX, Section 8, limits the State's outstanding general debt to a maximum of one percent of the net taxable value of all property subject to taxation within the State. The legal debt margin is the remaining borrowing authority available and is calculated by subtracting the bonded debt outstanding from the legal debt limit as calculated per Constitutional requirements.

Source: Note information regarding general bonded debt outstanding can be located within the State of New Mexico's comprehensive annual financial report per fiscal year. Property value data was provided by the Department of Finance and Administration, Local Government Division, Financial and Property Tax Data by County and Municipality. Per capita information is based upon population data located in the Demographics and Economic Statistics schedule.

# STATE OF NEW MEXICO

## SCHEDULE C-3

	Fiscal Year				
	2012	2011 As Restated	2010	2009	2008
Net Taxable Value of Property Subject to Taxation	\$ 54,129,671	\$ 51,040,955	\$ 55,046,209	\$ 50,463,804	\$ 47,261,516
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	541,297	510,410	550,462	504,638	472,615
General Obligation Bonds	296,890	355,500	398,580	453,730	388,318
Total General Debt Outstanding	296,890	355,500	398,580	453,730	388,318
Legal Debt Margin	\$ 244,407	\$ 154,910	\$ 151,882	\$ 50,908	\$ 84,297
Legal Debt Margin as a Percentage of the Debt Limit	45.2%	30.4%	27.6%	10.1%	17.8%



# STATE OF NEW MEXICO

## STATUTORY DEBT LIMIT SEVERANCE TAX BONDS Last Ten Fiscal Years (In Thousands)

## SCHEDULE C-4

	Fiscal Year				
	2017	2016	2015	2014	2013
Annual Deposits into Severance Tax Bonding Fund	\$ 342,317	\$ 254,966	\$ 426,331	\$ 414,956	\$ 426,821
50.0% of Annual Deposits	<u>171,159</u>	<u>127,483</u>	<u>213,166</u>	<u>207,478</u>	<u>213,411</u>
Statutory Debt Limit Amount	<u>171,159</u>	<u>127,483</u>	<u>213,166</u>	<u>207,478</u>	<u>213,411</u>
Senior Bond Servicing Amount *	<u>144,766</u>	<u>16,489</u>	<u>129,042</u>	<u>125,597</u>	<u>127,951</u>
Statutory Debt Margin Amount	\$ <u>26,393</u>	\$ <u>110,994</u>	\$ <u>84,124</u>	\$ <u>81,881</u>	\$ <u>85,460</u>
Statutory Debt Margin as a Percentage of Debt Limit	<u>15.4%</u>	<u>87.1%</u>	<u>39.5%</u>	<u>39.5%</u>	<u>40.0%</u>

Note: The State Board of Finance is prohibited by the Severance Tax Bonding Act from issuing Senior Severance Tax Bonds unless the aggregate amount of total Senior Severance Tax Bonds outstanding, including the bonds to be issued, can be serviced with not more than 50 percent of the annual deposits into the Bonding Fund, as determined by the deposits during the fiscal year preceding the issuance of the bonds.

\* Does not include payment on refunded bonds, which are paid from escrowed securities, payments on short-term debt issued by the State Treasurer and paid in the same year issued, or payments on Supplemental Bond Series.

Sources: New Mexico Office of the State Treasurer audited financial statements.  
New Mexico Board of Finance, Severance Tax Bonds, Bond Series 2012A Official Statement.

# STATE OF NEW MEXICO

## SCHEDULE C-4

	Fiscal Year				As Restated 2008
	2012	2011	2010	2009	
Annual Deposits into Severance Tax Bonding Fund	\$ 504,734	\$ 398,576	\$ 374,234	\$ 550,222	\$ 573,595
50.0% of Annual Deposits	252,367	199,288	187,117	275,111	286,798
Statutory Debt Limit Amount	<u>252,367</u>	<u>199,288</u>	<u>187,117</u>	<u>275,111</u>	<u>286,798</u>
Senior Bond Servicing Amount *	<u>121,367</u>	<u>103,867</u>	<u>96,290</u>	<u>12,433</u>	<u>158,564</u>
Statutory Debt Margin Amount	<u>\$ 131,000</u>	<u>\$ 95,421</u>	<u>\$ 90,827</u>	<u>\$ 262,678</u>	<u>\$ 128,234</u>
Statutory Debt Margin as a Percentage of Debt Limit	<u>51.9%</u>	<u>47.9%</u>	<u>48.5%</u>	<u>95.5%</u>	<u>44.7%</u>

# STATE OF NEW MEXICO

## PLEGGED REVENUE BOND COVERAGE

## SCHEDULE C-5

Last Ten Fiscal Years  
(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
<b>Severance Tax Bonds (Including Supplemental Subordinate Liens)</b>				
2017	\$ 342,317	\$ 124,745	\$ 39,485	2.1
2016	254,966	118,345	15,257	1.9
2015	426,331	-	18,301	23.3
2014	414,956	224,525	55,539	1.5
2013	426,821	115,465	33,969	2.9
2012	504,734	128,013	24,304	3.3
2011	398,576	145,546	28,497	2.3
2010	374,234	154,858	23,357	2.1
2009	550,222	113,637	20,555	4.1
2008	573,595	116,365	20,561	4.2
<b>Highway Infrastructure Bonds</b>				
2017	\$ 848,903	\$ 93,655	\$ 63,798	5.4
2016	791,378	68,640	64,753	5.9
2015	385,211	84,080	68,080	2.5
2014	385,116	106,610	71,053	2.2
2013	411,003	138,848	76,561	1.9
2012	785,000	243,060	220,698	1.7
2011	719,811	71,450	79,742	4.8
2010	719,811	75,795	84,697	4.5
2009	726,430	75,500	88,574	4.4
2008	674,453	72,468	92,691	4.1
<b>Energy and Minerals Bonds</b>				
2017	\$ 9,462	\$ 2,819	\$ 198	3.1
2016	8,970	2,008	347	3.8
2015	8,763	1,967	439	3.6
2014	13,652	2,863	645	3.9
2013	8,826	1,819	604	3.6
2012	4,900	1,738	647	2.1
2011	2,578	1,546	395	1.3
2010	2,578	1,487	755	1.1
2009	3,730	1,429	809	1.7
2008	4,085	1,398	865	1.8

N/A Data not available.

Sources: New Mexico Department of Transportation audited financial statements  
 New Mexico Office of the State Treasurer audited financial statements  
 New Mexico State Fair Commission (Expo) audited financial statements  
 New Mexico Energy, Minerals and Natural Resources audited financial statements  
 New Mexico Miner's Colfax Medical Center audited financial statements  
 New Mexico Spaceport Authority audited financial statements  
 New Mexico Department of Cultural Affairs audited financial statements

# STATE OF NEW MEXICO

## SCHEDULE C-5

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
<b>Cultural Affairs Bonds and Loan</b>				
2017	\$ 1,010	\$ 699	\$ 70	1.3
2016	821	331	128	1.8
2015	835	320	139	1.8
2014	455	459	224	0.7
2013	1,100	1,432	256	0.7
2012	805	396	170	1.4
2011	795	385	178	1.4
2010	776	374	186	1.4
2009	1,000	364	193	1.8
2008	1,000	356	199	1.8
<b>Miners' Colfax Medical Center Bonds</b>				
2017	\$ 6,317	\$ 955	\$ 315	5.0
2016	6,651	935	337	5.2
2015	5,759	910	277	4.9
2014	5,752	835	423	4.6
2013	6,386	770	509	5.0
2012	6,302	744	535	4.9
2011	6,291	718	559	4.9
2010	6,000	694	581	4.7
2009	4,200	673	611	3.3
2008	5,500	653	619	4.3
<b>State Fair (EXPO) Bonds</b>				
2017	\$ -	\$ -	\$ -	0.0
2016	-	-	-	0.0
2015	448	689	12	0.6
2014	1,070	687	36	1.5
2013	1,070	628	70	1.5
2012	1,100	607	79	1.6
2011	1,000	587	98	1.5
2010	1,000	570	115	1.5
2009	1,000	554	130	1.5
2008	800	541	143	1.2
<b>Spaceport Authority Bonds</b>				
2017	\$ 6,763	\$ 3,020	\$ 2,629	1.2
2016	6,551	2,900	2,746	1.2
2015	6,195	2,785	2,863	1.1
2014	6,207	2,710	2,938	1.1
2013	6,258	2,625	3,022	1.1
Debt not issued in prior years.				
<b>Bernalillo County Metropolitan Court</b>				
2017	\$ 3,756	\$ 2,480	\$ 1,390	1.0
2015-2016 Reported on NMFA in Prior Years				
<b>Educational Insititutions</b>				
2017	\$ 999,407	\$ 38,223	\$ 31,684	14.3
Reported on NMFA in Prior Years				
<b>University of New Mexico Health Sciences</b>				
2017	\$ 3,500	\$ 2,029	\$ 1,117	1.1
Reported on UNM in Prior Years				
<b>General Services Department</b>				
2017	\$ 3,500	\$ 2,075	\$ 1,025	1.1
Reported on UNM in Prior Years				

# STATE OF NEW MEXICO

## DEMOGRAPHIC AND ECONOMIC INDICATORS

## SCHEDULE D-1

Last Ten Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Median Age	* Percent High School Grad or Higher (Pop=25 Yrs & >)	Public School Enrollment
2017	2,088,070	\$ 81,483,543,000	\$ 39,023	37.2	84.6	338,370
2016	2,081,015	80,758,305,000	38,807	37.4	84.2	339,613
2015	2,080,328	79,104,093,000	38,025	37.2	84.2	340,365
2014	2,083,024	76,449,091,000	36,701	37.2	84.0	339,219
2013	2,085,193	72,465,608,000	34,752	36.9	83.6	338,223
2012	2,083,784	73,822,778,000	35,427	36.8	83.4	337,225
2011	2,077,756	72,175,501,000	34,737	36.6	83.1	328,591
2010	2,064,756	68,361,950,000	33,109	36.7	82.7	330,142
2009	2,036,802	66,243,018,000	32,523	35.5	82.1	323,882
2008	2,010,662	67,250,834,000	33,447	36.0	82.4	329,261

Sources: Population, Per Capita Personal Income - New Mexico Bureau of Business and Economic Research, University of New Mexico School Enrollment - New Mexico Department of Finance and Administration, Office of Education and Accountability Personal Income - Department of Commerce Bureau of Economic Analysis, Education - Census.gov B15002 American Fact Finder, PEPASR6H GeographyNMYR2012Population Estimates, bea.gov. www.ped.state.nm.us

Note: Personal Income, Per capita Personal Income and median Age data are as of 2017 data. 2017 population data represents estimates based on the 2010 census.

Note: Statistics were revised to indicate the percentage of individuals that have attained educational levels instead of the average educational level as was done in prior years.

\* Education level and years of schooling has been replaced with Percent High School Graduate or Higher

# STATE OF NEW MEXICO

## PRINCIPAL EMPLOYERS

## SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2007			Calendar Year 2017		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
Federal Government	N/A	N/A	N/A	21,766	1	2.5%
State of New Mexico (total offices, departments, etc.)	N/A	N/A	N/A	18,359	2	2.1%
Wal-Mart	N/A	N/A	N/A	14,022	3	1.6%
Sandia National Laboratories	10,560	1	1.2%	12,206	4	1.4%
Presbyterian Healthcare	9,500	2	1.1%	11,178	5	1.3%
UNM (Campuses, Hospital, Medical Group, Etc.)*	5,163	4	0.6%	10,982	6	1.3%
Albuquerque Public Schools	N/A	N/A	N/A	10,297	7	1.2%
Los Alamos National Laboratories	N/A	N/A	N/A	10,086	8	1.2%
City of Albuquerque	N/A	N/A	N/A	5,800	9	0.7%
New Mexico State University	N/A	N/A	N/A	3,800	10	0.4%
<b>Total Employees of Principal Employers</b>	<b>25,223</b>		<b>2.8%</b>	<b>118,496</b>		<b>13.6%</b>

\* UNM Hospital in 2008

Sources: New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics  
 2009 Book of Business List  
 NMNETLINKS  
 New Mexico Career Development Association

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

# STATE OF NEW MEXICO

## COMPOSITION OF LABOR FORCE

## SCHEDULE D-3

Last Ten Calendar Years

	Calendar Year				
	2017	2016 as Restated	2015 as Restated	2014 as Restated	2013 as Restated
<b>Nonagricultural Jobs</b>					
Government	186,500	188,900	189,300	194,700	188,300
Mining	20,800	19,800	25,600	28,400	26,800
Construction	45,700	43,400	43,500	43,300	40,600
Manufacturing	26,400	26,900	27,800	28,300	27,300
Trade, Transportation and Utilities	136,600	138,700	139,600	142,700	136,800
Information	12,300	13,000	12,700	12,700	12,300
Financial Activity	34,000	33,500	33,300	33,600	34,100
Professional and Business Services	104,300	101,300	99,700	100,300	96,800
Education and Health Services	139,000	138,200	133,300	131,900	123,200
Leisure and Hospitality	96,400	95,500	93,100	89,000	85,000
Other Services	28,600	28,500	28,500	28,300	27,200
<b>Total Nonagricultural Jobs</b>	<b>830,600</b>	<b>827,700</b>	<b>826,400</b>	<b>833,200</b>	<b>798,400</b>
Civilian Labor Force	929,567	928,732	927,999	927,142	923,899
Total Employed	872,382	866,704	867,387	865,229	859,804
Unemployed	57,185	62,028	60,612	61,913	64,095
Unemployment Rate	6.2%	6.7%	6.5%	6.7%	6.9%
Seasonally Adjusted Rate	6.4%	6.7%	6.6%	6.7%	7.0%

Source: New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics

# STATE OF NEW MEXICO

## SCHEDULE D-3

	Calendar Year				
	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated	2008 as Restated
<b>Nonagricultural Jobs</b>					
Government	182,297	195,100	192,746	189,470	187,723
Mining	23,959	21,300	17,834	17,581	21,078
Construction	41,116	43,400	43,509	47,731	57,356
Manufacturing	29,672	29,400	28,693	30,013	35,035
Trade, Transportation and Utilities	134,061	133,300	130,652	134,337	143,162
Information	13,523	14,400	14,720	14,721	15,970
Financial Activity	35,547	32,500	21,813	22,144	33,350
Professional and Business Services	92,746	100,500	109,360	112,599	108,484
Education and Health Services	114,233	121,700	108,458	106,613	102,859
Leisure and Hospitality	86,269	86,300	83,079	84,167	86,625
Other Services	20,970	28,600	20,810	21,413	22,846
<b>Total Nonagricultural Jobs</b>	<b>774,393</b>	<b>806,500</b>	<b>771,674</b>	<b>780,789</b>	<b>814,488</b>
Civilian Labor Force	927,795	930,356	936,088	940,352	944,548
Total Employed	861,617	860,305	860,154	869,491	902,411
Unemployed	66,178	70,051	75,934	70,861	42,137
Unemployment Rate	7.1%	7.5%	7.0%	7.2%	4.2%
Seasonally Adjusted Rate	7.1%	7.5%	8.1%	7.5%	4.5%

Source: New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics



# STATE OF NEW MEXICO

## PUBLIC HIGHER EDUCATION ENROLLMENT

## SCHEDULE D-4

Last Ten Academic Years

	Academic Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
Eastern New Mexico University	5,891	5,936	6,327	6,489	6,862
New Mexico Highlands University	2,438	2,653	2,626	2,742	2,758
New Mexico Institute of Mining and Technology	1,666	1,817	1,805	1,766	1,694
New Mexico State University	19,324	19,876	20,630	21,752	22,756
Northern New Mexico College <sup>2</sup>	786	707	870	1,061	1,186
University of New Mexico	25,483	28,489	28,277	28,586	28,557
Western New Mexico University	2,045	2,169	2,222	2,223	2,153
<b>Total All Four-Year Institutions</b>	<b>57,633</b>	<b>61,647</b>	<b>62,757</b>	<b>64,619</b>	<b>65,966</b>
Central New Mexico Community College <sup>1</sup>	12,716	13,684	14,653	15,920	15,818
Clovis Community College	1,495	1,500	1,548	1,589	1,684
Luna Community College	614	709	757	856	925
Mesalands Community College	404	469	428	423	652
New Mexico Junior College	1,593	1,651	1,698	1,651	1,626
New Mexico Military Institute	492	511	550	588	613
Northern New Mexico College <sup>2</sup>	N/A	N/A	N/A	N/A	N/A
San Juan College	3,538	4,409	4,619	4,901	4,948
Santa Fe Community College	2,391	2,648	2,899	3,003	2,883
<b>Total All Two-Year Institutions</b>	<b>23,243</b>	<b>25,581</b>	<b>27,152</b>	<b>28,931</b>	<b>29,149</b>
<b>Total All Institutions</b>	<b>80,876</b>	<b>87,228</b>	<b>89,909</b>	<b>93,550</b>	<b>95,115</b>

<sup>1</sup> Albuquerque Technical Vocational Institute's name changed to Central New Mexico Community College

<sup>2</sup> In the 2005 - 2006 year, Northern New Mexico College was accredited as a four-year institution

Source: Information can also be found at <http://www.hed.state.nm.us/researchers/student-enrollment.aspx>  
 NM Postsecondary Census Enrollment Fall 2017 for 2016-2017 count.

These numbers are by total FTE not head counts. Branches must be Included in totals.

# STATE OF NEW MEXICO

## SCHEDULE D-4

	Academic Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Eastern New Mexico University	6,874	6,587	6,245	5,635	5,513
New Mexico Highlands University	2,778	2,747	2,698	2,614	2,557
New Mexico Institute of Mining and Technology	1,598	1,552	1,500	1,520	1,479
New Mexico State University	23,418	23,632	22,723	21,065	19,952
Northern New Mexico College <sup>2</sup>	1,254	1,352	1,277	1,236	1,220
University of New Mexico	28,542	28,337	26,710	24,854	24,248
Western New Mexico University	2,180	2,236	2,201	1,837	1,815
<b>Total All Four-Year Institutions</b>	<b>66,644</b>	<b>66,443</b>	<b>63,354</b>	<b>58,761</b>	<b>56,784</b>
Central New Mexico Community College <sup>1</sup>	16,384	16,687	15,437	13,522	12,389
Clovis Community College	1,760	1,828	1,831	1,535	1,532
Luna Community College	1,013	1,048	912	914	947
Mesalands Community College <sup>2</sup>	597	639	718	668	474
New Mexico Junior College	1,966	1,923	1,880	1,602	1,734
New Mexico Military Institute	579	593	513	540	558
Northern New Mexico College <sup>2</sup>	N/A	N/A	N/A	N/A	1,220
San Juan College	5,027	4,799	4,790	4,299	4,166
Santa Fe Community College	2,890	2,847	2,609	2,186	2,006
<b>Total All Two-Year Institutions</b>	<b>30,216</b>	<b>30,364</b>	<b>28,690</b>	<b>25,266</b>	<b>25,026</b>
<b>Total All Institutions</b>	<b>96,860</b>	<b>96,807</b>	<b>92,044</b>	<b>84,027</b>	<b>81,810</b>

# STATE OF NEW MEXICO

## FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION SCHEDULE E-1 Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
General Government					
Government Operations	313.0	1,190.0	1,203.5	1,203.5	1,228.5
Taxation and Revenue	1,054.0	1,096.0	1,109.0	1,109.0	1,136.0
Human Services and Youth Corrections	2,308.0	4,540.0	4,384.1	4,384.1	4,225.1
Adult Corrections	2,496.0	2,447.0	2,453.0	2,453.0	2,453.5
Public Safety	1,344.0	1,499.7	1,452.7	1,452.7	1,456.7
State Courts	3,552.0	3,587.4	3,471.0	3,471.0	3,497.8
Health and Environment					
Department of Health	3,779.0	3,780.0	3,791.0	3,791.0	3,946.0
Department of Environment	636.0	660.5	660.5	660.5	671.5
Miners Collfax Community Hospital	300.0	224.0	224.0	224.0	224.0
Employment and Family Services	859.0	623.5	618.5	618.5	626.5
Natural Resources	1,521.0	1,005.8	967.8	967.8	1,018.8
Cultural Affairs	510.0	508.8	507.8	507.8	505.5
Business, Labor and Agriculture	496.0	1,809.5	1,813.6	1,813.6	1,734.7
Education	277.0	348.3	350.3	350.3	364.8
Transportation	2,501.0	2,487.5	2,489.5	2,489.5	2,502.5
<b>Total Full-Time Equivalent State Employees</b>	<b>21,946.0</b>	<b>25,808.0</b>	<b>25,496.3</b>	<b>25,496.3</b>	<b>25,591.9</b>
Change	-17.6%	1.2%	0.0%	-0.4%	-1.2%

Source: New Mexico Legislative General Appropriation Act for each fiscal year's annual appropriation. Used FY14 data in FY15 as data was not available.

NMNETLINKS

New Mexico Career Development Association

State Courts in FY17 is estimated based on FY16

Note: During 2006, Adult Protective Services Division was moved to Aging and Long-Term Services Department from Children, Youth, and Families Department.

# STATE OF NEW MEXICO

## SCHEDULE E-1

	Fiscal Year				
	2012	2011	2010	2009	2008
General Government					
Government Operations	1,215.0	1,255.3	1,314.3	1,315.3	1,311.3
Taxation and Revenue	1,136.0	1,150.5	1,280.0	1,206.0	1,241.7
Human Services and Youth Corrections	4,357.1	4,323.1	4,404.6	4,325.1	4,375.1
Adult Corrections	2,490.5	2,490.5	2,538.5	2,538.5	2,538.5
Public Safety	1,467.7	1,474.5	1,578.5	1,574.5	1,595.6
State Courts	3,490.1	3,503.1	3,502.5	3,477.0	3,481.0
Health and Environment					
Department of Health	3,941.0	4,098.0	4,182.0	4,138.0	4,141.0
Department of Environment	673.0	685.0	720.5	720.5	720.5
Miners Colléx Community Hospital	225.0	225.0	225.0	225.0	225.0
Employment and Family Services	624.5	652.5	698.5	696.5	696.5
Natural Resources	1,012.3	962.3	1,001.3	993.3	1,041.3
Cultural Affairs	536.7	534.2	572.0	551.0	586.0
Business, Labor and Agriculture	1,799.4	1,845.7	1,910.7	1,955.3	1,960.1
Education	418.8	412.2	435.2	423.2	427.8
Transportation	2,502.2	2,504.5	2,756.5	2,756.5	2,756.5
<b>Total Full-Time Equivalent State Employees</b>	<b>25,889.3</b>	<b>26,116.4</b>	<b>27,120.1</b>	<b>26,895.7</b>	<b>27,097.9</b>
Change	-0.9%	-3.8%	0.8%	-0.8%	3.0%

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2017	2016, as Restated	2015, as Restated	2014, as Restated	2013, as Restated
<b>General Government</b>					
<b>Operations</b>					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) <sup>5 7 8 11 24</sup>	30 <sup>th</sup>	30 <sup>th</sup>	36 <sup>th</sup>	30 <sup>th</sup>	30 <sup>th</sup>
<b>Taxation</b>					
% of Electronically Filed Personal Income Tax Returns <sup>5 6 9 14 15 19 23</sup>	86%	85%	92%	90%	85%
% of Motor Vehicle Registrations Issued (with Liability Insurance) <sup>5 6 14 15 19 23</sup>	90%	92%	91%	91%	91%
Amount of Delinquent Property Tax Collected and Distributed to Counties <sup>8 10 14 15 19 23</sup>	11.5	11.6	10.4	13.1	12.4
<b>Regulation</b>					
# of Vehicular Port Traffic at New Mexico Ports <sup>5 7 10 14 15 18 26</sup>	1,571,366	1,589,396	1,463,046	1,279,179	824,824
Nursing Licenses Issued <sup>5 7 10 15 18 25</sup>	16,872	16,251	14,854	14,551	15,081
Tri-Annual Physician Licenses Issued <sup>5 7 10 14 15 18 27</sup>	4,116	3,744	3,841	3,945	3,661
Biennial Physician Assistant Licenses Issued <sup>5 7 10 15 18 27</sup>	455	451	476	436	398
<b>Public Safety</b>					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau <sup>5 7 10 14 15 19 20 28</sup>	16,590	10,408	14,775	18,202	11,564
# of Traffic Fatalities <sup>5 9 14 15 18 23</sup>	374	366	347	343	304
# of Driving While Intoxicated Fatalities <sup>5 9 14 15 18 23</sup>	154	132	155	137	120
# of Driving While Intoxicated Arrests <sup>5 7</sup>	N/A	N/A	N/A	N/A	N/A
<b>Education</b>					
<b>Public</b>					
# of High School Graduates <sup>1 29</sup>	26,587	25,926	25,863	25,170	25,903
Student Dropout Rate for Grades 9 - 12 <sup>2 30</sup>	5.30%	4.4%	4.4%	4.7%	4.7%
Public School Capital Outlay Allocation (\$ Millions) <sup>3 4</sup>	NA	546	895	457	483
<b>Higher</b>					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) <sup>8 10 14 15</sup>	NA	48%	48%	48%	43%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years <sup>5 6 8 10 14 15 21</sup>	NA	75%	72%	73%	72%

# STATE OF NEW MEXICO

## SCHEDULE E-2

	Fiscal Year				
	2012, as Restated	2011, as Restated	2010, as Restated	2009, as Restated	2008, as Restated
<b>General Government</b>					
<b>Operations</b>					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) <sup>5 7 8 11 24</sup>	50 <sup>th</sup>	49 <sup>th</sup>	81 <sup>st</sup>	49 <sup>th</sup>	49 <sup>th</sup>
<b>Taxation</b>					
% of Electronically Filed Personal Income Tax Returns <sup>5 6 9 14 15 19 23</sup>	82%	63%	55%	51%	49%
% of Motor Vehicle Registrations Issued (with Liability Insurance) <sup>5 6 14 15 19 23</sup>	92%	91%	91%	91%	89%
Amount of Delinquent Property Tax Collected and Distributed to Counties <sup>8 10 14 15 19 23</sup>	11	7	5	5	NA
<b>Regulation</b>					
# of Vehicular Port Traffic at New Mexico Ports <sup>5 7 10 14 15 18 26</sup>	766,671	830,000	434,061	864,020	742,395
Nursing Licenses Issued <sup>5 7 10 15 18 25</sup>	14,500	13,576	NA	13,897	13,930
Tri-Annual Physician Licenses Issued <sup>5 7 10 14 15 18 27</sup>	3,000	2,707	2,403	3,546	3,508
Biennial Physician Assistant Licenses Issued <sup>5 7 10 15 18 27</sup>	225	262	230	277	262
<b>Public Safety</b>					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau <sup>5 7 10 14 15 19 20 28</sup>	37,919	39,334	36,211	23,453	30,015
# of Traffic Fatalities <sup>5 9 14 15 18 23</sup>	395	306	351	384	371
# of Driving While Intoxicated Fatalities <sup>5 9 14 15 18 23</sup>	169	89	147	153	163
# of Driving While Intoxicated Arrests <sup>5 7</sup>	2,479	3,309	4,311	3,694	3,363
<b>Education</b>					
<b>Public</b>					
# of High School Graduates <sup>1 29</sup>	20,594	N/A	NA	19,357	18,588
Student Dropout Rate for Grades 9 - 12 <sup>2 30</sup>	4.6%	N/A	NA	NA	5%
Public School Capital Outlay Allocation (\$ Millions) <sup>3 4</sup>	136	N/A	NA	153	137
<b>Higher</b>					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) <sup>8 10 14 15</sup>	40%	43%	NA	43%	43%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years <sup>5 6 8 10 14 15 21</sup>	73%	71%	NA	65%	66%

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	Fiscal Year				
	2017	2016, as Restated	2015, as Restated	2014, as Restated	2013 as Restated
<b>Health and Human Services</b>					
% of Children Receiving Services in Medicaid Managed Care <sup>5 6 10 14 15 23</sup>	85%	85%	86%	80%	70%
% of Child Support Collected of Support Owed <sup>5 6 9 14 15 18 23</sup>	56%	56%	56%	56%	56%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) <sup>5 7 8 10 14 15 21 31</sup>	503	491	360	360	132
% of Children Adopted within 24 Months of Entry into Foster Care <sup>5 7 8 10 14 15 23</sup>	25%	23%	32%	32%	31%
% of Abused Children with Repeat Maltreatment <sup>5 6 9 14 15 23</sup>	11%	12%	11%	11%	9%
% of Preschoolers Fully Immunized <sup>5 6 9 14 15 18</sup>	N/A	NA	76%	72%	72%
# of Operating School-Based Health Centers <sup>5 6 13 14 15 32</sup>	70	72	80	80	80
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) <sup>5 7 18 21 26</sup>	5	3	3	3	3
<b>Corrections</b>					
<b>Juvenile</b>					
% Juveniles Earning Education Credits While Incarcerated <sup>5 6</sup>	NA	NA	NA	NA	NA
% of Juveniles Who Complete Formal Probation <sup>5 6 23</sup>	83%	85%	83%	NA	NA
% of Juveniles Recommitted to a Youth Detention Facility <sup>5 6 9 14 15 17 23</sup>	7%	10%	8%	10%	9%
<b>Adult</b>					
Turnover Rate of Correctional Officers <sup>5 7 9 14 15 18 23</sup>	2%	10%	13%	10%	8%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) <sup>5 7 9 14 15 23</sup>	NA	46%	47%	36%	28%
% of Prisoners Reincarcerated within 36 Months After Release <sup>10 14 15 17 23</sup>	21%	22%	23%	47%	47%
<b>Culture and Recreation</b>					
# of Visits to Visitor Information Centers (Millions) <sup>5 7 8</sup>	NA	NA	NA	NA	NA
# of Unique Website Visitor Sessions (Millions) <sup>5 7 8 23</sup>	0.4	0.6	0.8	NA	NA
Circulation Rate for New Mexico Magazine <sup>5 7 8 9 14 15 18 33</sup>	70,000	75,000	92,148	89,556	91,197
Attendance to Museum Exhibitions, Performances, Films, Programs <sup>5 7 8 10 14 15 34</sup>	779,810	745,101	823,450	851,101	826,912
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters <sup>5 7 8 10 14 15 18 36</sup>	84%	84%	84%	87%	86%
Fish Output from Hatchery System (in Pounds) <sup>5 7 8 10 14 15 35</sup>	747,592	638,594	637,200	634,779	621,721
# of Visitors to State Parks (Millions) <sup>5 6 8 9 14 15 23</sup>	5	5	4	4	3.8
<b>Natural Resources, Environment</b>					
# of Inspections of Oil and Gas Wells and Associated Facilities <sup>5 7 8 14 15 23</sup>	37,648	49,624	47,539	38,920	37,707
% of Required Mine Inspection Conducted <sup>5 7 8 14 15 23</sup>	97%	100%	97%	94%	100%
% of Abandoned Uranium Mines with Current Site Assessments <sup>5 7 8</sup>	NA	NA	NA	NA	NA
% of Landfills Meeting Groundwater Monitoring Requirements <sup>5 6 14 15 23</sup>	97%	100%	95%	96%	100%
# of Wildlife Habitat Acres Conserved or Enhanced <sup>8 20 35</sup>	192,000	N/A	N/A	N/A	N/A
# of Threatened/Endangered Species Monitored/Involved in Recovery Process <sup>5 7 8 10 14 15</sup>	NA	NA	35	35	39

# STATE OF NEW MEXICO

## SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2012 as Restated	2011 as Restated	2010 as Restated	2009, as Restated	2008, as Restated
<b>Health and Human Services</b>					
% of Children Receiving Services in Medicaid Managed Care <sup>5 6 10 14 15 23</sup>	70%	60%	60%	60%	64%
% of Child Support Collected of Support Owed <sup>5 6 9 14 15 18 23</sup>	57%	57%	58%	59%	58%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) <sup>5 7 8 10 14 15 21 31</sup>	173	300	190	182	222
% of Children Adopted within 24 Months of Entry into Foster Care <sup>5 7 8 10 14 15 23</sup>	35%	28	23%	28%	36%
% of Abused Children with Repeat Maltreatment <sup>5 6 9 14 15 23</sup>	8%	9%	9%	6%	8%
% of Preschoolers Fully Immunized <sup>5 6 9 14 15 18</sup>	76%	65%	70%	95%	81%
# of Operating School-Based Health Centers <sup>5 6 13 14 15 32</sup>	82	84	84	84	84
Average Patient Length of Stay for Acute Care Facility (Miners' Collfax Hospital) <sup>5 7 18 21 26</sup>	4	4	4	4	3
<b>Corrections</b>					
<b>Juvenile</b>					
% Juveniles Earning Education Credits While Incarcerated <sup>5 6</sup>	55%	47%	60%	38%	75%
% of Juveniles Who Complete Formal Probation <sup>5 6 23</sup>	90%	92%	90%	91%	90%
% of Juveniles Recommitted to a Youth Detention Facility <sup>5 6 9 14 15 17 23</sup>	12%	11%	80%	10%	4%
<b>Adult</b>					
Turnover Rate of Correctional Officers <sup>5 7 9 14 15 18 23</sup>	11%	13%	15%	10%	13%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) <sup>5 7 9 14 15 23</sup>	37%	35%	32%	40%	33%
% of Prisoners Reincarcerated within 36 Months After Release <sup>10 14 15 17 23</sup>	40%	40%	44%	46	NA
<b>Culture and Recreation</b>					
# of Visits to Visitor Information Centers (Millions) <sup>5 7 8</sup>	1.3	1	1	1	1
# of Unique Website Visitor Sessions (Millions) <sup>5 7 8 23</sup>	2	3	2	1	3
Circulation Rate for New Mexico Magazine <sup>5 7 8 9 14 15 18 33</sup>	94,221	90,000	85,264	85,264	105,665
Attendance to Museum Exhibitions, Performances, Films, Programs <sup>5 7 8 10 14 15 34</sup>	830,000	845,000	827,281	843,475	840,520
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters <sup>5 7 8 10 14 15 18 36</sup>	80%	80%	87%	83%	83%
Fish Output from Hatchery System (in Pounds) <sup>5 7 8 10 14 15 35</sup>	592,247	455,000	485,375	423,501	451,337
# of Visitors to State Parks (Millions) <sup>5 6 8 9 14 15 23</sup>	4	4	5	5	5
<b>Natural Resources, Environment</b>					
# of Inspections of Oil and Gas Wells and Associated Facilities <sup>5 7 8 14 15 23</sup>	35,147	27,816	38,352	38,318	35,169
% of Required Mine Inspection Conducted <sup>5 7 8 14 15 23</sup>	100%	100%	100%	100%	99%
% of Abandoned Uranium Mines with Current Site Assessments <sup>5 7 8</sup>	50%	50%	70%	23%	NA
% of Landfills Meeting Groundwater Monitoring Requirements <sup>5 6 14 15 23</sup>	95%	97%	NA	72%	61%
# of Wildlife Habitat Acres Conserved or Enhanced <sup>8 20 35</sup>	100,000	180,331	106,138	76,861	132,00
# of Threatened/Endangered Species Monitored/Involved in Recovery Process <sup>5 7 8 10 14 15</sup>	35	35	46	82	77



	Fiscal Year				
	2017	2016 as Restated	2015, as Restated	2014, as Restated	2013, as Restated
<b>Business, Labor, and Agriculture</b>					
% of Adults Who Entered Employment in 1 <sup>st</sup> Quarter of Receiving Training Services (Changed in 2013 to Percent of Individuals Who Have Received Employment Services Retaining Employment After Six Months) <sup>5 9 14 15 17 19 23</sup>	78%	80%	80%	75%	74%
# of Rural Jobs Created <sup>5 6 9 14 15 23</sup>	775	641	726	1,562	1,440
# of Media Industry Worker Days <sup>5 6 9 14 15 18</sup>	448,000	260,307	298,398	189,782	216,461
Changed to "Direct Spending by Industry productions (\$ Millions) <sup>14 23</sup>	505	387	286	162	641
Economic Impact of Media Industry Productions (\$ Millions) <sup>5 6 9 15 23</sup>	NA	NA	NA	NA	NA
<b>Highways and Transportation</b>					
# of System wide Miles in Deficient Condition <sup>5 6 9 14 15 23</sup>	NA	4,515	4,250	3,896	8,287
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled <sup>5 7 8 12</sup>	N/A	N/A	1.09	1.51	1.21
# of Statewide Improved Pavement Surface Miles <sup>5 6 9 14 15 23</sup>	3,668	2,457	2,611	2,889	3,139

Sources: Various departments of the State of New Mexico

- <sup>1</sup> New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates
- <sup>2</sup> [New Mexico Dropout Report published by New Mexico Public Education Department](#)
- <sup>3</sup> [Report of the Legislative Finance Committee to the 47th Legislature First Session, January 2006, Vol. I, Pg. 105](#)
- <sup>4</sup> New Mexico Public Schools Finance Authority
- <sup>5</sup> [Report of the Legislative Finance Committee to the 47th Legislature Second Session, January 2006, Vol. II, Pgs. 57, 63-65, 93, 105, 113, 117, 127, 130, 132, 137, 139, 161, 164, 166, 181, 192-193, 198-199, 201, 227, 242, 244, 249, 255, 258, 268, 274-276, 288, 295, 300-301, 306, 310, 315, 325, 331, 345](#)
- <sup>6</sup> [Report of the Legislative Finance Committee to the 48th Legislature First Session, January 2007, Vol. I, Pgs. 123, 128, 130-131, 133-134, 137-139, 142, 144-146](#)
- <sup>7</sup> [Report of the Legislative Finance Committee to the 48th Legislature Second Session, January 2007, Vol. II, Pg. 35, 55, 110, 114, 126, 129, 131, 136, 153, 157, 161, 163, 171, 181, 191-92, 200, 226, 250, 259, 269, 297, 302-3, 307, 316-17, 321, 328, 335](#)
- <sup>8</sup> [Report of the Legislative Finance Committee to the 50th Legislature Second Session, January 2012, Vol. II, Pg. 92, 93, 95, 99, 100, 101, 102, 103, 104, 105, 106, 108, 112, 113, 114, 122, 123, 172, 178, 187, 188, 194, 262, 287, 291, 303, 322, 323, 336, 338](#)
- <sup>9</sup> [Report of the Legislative Finance Committee to the 51th Legislature Second Session, January 2014, Vol. I, Pg. 89, 98, 99, 100, 101, 105, 108, 112, 115, 116, 124, 125, 132, 133](#)
- <sup>10</sup> [Report of the Legislative Finance Committee to the 51th Legislature Second Session, January 2014, Vol. II, Pg. 41, 59, 121, 150, 157, 159, 185, 230, 276, 278, 283, 330, 332](#)
- <sup>11</sup> [Pension fund rankings by state - Crain's Chicago Business, http://www.chicagobusiness.com/article/20130110/NEWS07/130109847/pension-fund-rankings-by-state-were-no-50](http://www.chicagobusiness.com/article/20130110/NEWS07/130109847/pension-fund-rankings-by-state-were-no-50)
- <sup>12</sup> [New Mexico Transportation By The Numbers](#)
- <sup>13</sup> [New Mexico Alliance for School-Based Health Care \(NMASBHC\): 'http://www.nmasbhc.org/index.html](http://www.nmasbhc.org/index.html)
- <sup>14</sup> [Report of the Legislative Finance Committee to the 52th Legislature Second Session, January 2015, Vol. I, Pg. 88, 90, 98, 99, 100, 101, 105, 108, 112, 113, 116, 117, 121, 122, 123, 129, 130; Vol II pg. 126, 134, 136, 149, 156, 158, 176, 184, 226, 285, 307, 324, 342, 344](#)
- <sup>15</sup> [Report of the Legislative Finance Committee to the 52th Legislature Second Session, January 2016, Vol. II, Pg. 152, 327, 343, 356, 505](#)
- <sup>17</sup> [Report of the Legislative Finance Committee to the 53rd Legislature First Session, January 2017, Vol. I, Pg. 91, 103, 116](#)
- <sup>18</sup> [Report of the Legislative Finance Committee to the 53rd Legislature First Session, January 2017, Vol. II, Pg. 115, 143, 145, 215, 237, 243, 264, 277, 283, 293](#)
- <sup>19</sup> [Report of the Legislative Finance Committee to the 50th Legislature First Session, January 2011, Vol. II, Pg. 157, 243](#)
- <sup>20</sup> [Report of the Legislative Finance Committee to the 49th Legislature First Session, January 2010, Vol. II, Pg. 162, 183](#)
- <sup>21</sup> [Report of the Legislative Finance Committee to the 52nd Legislature First Session, January 2015, Vol. II, Pg. 261, 285, 343](#)
- <sup>22</sup> [Mercatus Center - George Mason University, www.mercatus.org/statefiscalrankings](http://www.mercatus.org/statefiscalrankings)
- <sup>23</sup> [Report of the Legislative Finance Committee to the 54rd Legislature First Session, January 2018, Vol. I, Pg. 36, 94-98, 100-101, 103-104, 114, 119-120, 122-124, 131-132](#)
- <sup>24</sup> [Pension Fund Programs Worsen in 43 States, by Laurie Meisler, www.bloomberg.com/graphics/2017-state-pension-funding](http://www.bloomberg.com/graphics/2017-state-pension-funding)
- <sup>25</sup> [New Mexico Board of Nursing - Annual Governor's Report FY 2017, Pg 12](#)
- <sup>26</sup> [Report of the Legislative Finance Committee to the 54rd Legislature First Session, January 2018, Vol. II, Pg. 121, 240](#)
- <sup>27</sup> [New Mexico Medical Board - E-mailed](#)
- <sup>28</sup> [New Mexico Public Regulation Commission - Annual Report FY 2017, Pg. 14, 16](#)
- <sup>29</sup> [New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates 5 Year Graduation Rate Cohort 2017](#)
- <sup>30</sup> [New Mexico Public Education E-Mail - CFO](#)
- <sup>31</sup> [New Mexico Veterans' Services Department Performance Measures Summary, Pg. 1](#)
- <sup>32</sup> [New Mexico Alliance for School Based Health Care, www.nmasbhc.org/SBHC\\_Locator](http://www.nmasbhc.org/SBHC_Locator)
- <sup>33</sup> [New Mexico Magazine - E-Mail Circulation Manager](#)
- <sup>34</sup> [New Mexico Department of Cultural Affairs - E-mail CIO](#)
- <sup>35</sup> [New Mexico Department of Game and Fish Annual Report, Pg. 6, 9](#)
- <sup>36</sup> [New Mexico Department of Game & Fish - Website](#)

Note: The State of New Mexico passed the Accountability in Government Act, NMSA 6-3A, in 1999. Efforts have been made in identifying and determining performance measurements since that time. Agencies began tracking and calculating these performance measurements beginning in fiscal year 2004; therefore, we are only able to provide five fiscal years of operating indicators at this time. These operating indicators will continue to be tracked in the future in order to reach a ten year historical comparison.

N/A<sup>1</sup> Measure deleted in FY09 or latter Fiscal Year and replaced by different criteria.

NA Information not available.

# STATE OF NEW MEXICO

## SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2012, as Restated	2011, as Restated	2010, as Restated	2009, as Restated	2008, as Restated
<b>Business, Labor, and Agriculture</b>					
% of Adults Who Entered Employment in 1 <sup>st</sup> Quarter of Receiving Training Services (Changed in 2013 to Percent of Individuals Who Have Received Employment Services Retaining Employment After Six Months) <sup>5 9 14 15 17 19 23</sup>	72%	86%	69%	85%	86%
# of Rural Jobs Created <sup>5 6 9 14 15 23</sup>	1,542	958	1,446	1,641	2,200
# of Media Industry Worker Days <sup>5 6 9 14 15 18</sup>	143,046	181,366	142,524	162,190	110,000
Changed to "Direct Spending by Industry productions (\$ Millions) <sup>14 23</sup>	674	697	559	746	175
Economic Impact of Media Industry Productions (\$ Millions) <sup>5 6 9 15 23</sup>	NA	NA	NA	NA	NA
<b>Highways and Transportation</b>					
# of System wide Miles in Deficient Condition <sup>5 6 9 14 15 23</sup>	3,837	3,407	3,171	2,951	3,468
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled <sup>5 7 8 12</sup>	1.43	1.38	1	1	6
# of Statewide Improved Pavement Surface Miles <sup>5 6 9 14 15 23</sup>	2,750	4,000	2,393	3,764	4,321

# STATE OF NEW MEXICO

## CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>General Government</b>					
Buildings	110	110	110	110	110
<b>Public Safety</b>					
Buildings (not inc. POES)	29	29	29	29	29
Vehicles	900	921	921	921	921
Ports of Entry	8	6	6	6	16
<b>Health and Human Services</b>					
Buildings - General Administrative	34	4	4	4	34
Buildings - Program					
Juvenile Reintegration Center	5	3	3	3	3
Medical Center/Hospital	58	53	53	53	253
Rehabilitation Facility	5	7	7	7	7
Veterans' Center	16	1	1	1	11
Vehicles	400	426	426	426	426
<b>Corrections</b>					
Buildings	330	330	330	330	330
Vehicles	320	355	355	355	355
<b>Culture and Recreation</b>					
Vehicles	40	45	45	45	45
Museums	9	4	4	4	4
Monuments	7	6	6	6	6
<b>Natural Resources, Environment</b>					
Vehicles	340	380	380	380	380
State Parks	35	35	35	35	35
Wildlife Management Areas (Acres)	192,000	171,241	171,241	171,241	171,241
Fish Hatcheries	6	6	6	6	6
<b>Highways and Transportation</b>					
Highway Lane Miles	12,272	26,598	26,598	26,598	26,598
Vehicles/Heavy Equipment	6,500	6,417	6,417	6,417	6,417

Sources: New Mexico General Services Department, Property Control Division and Public Information Office ; New Mexico Game and Fish Department, Administrative Services Division; New Mexico Energy and Minerals Department, Administrative Services Division; New Mexico Department of Transportation, Office of Employee Support and Development; New Mexico Health and Human Services Department, Administrative Services Division; New Mexico Corrections Department, Administrative Services Division; New Mexico Children, Youth and Families Department, Administrative Services Division; New Mexico Department of Cultural Affairs, Administrative Services Division; State of New Mexico Report of the Legislative Finance Committee to the 53rd [Legislature Second Session, Vol. I, January 2018; dot.state.nm.us/content/nmdot/en/Operations.html](#)  
[en.wikipedia.org/wiki/List\\_of\\_hospitals\\_in\\_New\\_Mexico](http://en.wikipedia.org/wiki/List_of_hospitals_in_New_Mexico)  
[en.wikipedia.org/wiki/List\\_of\\_New\\_Mexico\\_state\\_parks](http://en.wikipedia.org/wiki/List_of_New_Mexico_state_parks)  
[www.newmexicoculture.org](http://www.newmexicoculture.org); [nmdvs.org/field-offices](http://nmdvs.org/field-offices)  
[www.sp.nm.gov/port-of-entry](http://www.sp.nm.gov/port-of-entry)  
 Number of Juvenile Centers in New Mexico (Bing)  
 Number of rehabilitation facility in New Mexico (Bing)

# STATE OF NEW MEXICO

## SCHEDULE E-3

	Fiscal Year				
	2012 as Restated	2011 as Restated	2010 as Restated	2009	2008
<b>General Government</b>					
Buildings	110	110	110	110	101
<b>Public Safety</b>					
Buildings (not inc. POE'S)	29	29	9	8	7
Vehicles	921	935	935	983	926
Ports of Entry	16	16	14	14	13
<b>Health and Human Services</b>					
Buildings - General Administrative	34	34	34	34	32
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	253	253	253	253	248
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	11	11	11	11	11
Vehicles	426	440	440	440	417
<b>Corrections</b>					
Buildings	330	330	330	330	326
Vehicles	355	369	369	369	379
<b>Culture and Recreation</b>					
Vehicles	45	48	59	57	57
Museums	4	8	8	8	8
Monuments	6	8	6	6	6
<b>Natural Resources, Environment</b>					
Vehicles	380	383	383	387	383
State Parks	35	35	35	35	34
Wildlife Management Areas (Acres)	171,241	171,241	171,241	171,241	171,241
Fish Hatcheries	6	6	6	6	6
<b>Highways and Transportation</b>					
Highway Lane Miles	26,598	26,598	26,598	26,688	30,417
Vehicles/Heavy Equipment	6,417	6,417	6,469	6,300	6,531

# STATE OF NEW MEXICO

## EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

## SCHEDULE F-1

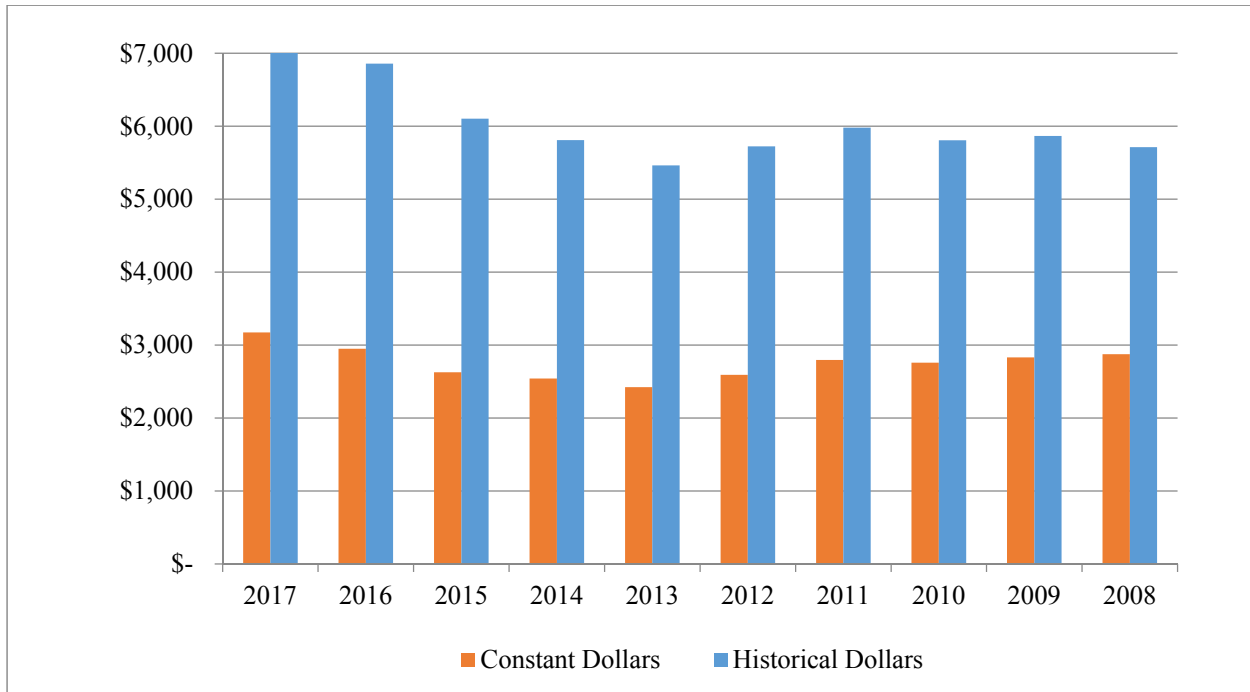
Last Ten Fiscal Years

Fiscal Year	Expenditures			
	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2017	\$ 14,032	-9.8%	\$ 5,833	-11.6%
2016	15,550	9.0%	6,602	7.6%
2015	14,268	12.1%	6,134	12.0%
2014	12,728	5.1%	5,479	3.5%
2013	12,114	6.4%	5,296	4.8%
2012	11,390	-3.7%	5,055	-5.6%
2011	11,825	-4.0%	5,357	-6.9%
2010	12,316	5.5%	5,757	3.9%
2009	11,671	0.3%	5,543	-1.3%
2008	11,640	3.3%	5,619	-0.7%

# STATE OF NEW MEXICO

## PER CAPITA EXPENDITURES HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES Last Ten Fiscal Years

SCHEDULE F-2



### Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2017	\$ 14,032	-9.8%	\$ 5,833	-11.6%
2016	15,550	9.0%	6,602	7.6%
2015	14,268	12.1%	6,134	12.0%
2014	12,728	5.1%	5,479	3.5%
2013	12,114	6.4%	5,296	4.8%
2012	11,390	-3.7%	5,055	-5.6%
2011	11,825	-4.0%	5,357	-6.9%
2010	12,316	5.5%	5,757	3.9%
2009	11,671	0.3%	5,543	-1.3%
2008	11,640	3.3%	5,619	-0.7%

## OTHER REPORTS



CliftonLarsonAllen LLP  
CLAAconnect.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Susana Martinez, Governor of the State of New Mexico  
Ms. Dorothy Rodriguez, Secretary of the New Mexico Department of  
Finance and Administration,  
Mr. Ronald C. Spilman, State Controller of the New Mexico Department  
of Finance and Administration, and  
Mr. Wayne Johnson, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated May 31, 2018. Our report includes reference to other auditors who audited the financial statements of certain agencies and component units, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report disclaims opinions on certain financial statements because of the matters described in the "Bases for Disclaimer of Opinions" paragraph in our report starting on page 6.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the State, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.





A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2013-002 and 2013-005.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-001.

#### **The State's Responses to Findings**

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
May 31, 2018

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2017

### Financial Statement Findings

#### **2013-002 - Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) - Repeated**

**Condition:** During the FY13 audit of the State's financial statements, significant issues surrounding the reporting and recording of interfund/internal/intra-entity balances and transactions were identified. While improvement related to the reporting and recording of interfund/internal/intra-entity balances and transactions was observed during the subsequent audits, accounting for underfund/internal/intra-entity balances and transactions remain problematic. The most significant issues regarding interfund/internal/intra-entity transactions and balances are summarized below:

- Interfund/Internal Activity and Balances
  - Educational Institutions which are part of the primary government and are reported as within the State's Proprietary fund interact with other agencies of the State on a regular basis. Educational Institutions accounting activity is supported by ERP software other than SHARE. The State does not have an effective process to identify and eliminate all activity and balances between this proprietary fund and other funds of the State.
  - During the preparation of the State's financial statements, numerous funds are consolidated into single funds of the State. During the consolidation process numerous balances should be reclassified or eliminated to avoid the error of counting a transaction more than once which would affect assets and liabilities within the consolidated fund. Additionally, transfers should also be eliminated when they are among funds that are consolidated. The State doesn't have a reliable process to eliminate or reclassify all balances and activities of funds that are consolidated into a common fund on the State's financial statements.

*Management's Progress for Repeat Finding:* Management continues to work with all components and component units that are part of the state-wide CAFR. Management is also working with outside IPAs and the Office of the State Auditor with a task force to remedy the matters that led to this finding.

**Criteria:** Per Section 6-5-2 NMSA 1978, the (Financial Control) Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED JUNE 30, 2017

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### Financial Statement Findings (Continued)

Per NCGAS 1 Governmental Accounting and Financial Reporting Principles

- Transfers should be recognized in the accounting period in which the interfund receivable and payable arise and requires that a government accrue a governmental fund liability and expenditure for most expenditures and transfers in the period in which the government incurs the liability. Furthermore, transfers of financial resources among funds should be recognized in all funds affected in the period in which the interfund receivable(s) and payable(s) arise.

Per GASB 34 Para 112

- Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. It includes: (1) Interfund transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. This category includes payments in lieu of taxes that are not payments for, and are not reasonably equivalent in value to, services provided. In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers should be reported after non-operating revenues and expenses.

Per GASB 34 Para 58

- Amounts of receivables and payables between the primary government and fiduciary funds are reported as receivable from and payable to external parties.

Per GASB 34 Para 57

- Paragraph 57 States “In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds should be eliminated or reclassified.” This same approach should be applied at the fund financial statement level.

Per GASB 34 Para 61

- Resource flows (except those that affect the balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units should be reported as if they were external transactions—that is, as revenues and expenses. However, amounts payable and receivable between the primary government and its discretely presented component units or between those components should be reported on a separate line.

Per GASB 34 Para 69

- Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals,

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED JUNE 30, 2017

### Financial Statement Findings (Continued)

private organizations, or other governments. These funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Per GASB 34 Para 128

- In addition to the financial statement information required by paragraph 126, the notes to the financial statements should disclose, for each major component unit, the nature and amount of significant transactions with the primary government and other component units.

**Cause:** Historically, financial reporting for the State has been de-centralized and each component of the State has established its own policies and procedures regarding the accounting treatment of interagency transactions, without regard for the State's financials as a whole. The State Financial Reporting and Accountability Bureau (SFRAB) within the Financial Control Division, as the oversight entity, initially began establishing and communicating policies and procedures with all components of the State to ensure transactions are recorded in a consistent manner and that the necessary information was transmitted to the SFRAB beginning in 2014. Additional policies and procedures continue to be developed.

**Effect:** The State is unable to properly prepare timely financial statements in accordance with generally accepted accounting principles. These issues led to the opinion modifications on the State's financial statements.

**Auditors' Recommendation:** We recommend the SFRAB continue to evaluate the nature of all significant transactions among the various components of the State that comprise the interfund/internal/intra-entity activity and balances within the State's financial statements and 1) determine the proper accounting treatment for the various types of transactions; 2) develop policies and procedures for all of these related transactions, which include proper recording in SHARE and year-end reporting packages from the non-SHARE entities; 3) communicate these procedures to all components of the State; and 4) establish procedures to monitor this activity monthly, which allow the SFRAB and the components to identify and address differences in these transactions among the components in a timely manner. In addition, the SFRAB shall establish procedures for properly consolidating and eliminating these transactions in the State's financial statements to properly report interfund/internal/intra-entity balances and activity for the State as a whole. This would include establishing procedures for identifying valid timing differences which may exist between components and which would be reconciling items between the State's financial statements and the component level financial statements.

# STATE OF NEW MEXICO

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## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED JUNE 30, 2017

### Financial Statement Findings (Continued)

**Management's Response:** Management agrees with the finding. Given the number agencies and the significant amount of interaction among and between them, proper accounting for interfund, internal, and intra-entity activity has been challenging. In FY17, the state issued specific guidelines on the handling of these transactions and modified processes to systematically facilitate elimination of related balances. Those changes made the FY17 report the most compliant yet and we believe FY18 will show additional improvements. With the submission of the CAFR a month earlier than in prior years the staff will be afforded an opportunity to more fully monitor agency performance and identify agencies in need of additional training.

It is recognized that proper transaction classification and subsequent eliminations can only be achieved if entries are properly identified and classified initially. To address this finding, efforts to standardizing business and reporting processes, better train agency financial staff and simplify and streamline interagency activities. Given the magnitude of embedded processes, inter departmental activities and legacy supporting systems, development and implementation of a streamline model has been a significant undertaking, however each cycle has shown continuing improvement. Closure of this finding will take a number of cycles with earliest final resolution expected would be in fiscal year 2019 with fiscal 2020 being a more realistic target.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED JUNE 30, 2017

### 2013-005 Internal Control over Financial Reporting (Material Weakness) - Repeated

**Condition:** During the audit we evaluated the State's internal controls over financial reporting, which revealed that the State's internal controls over financial reporting were not adequate to ensure preparation of financial statements for the State in accordance with generally accepted accounting principles. The following are some of the issues encountered during the audit, which illustrate the need for enhanced controls over financial reporting for the State in preparing financial statements in accordance with generally accepted accounting principles and the New Mexico State Audit Rule:

- The SFRAB is unable to properly prepare timely and accurate financial statements for the State in accordance with generally accepted accounting principles.
- The SFRAB lacks a comprehensive documented policies and procedures related to the processes used in preparing the State's financial statements.
- State Financial Reporting has historically been de-centralized, in which the individual audited entities of the State have determined the accounting treatment, timing and recognition of transactions, and when implementation of new GASB statements would occur. The de-centralized approach fosters inconsistencies across agencies and complicates the State's financial statement consolidation process when transactions are consolidated into a single report for the State.
- Inconsistent classification of restricted cash and presentation of interests in the local government investment pool (LGIP), specifically as it relates to the classification of current or noncurrent assets which creates differences of presentation when compared to the stand-alone education institutions.
- Excessive number of entity-level restatements and audit adjustments/reclassifications identified by the SFRAB during the audit. In addition, there are amounts included in the restated balances related to the government-wide net position and general fund that were not substantiated and could not be vouched to underlying documentation.
- During our review of the State's financial statements, various inconsistencies and/or misclassifications were identified and remain uncorrected. Including, an incomplete implementation of GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.
- The State has not considered and prepared all necessary consolidating/eliminating journal entries required in the State's financial statements.
- The reconciliation of the governmental fund financial statements to the government wide statements includes unreconciled differences.

*Management's Progress for Repeat Finding:* Management continues to work with all components and component units that are part of the state-wide CAFR. Management is also working with outside IPAs and the Office of the State Auditor with a task force to remedy the matters that led to this finding.

**Criteria:** Per Section 6-5-2 NMSA 1978, the Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED JUNE 30, 2017

### Financial Statement Findings (Continued)

Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.

**Cause:** As identified in the FY13 audit, a primary factor contributing to the issues identified with the State's financial statement preparation process, is the cumbersome process used to produce the State's financial statements, which was improved for FY15-FY17 with the implementation of Hyperion. Although the SFRAB has been addressing the issues identified during the previous audits, the State's financial reporting is still very de-centralized among all components that are included in the State's financial statements. The process to standardize the various inconsistencies among the component financial information is a very time consuming component of the financial preparation process.

**Effect:** The State of New Mexico is unable to properly prepare financial statements in accordance with generally accepted accounting principles in a timely manner. Furthermore, these issues led to the opinion modifications on the State's financial statements.

**Recommendation:** Although the State faces many challenges in its effort to resolve the issues identified with the financial reporting process we did observe that improvement has been over the past several years. Furthermore, we recognize that the process to completely address the deficiencies in the reporting process will be a gradual and evolutionary in nature consisting of constant refinements of the processes, procedures and system configuration over time. With the implementation of Hyperion for, we recommend the SFRAB continue to improve on using the full functionality of the system to eliminate as many of the manual processes as possible. In addition, the SFRAB should attempt to prioritize the issues with the State's financial reporting process and establish appropriate controls and procedures to resolve each deficiency in the reporting process.

**Management's Response:** Management agrees with this finding. To strengthen internal control over financial reporting, the State has initiated numerous accounting policy and procedural changes beginning in 2014. Over the past four years, significant progress has been made. SHARE became the official book of record for all State agencies in FY07. Financial statements contained in the independent stand-alone agency audits were required to match the financial data in SHARE and cash was reconciled in FY15. In FY17, Department of Finance and Administration issued additional statewide clarifying accounting policies taking policy control back from the agencies and their Independent Public Accountants. Enterprise system upgrades have included enhancements to automated transaction validation. All of this has improved the quality of the CAFR, however there remains a number of misaligned transactions at the agency level. Additional process reengineering, documentation, training and oversight is planned to fully address this issue. The State Controller is responsible for this resolution. Given the significance of the matters identified, while the State continues to evaluate these matters, an exact timeline is undetermined at this point.

# STATE OF NEW MEXICO

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## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED JUNE 30, 2017

### Financial Statement Findings (Continued)

#### Compliance and Other Matters

##### 2015-001 Late Submission of Audit Report (Compliance and Other Matters)

**Condition:** The audit report for the CAFR for the year ended June 30, 2017 was not submitted by Statutory due date of December 31, 2017.

*Management's Progress for Repeat Finding:* Management continues to work with all components and component units that are part of the state-wide CAFR. Management is also working with outside IPAs and the Office of the State Auditor with a task force to remedy the matters that led to this finding.

**Criteria:** Audit reports not received on or before the due date are considered to be in non-compliance with the requirements of Section 2.2.2.9.A of the State Audit Rule.

**Cause:** While there were numerous reasons for the untimely submission of the State CAFR, the two primary causes for delinquent submission were the timing of the receipt of agency audited financial statements and the extensive amount of work performed by the SFRAB on numerous agency financial statements from the time of release of the reports from the State Auditor and continuing throughout the preparation of the State's financial statements.

**Effect:** Non-compliance with the State Audit Rule; and the users of the State's financial statements did not receive the financial information in a timely manner.

**Recommendation:** We recommend the State continue its efforts in improving the financial reporting process by working with State Financial Reporting Entities and the State Auditor to allow for timely submission in subsequent years. However, we also recognize the challenges with meeting the submission deadline with the current structure of financial reporting of the State and the process that includes waiting for the completion and release of each separately issued financial statements for each component of the State.

**Management's Response:** Management agrees that timely issuance of the CAFR is fundamental to statement users. In its current form, the State's Audit Act impedes that objective. The requirement that each agency have an individual audit delays the start of the CAFR until all agencies financial statements deemed material to the State CAFR have been completed. It is widely recognized by State officials that the Department of Finance and Administration will not be able to produce a timely CAFR under current law.

Historically the CAFR has been prepared by aggregating the financial statements of 125 primary government agencies, 10 educational institutions designated under the constitution and numerous discrete component units of the State upon conclusion of their independent audits. The CAFR audit applies the group audit concept and is dependent on the results and timeliness of the underlying agency audits. As a result, CAFR production cannot commence until all the individual audits have been complete and all identified agency audit adjustments are made. A bill that would have required a single comprehensive audit



# STATE OF NEW MEXICO

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## SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED JUNE 30, 2017

### Financial Statement Findings (Continued)

of state agencies was introduced during the 2018 legislative session, and although it did not make it completely through the process, it did initiate dialog to affect the change in the future.

For the current fiscal year, and similar to last year, the final agency audits were released in March, 75 days after the required CAFR submission date. Reflective of a more experienced CAFR team and prior year actions to automate production, management and the auditors held the exit conference on May 31 with submission of the CAFR on June 5, which is earlier than the FY16 timeline. However, even with that improvement, the current Audit Act prevents production of a timely CAFR.

The Department of Finance and Administration (DFA) and the Office of the State Auditor (OSA), remain committed to the production of a timely CAFR and while legislation will be necessary to achieve the transformative change needed to produce the state CAFR within 180 days of the end of the fiscal year, steps are underway to further accelerate the FY18 report. For FY18, the OSA has convened a CAFR Taskforce composed of DFA, OSA and the State's Independent Public Accountants. By prioritizing and accelerating financial statements completion during the upcoming cycle and establishing materiality at the statewide level, the plan is to trim a few more months off the process before legislative change can be achieved.

For the upcoming cycle, the Office of the State Auditor, working with DFA and Agency IPAs has proposed an October 15<sup>th</sup> date lock in financial data and to have SHARE balance with the final audit report. If all agencies material to the CAFR can hold to this schedule, this will accelerate CAFR production and submission and increase the probability of meeting the established deadline

# STATE OF NEW MEXICO

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## STATUS OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2017

### Financial Statement Findings

2013-002 – Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) – Repeated

2013-005 – Internal Control over Financial Reporting (Material Weakness) – Repeated

### Compliance and Other Matters

2015-001 - Late Submission of Audit Report (Compliance and Other Matters) - Repeated

# STATE OF NEW MEXICO

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## EXIT CONFERENCE YEAR ENDED JUNE 30, 2017

An exit conference was held with the State on May 30, 2018. The conference was held at the offices of the State of New Mexico Department of Finance and Administration in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

### STATE OF NEW MEXICO

Dorothy Rodriguez, Cabinet Secretary  
Ron Spilman, State Controller  
Renaë Herndon-Lopez, CAFR Unit  
Richard Torrence, CAFR Unit  
Silvia Rodarte, CAFR Unit  
James Chadburn, CAFR Unit

### CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA  
Laura Beltran-Schmitz, CPA, CGFM, CFE

## PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by management and they are the responsibility of management, as addressed in the Independent Auditors' Report.



NEW MEXICO FISH - CUTTHROAT TROUT



NEW MEXICO VEGETABLE - CHILE

**NEW MEXICO DEPARTMENT  
OF  
FINANCE AND ADMINISTRATION**

**FINANCIAL CONTROL DIVISION  
BATAAN MEMORIAL BUILDING  
407 GALISTEO STREET  
SANTA FE, NM 87501**

NEW MEXICO STATE FLOWER - YUCCA



NEW MEXICO GEM - TURQUOISE

