



*REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS*

FOR

**STATE OF NEW MEXICO
GENERAL SERVICES DEPARTMENT**

June 30, 2017

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State of New Mexico General Services Department

OFFICIAL ROSTER

June 30, 2017

Office of the Secretary

Ed Burckle, Cabinet Secretary

Division Directors

Zella Kay Cox, Administrative Services Division,

Christopher Lee (Acting) Facilities Management Division

Lawrence Maxwell, Purchasing Division

Robert Newlin, State Printing Division

Laura White Davis Risk Management Division

James Chavez, Transportation Services Division

Report of Independent Auditors

Mr. Ed Burckle, Secretary
State of New Mexico General Services Department
and
Mr. Timothy Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business- type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico General Services Department (the Department), a department of the State of New Mexico, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department'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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 auditors' 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 auditors consider 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.

Basis for Qualified Opinion on Governmental Activities

Management has identified to us that records of land owned by the Department are incomplete and do not agree with the balances contained in the governmental activities in the government-wide financial statements. Accounting principles generally accepted in the United States of America require that land be recorded at historical cost or estimated fair value at the date of contribution on the government-wide financial statements. The amount by which this departure would affect the assets and net position of the governmental activities has not been determined.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Department, as of June 30, 2017, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparisons for the General Fund and major special revenue fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2017, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. 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 on pages 5 through 12 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 have applied certain limited procedures to the required supplementary information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise the Department's basic financial statements. The schedules listed as Supplementary Information within the Table of Contents are required by 2.2.2. NMAC, and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed as supplementary information and as other supplementary information, within the table of contents, required by 2.2.2 NMAC, are the responsibility of management, and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules listed as supplementary information within the table of contents, required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2017 on our consideration of the Department'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 Department's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 1, 2017

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State of New Mexico General Services Department

Management's Discussion and Analysis

June 30, 2017

The Management's Discussion and Analysis (MD&A) of the State of New Mexico General Services Department (Department) explains the Department's financial statements and gives our summary of the Department's finances for the fiscal year ended June 30, 2017. We ask that it be read together with the financial statements, which follow.

Overview of the Financial Statements

The Department's financial statements include the Basic Financial Statements (BFS) and Required Supplementary Information (RSI). The BFS consist of the Government-Wide Financial Statements, Major Fund Financial Statements, and the Notes to the Financial Statements.

Government-Wide Financial Statements – The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements cover all the financial activities and resources of the Department as a whole, except fiduciary activities. Fiduciary activities are not included because the resources do not belong to the Department. The government-wide financial statements report the Department's governmental and business-type activities. Governmental activities are the activities financed by a general revenue appropriation, bonds, or state and federal grants. Business-type activities are activities operated like a business. These activities provide goods or services for a fee on a cost-reimbursement basis (i.e., self-supporting).

The Statement of Net Position reports what the Department owned (assets) and owed (liabilities) at June 30, 2017. Net position is what will remain after all liabilities are paid. Net position legally limited to a particular use is reported as restricted. Unrestricted net position is assets that can be used for any of the Department's purposes in future years.

The Statement of Activities reports the costs (expenses) of providing support services to other state agencies and local public bodies and the revenues obtained to finance them. The first column of the statement reports the Department's governmental and business-type activities by program. A program is a grouping of similar activities. For example, Program Support includes the support activities of the Office of the Secretary, the Administrative Services Division (which also operates the state's Inter-agency Mail Service), and the Technology & Systems Support Bureau (which provides IT support specifically to the Department). The second column lists each program's expenses; the next set of columns report program revenues (revenues earned by the programs themselves). The last three columns are obtained by subtracting program revenues from program expenses and show the amounts by which programs covered their own costs with user fees, bond proceeds, and grants. The bottom half of the statement shows the money appropriated and transferred to the Department from the State General Fund and other general revenues used to finance services.

Fund Financial Statements – The fund financial statements follow the government-wide financial statements. They provide more detail about the Department's major funds (as defined by GASB 34, the most material governmental and business-type funds, not the Department as a whole). Smaller funds (labeled non-major) are combined and reported in total under the other funds column. The financial details pertaining to these smaller funds are reported in the combining financial statements located in the supplemental schedules.

Funds are a method of accounting used by the Department to track specific revenue sources and expenditures for separate functions. Some funds are required by state law and by bond provisions. Management established other funds to control and manage money for particular purposes or to show that it is properly using certain financial resources. The Department uses three types of funds to account for its service activities.

State of New Mexico General Services Department
Management's Discussion and Analysis
June 30, 2017

Governmental Funds have a short-term focus. They report only current assets (cash, accounts receivable, etc.), current liabilities, and financial resources that flowed in and out of the Department during the year. They are the governmental activities reported in the government-wide financial statements. The Department uses three types of governmental funds:

The General Fund is used to account for services funded by general revenue appropriations not accounted for in other funds.

Special Revenue Funds are used to give an accounting of the use of the proceeds of specific revenue sources. For example, the Procurement Assistance federal and state grant must be used to educate New Mexico businesses on how to do business with federal, state, and local governments.

Capital Project Funds are used to track appropriations to the Department to build, acquire, renovate, and improve state-owned buildings and land.

Proprietary Funds are used to report the Department's service activities resulting in charges to customers for a fee. Most of the Department's services are included in proprietary funds. Like the government-wide financial statements, these funds report all assets (including capital assets), liabilities (short- and long-term), revenues, expenses, gains, and losses. They report the services included in the business-type activities in the government-wide financial statements. The Department uses one kind of proprietary fund, Enterprise Funds, to account for services provided to external customers.

Fiduciary Funds are used to account for resources the Department holds for others. The Department uses one kind of fiduciary fund, Agency Funds, to hold medical insurance premiums collected from other state agencies and other public bodies until the premiums are remitted to the insurance carriers. The Department is responsible for seeing that the assets in these funds are spent for their intended purpose. The finances of these funds are reported in a separate statement of fiduciary net assets. The resources of these funds are excluded from the government-wide financial statements because they cannot be used to finance the Department's operations.

Budgetary Comparisons – In addition to the MD&A, GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget to be presented. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period, as well as the actual inflows, outflows, and balances, stated on the government's budgetary basis.

As required by the Office of the State Auditor under 2.2.2 NMAC (the "Audit Rule"), the Statements of Revenues and Expenditures – Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legally authorized appropriations.

Notes to the Financial Statements – The notes to the financial statements consist of narratives and explanatory financial schedules that provide information essential to a user's understanding of the basic financial statements.

**State of New Mexico General Services Department
Management's Discussion and Analysis
June 30, 2017**

Financial Analysis of the Department as a Whole

**Table A-1
The Department's Net
Position**

	2017	2016 (as restated)	Amount Change	Total % Change
ASSETS				
Current assets	\$ 157,281,410	\$ 195,337,309	\$ (38,055,899)	-19%
Capital assets, net	592,871,398	573,507,439	19,363,959	3%
Total assets	\$ 750,152,808	\$ 768,844,748	\$ (18,691,940)	-2%
LIABILITIES				
Current liabilities	\$ 119,150,463	\$ 131,200,114	\$ (12,049,651)	-9%
Long-term liabilities	82,793,649	95,078,898	(12,285,249)	-13%
Total liabilities	201,944,112	226,279,012	(24,334,900)	-11%
NET POSITION				
Net investment in capital assets	592,871,398	573,507,439	19,363,959	3%
Restricted	16,592,810	23,606,379	(7,013,569)	-30%
Unrestricted	(61,255,512)	(54,548,082)	(6,707,430)	12%
Total net position	548,208,696	542,565,736	5,642,960	1%
Total liabilities and net position	\$ 750,152,808	\$ 768,844,748	\$ (18,691,940)	-2%

Net Position: Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2016 and 2017, respectively. Total Department net position for fiscal year 2017 was \$548,208,696. The negative unrestricted balance is the result of the large deficit net position of the risk funds offsetting the positive amounts of capital assets. It should be noted that the risk fund amounts shown reflect actuarially estimated losses from claims incurred that the affected fund(s) would need to pay using the fund's June 30, 2017, asset balance. Such reporting is required by GASB 10. The New Mexico Risk Management Advisory Board recommends maintaining the asset balances at a minimum of at least 50 percent of the actuarially estimated losses. Therefore, any fund amount that has less than 100 percent in assets to pay its estimated incurred losses, and other liabilities, will show a deficit net asset balance. A consideration when assessing fund balances is the potential derived from actuary estimation as distinct from actual cash balances. As a result of the recording of actuarially estimated potential losses from claims, the following risk funds have deficit fund balances:

Public Liability Fund	\$ (35,271,252)
Workers' Compensation Retention	(25,259,561)
Group Insurance Premium Stabilization	(24,232,101)

**State of New Mexico General Services Department
Management's Discussion and Analysis
June 30, 2017**

Over the course of the past four fiscal years, the Department's Facilities Management Division (FMD) has been supplementing information maintained on all property owned and managed by FMD, both buildings and land. The process has included obtaining value for vacant land, which was the source of previous years' audit findings, obtaining documentation to substantiate value on vacant land, incorporating in FMD's and the Department's records of fixed assets all building and land holdings, particularly vacant land. As a result of the overall effort, the value of vacant land has been established as an additional \$21,719,906 to Capital assets, requiring a restatement of the net value. All vacant land has now been identified, recorded, and the value reflected in Table A-1.

The larger part of the Department's restricted net position represents payments that are restricted for insurance claims and consist of insurance premiums and contributions collected from other state agencies, local public bodies, and employees that can only be spent to insure these entities and their employees against loss.

The (\$61,255,512) deficit of unrestricted net position indicates insufficient resources on hand to pay claims against the state in future years. However, the Department had an increase in net position for the year in the amount of \$5,642,961.

The Department's claims reserve for risk management decreased this year by approximately \$15.3 million. These reserves are recorded based on calculations provided by an actuary.

**TableA-2
Changes in the Department's Net Position**

	<u>2017</u>	<u>2016</u>	<u>Amount Change</u>	<u>Total % Change</u>
REVENUES				
Program Revenues				
Charges for services and premiums	\$ 2,612,611	\$ 2,664,063	(51,452)	-2%
Risk Management	<u>447,566,324</u>	<u>457,830,381</u>	<u>(10,264,057)</u>	-2%
Total program revenues	450,178,935	460,494,444	(10,315,509)	-2%
General revenues	<u>21,734,121</u>	<u>53,943,763</u>	<u>(32,209,642)</u>	-60%
Total revenues	<u>471,913,056</u>	<u>514,438,207</u>	<u>(42,525,151)</u>	-8%
EXPENSES				
Employee group benefits	345,460,591	347,743,806	(2,283,215)	-1%
Risk management	64,763,613	62,322,097	2,441,516	4%
Transportation services	7,657,839	6,461,407	1,196,432	19%
State printing and graphics	1,268,580	1,360,224	(91,644)	-7%
Facilities management	5,654,969	5,268,975	385,994	7%
Capital projects	28,070,866	37,752,412	(9,681,546)	-26%
Program support and other	<u>13,393,637</u>	<u>16,621,991</u>	<u>(3,228,354)</u>	-19%
Total expenses	<u>466,270,095</u>	<u>477,530,912</u>	<u>(11,260,817)</u>	-2%
Change in net position	5,642,961	36,907,295	(31,264,334)	-85%
Net position, beginning of year, as restated	<u>542,565,735</u>	<u>505,658,441</u>	<u>36,907,294</u>	7%
Net position, end of year	<u>\$ 548,208,696</u>	<u>\$ 542,565,736</u>	<u>\$ 5,642,960</u>	1%

State of New Mexico General Services Department

Management's Discussion and Analysis

June 30, 2017

Changes in Net Position – The Department's change in net position for fiscal year FY17 was an increase of \$5,642,961 (Table A-2). The change is the difference between total program revenues, general revenues and the total expenses, grouped by program code totals. While the change in net position was positive for the Department, it was considerably less than the prior year. The changes in the Department's net position are summarized below.

A major portion of the Department's revenues came from program revenues. Approximately 95% of total revenues came from service fees and insurance premiums collected from all state agencies, participating local public bodies and their employees. Only 5% of the Department's revenues came from general revenue appropriations, taxes and other general revenues.

Governmental Activities – Total revenues of governmental activities in Funds 174 and 286 were \$14,201,265, a decrease of 7.4% from the previous year. The total decrease in the General Fund was \$1,001,362 or 8% from previous year, resulting primarily from the reductions in overall budget imposed on all agencies to accommodate overall reductions in anticipated State revenue. In fund 286, there was an increase of \$129,443 or 7.2% from previous year. This increase resulted from enhanced monitoring of vendors participating in contracts awarded by the State resulting in collection of statutorily-mandated fees to be paid by those vendors.

Total revenues of enterprise Funds 197, 352, 360, 365, 417, and 806, was \$ 9,899,634, an increase of 13.3% from previous year. The overall increase resulted primarily from the effect of increased sales by Printing & Reproduction services (22%) and Transportation Services Surplus Property (10.6%).

Total revenues (insurance assessments) of Risk Management Liability Funds 353, 354, 356, 357, 358, and 359 were \$103,962,060, a decrease of 1.2% from the previous year resulting primarily from a combination of actual claim experience from prior years, which is the basis for insurance assessment billings.

Business-type Activities – Total revenues of business-type activities was \$447,566,324, a decrease of 2% from the prior period as a result primarily of overall belt tightening by agencies statewide. Other financing sources and uses was a net (\$32,949,301), which was approximately \$26.8 million higher in uses compared to the prior period. The cost of all business-type activities this year was \$423,934,219, a decrease of 1% from the prior period, resulting from increased attention to expenditures and cost-control activities. Those who benefited from the services funded 100% of the cost.

Financial Analysis of the Department's Expenses

Employee group benefits expense was \$345,460,591, a decrease of 1% from the prior year. The health plan experienced increased costs, but not at the same rate experienced by the commercial sector. RMD's Employee Benefits Bureau (EBB) has had major challenges with providing members access to care and assistance outside of the traditional medical plan that led to the implementation of an expanded Employee Assistance Program (EAP). In FY16, the EAP program provided support in 7,444 visits to employees and their dependents. However, in FY17 the EAP program's utilization dropped significantly (>40%) requiring anticipated revision of the program scope in FY18 (reducing scope from six visits to three visits and stripping out training hours). In FY17, utilization of the Stay Well Health Center increased considerably. Net per visit cost to the Health Center is estimated to be \$266, which is commercially advantageous to the Plan as standard primary care outpatient visits, plus prescriptions, plus labs typically cost more than \$800 per visit.

**State of New Mexico General Services Department
Management's Discussion and Analysis
June 30, 2017**

Risk Management Liability Funds expense was \$64,763,613, an increase of 4% from the previous year. During the 2016 and 2017 Legislative sessions, a total of \$30,949,300 were swept in FY17 from the Risk Management Liability Funds. The increased expenditures out of Fund 353-State Unemployment Compensation represent *actual* increased costs associated with unemployment claims. The Department of Workforce Solutions makes the initial determination of whether claims are compensable, assigns the liability to the applicable employer, and then sends notices of the amounts due from the fund. Administrative Law Judges from the Department of Workforce Solutions also serve as the adjudicator of any protests. Because of the lag in processing time, the increase in expenditures in FY17 is actually reflective of increased claims from the two immediate prior fiscal years.

Transportation Services Program expense was \$7,657,839, an increase of 19% from the previous year. During the 2016 and 2017 Legislative sessions, a total of \$2,000,000 were swept in FY17 from the Transportation Services funds. Increases are also attributable to the number of third-party lease vehicles with a correlating increase in the actual monthly lease agreement paid to the new provider of the vehicles. TSD also replaced 2014 year model leased vehicles with 2017 year model leased vehicles.

State Printing and Graphics Program expense was \$1,268,580 a decrease of 7% from the previous year. State Printing's FY17 results were strong overall. Results include revenues exceeding expenses by \$318,318 resulting from an increase in sales as compared to the prior 60-day Legislative Session in FY16. Peaks and valleys in sales have stabilized from prior years but still exist. The Director has personally taken it upon himself to promote State Printing's capabilities, resulting in increased sales with associated increased expense.

Facilities Management Program expense was \$5,654,969, an increase of 7% from the previous year. Per laws of 2016, SS, Chap. 6, Senate Bill 9, programs with revenues provided by the State General Fund had their appropriations reduced by five (5) percent for FY17. This affected hiring and spending plans and required FMD to leave vacant positions unfilled, further adding to the decrease. FMD continues to carry a high number of vacancies in order to meet the State's flat budget requirements and other reductions imposed on FMD through the budget appropriation process. In FY17, legislation was passed that swept the funds from the Public Building Repair Fund (PBRF) that had been used to supplement the operating budget as well as to provide funding for special projects. These special projects included continuing facilities condition assessments, reconciling land records, updating and revising the tenant agreements with the user agencies, and creating master planning for all state agencies to facilitate efficiencies and coordinate capital outlay requests.

Capital Projects expense was \$28,360,692, a decrease of 25% from the previous year. Fund 24900 had an increase of \$1,677,782 from previous year to continue projects approved by Capital Projects-SB1 Laws 2015. Fund 285 experienced a fund sweep authorized by Laws 2017 1 Session Chapter 2 Section 005-F in the amount of \$1,649,458, which was transferred from the balance of distributions from the cigarette tax in accordance with NMSA 1978, §7-1-6.11. Fund 892, Severance Tax bond proceeds that fund projects authorized by the State Board of Finance, increased by \$6,592,811 in FY17 from previous year. Fund 970 increased by \$1,664,638 in FY17 from previous year specifically on behalf of and for the benefit of the State Veterans Home and cemetery.

State of New Mexico General Services Department

Management's Discussion and Analysis

June 30, 2017

Program Support expenses were \$3,228,354, a decrease of 10.4% from the previous year. The biggest change in expenses from FY16 was because the Technology Support & Systems Bureau relied on contractors to provide database administration support, because a full-time permanent DBA position had not been filled for two years. With the hire of that individual, the contractual obligation was eliminated. An additional reduction in PS&EB costs was associated with the temporary transfer of an employee from the Office of the Secretary to the Facilities Management Division, which absorbed those expenses

Budget Comparisons

General Fund – For FY17, total actual revenues of \$12,542,065 varied from budgeted revenues by \$12,540,000. Total expenditures were \$12,370,865.

Capital Assets and Debt Management

Capital Assets – The Department's net capital assets increased by \$19,363,959 in 2017 (see Notes 2 and 6). Management substantiated historic land values included \$21,719,906 being recognized as a portion of Net Capital Assets, resulting in the need for a restatement in total value.

Long-term Debt – The Department does not hold any long-term debt but does hold long-term liabilities consisting of claims payable of \$82,781,437 and compensated absences of \$10,166.

Items Affecting the Department's Future

The Department's management believes that its future financial position could be affected by the following trends or events:

Rates for Services – The Department's business-type activities, as measured by the Statement of Revenues, Expenses and Changes in Net Assets for the major enterprise funds: State Unemployment Compensation Reserve, Public Liability, Workers' Compensation Retention, State Transportation Pool, Group Insurance Premium Stabilization, and Other Enterprise Funds, show that three of the five funds reflect an operating loss. This indicates that the service rates as developed with the current methods are not sufficient to recover actual costs of the programs. The largest loss was in Public Liability. Rate adjustments and reallocation of costs, which are currently in process, will help eliminate these losses in the next fiscal year.

Fund Sweeps – The significant fund sweeps that were made in fiscal years 2016 and 2017 had a major impact on Facilities Management Division, State Purchasing Division, Risk Management Division, Transportation Services Division, and Program Support. The affected divisions implemented close monitoring to ensure all operations continue to be executed within revised budgets. Planned projects and activities in subsequent years may have to be curtailed and/or eliminated depending on appropriation funding.

**State of New Mexico General Services Department
Management's Discussion and Analysis
June 30, 2017**

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department's Administrative Services Division, PO Box 6850, Santa Fe, New Mexico 87502.

State of New Mexico General Services Department
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Investment in the State General Fund Investment Pool	\$ 22,169,816	\$ 129,237,119	\$ 151,406,935
Receivables:			
Accounts/trade receivable	-	7,381,276	7,381,276
Allowance for doubtful accounts	-	(6,135,518)	(6,135,518)
Due from other agencies	4,625,147	-	4,625,147
Inventories	-	3,570	3,570
Total current assets	<u>26,794,963</u>	<u>130,486,447</u>	<u>157,281,410</u>
Non-Current Assets			
Capital assets	1,042,988,219	27,652,720	1,070,640,939
Less accumulated depreciation	<u>(494,386,775)</u>	<u>(22,615,227)</u>	<u>(517,002,002)</u>
	548,601,444	5,037,493	553,638,937
Land	39,232,461	-	39,232,461
Total non-current assets	<u>587,833,905</u>	<u>5,037,493</u>	<u>592,871,398</u>
Total assets	<u>\$ 614,628,868</u>	<u>\$ 135,523,940</u>	<u>\$ 750,152,808</u>

State of New Mexico General Services Department
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current Liabilities			
Due to State General Fund investment pool	\$ 3,683,286	\$ -	\$ 3,683,286
Claims payable		97,368,063	97,368,063
Accounts payable	5,951,369	9,346,202	15,297,571
Unearned revenue	-	1,010,309	1,010,309
Accrued payroll	248,727	317,626	566,353
Due to other funds	-	-	-
Due to State General Fund	-	-	-
Due to other agencies	-	600,452	600,452
Compensated absences	276,698	347,731	624,429
Total current liabilities	<u>10,160,080</u>	<u>108,990,383</u>	<u>119,150,463</u>
Long-Term Liabilities			
Claims payable	-	82,781,437	82,781,437
Compensated absences	2,693	9,519	12,212
Total liabilities	<u>10,162,773</u>	<u>191,781,339</u>	<u>201,944,112</u>
Net Position			
Net investment in capital assets	587,833,905	5,037,493	592,871,398
Restricted for capital projects	16,592,810	-	16,592,810
Unrestricted	39,380	(61,294,892)	(61,255,512)
Total net position	<u>604,466,095</u>	<u>(56,257,399)</u>	<u>548,208,696</u>
Total liabilities and net position	<u>\$ 614,628,868</u>	<u>\$ 135,523,940</u>	<u>\$ 750,152,808</u>

State of New Mexico General Services Department
Statement of Activities
Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
FUNCTIONS/PROGRAMS					
Governmental Activities					
State Purchasing	\$ 8,610,041	\$ 1,931,139	\$ (6,678,902)	\$ -	\$ (6,678,902)
Facilities management	5,654,969	679,407	(4,975,562)	-	(4,975,562)
Risk management	-	2,065	2,065	-	2,065
Depreciation expense	<u>28,070,866</u>	<u>-</u>	<u>(28,070,866)</u>	<u>-</u>	<u>(28,070,866)</u>
Total governmental activities	<u>42,335,876</u>	<u>2,612,611</u>	<u>(39,723,265)</u>	<u>-</u>	<u>(39,723,265)</u>
Business-Type Activities					
Program Support	3,668,100	12,794	-	(3,655,306)	(3,655,306)
State Purchasing	-	1,661,120	-	1,661,120	1,661,120
State printing and graphics	1,268,580	-	-	(1,268,580)	(1,268,580)
Risk management operating	4,094,585	6,541,027	-	2,446,442	2,446,442
Employee group benefits	345,460,591	334,306,451	-	(11,154,140)	(11,154,140)
Transportation services	7,657,839	7,481,316	-	(176,523)	(176,523)
Risk management	60,669,028	97,563,616	-	36,894,588	36,894,588
Depreciation	<u>1,115,496</u>	<u>-</u>	<u>-</u>	<u>(1,115,496)</u>	<u>(1,115,496)</u>
Total business-type activities	<u>423,934,219</u>	<u>447,566,324</u>	<u>-</u>	<u>23,632,105</u>	<u>23,632,105</u>
Total	<u>\$ 466,270,095</u>	<u>\$ 450,178,935</u>	<u>(39,723,265)</u>	<u>23,632,105</u>	<u>(16,091,160)</u>
General Revenues					
Transfers:					
Intra-agency transfers			(156,500)	156,500	-
Loss on capital asset disposal			(289,826)	-	(289,826)
Appropriations			12,540,000	544,300	13,084,300
Reversions - General Fund			(169,132)	-	(169,132)
Other state agency transfers, net			35,975,986	(32,949,301)	3,026,685
Interest income			6,874,555	758,675	7,633,230
Other miscellaneous expense			(1,551,136)	-	(1,551,136)
Total general revenues			<u>53,223,947</u>	<u>(31,489,826)</u>	<u>21,734,121</u>
Change in net position			13,500,682	(7,857,721)	5,642,961
Net position, beginning, as restated			<u>590,965,413</u>	<u>(48,399,678)</u>	<u>542,565,735</u>
Net position, ending			<u>\$ 604,466,095</u>	<u>\$ (56,257,399)</u>	<u>\$ 548,208,696</u>

**State of New Mexico General Services Department
Balance Sheet – Governmental Funds
June 30, 2017**

	Major Funds					Other Governmental Funds	Total Governmental
	17400 General Fund	28600 Purchasing Division Fees	86300 Capital Buildings Repair Fund	89200 STB Projects	97000 Laws of 2005		
ASSETS							
Investment in the State General Fund investment pool	\$ 1,038,454	\$ 943,024	\$ 12,293,325	\$ 3,596,837	\$ -	\$ 4,298,176	\$ 22,169,816
Receivables:							
Due from other agencies	-	-	563,148	-	4,061,999	-	4,625,147
Total assets	<u>1,038,454</u>	<u>943,024</u>	<u>12,856,473</u>	<u>3,596,837</u>	<u>\$ 4,061,999</u>	<u>4,298,176</u>	<u>26,794,963</u>
LIABILITIES							
Due to State General Fund investment pool	-	-	-	-	3,683,286	-	3,683,286
Accounts payable	481,923	45,573	1,144,919	3,596,837	372,476	309,641	5,951,369
Accrued payroll	237,760	10,967	-	-	-	-	248,727
Total liabilities	<u>719,683</u>	<u>56,540</u>	<u>1,144,919</u>	<u>3,596,837</u>	<u>4,055,762</u>	<u>309,641</u>	<u>9,883,382</u>
FUND BALANCE							
Restricted		886,484	11,711,554	-	6,237	3,988,535	16,592,810
Committed	318,771	-	-	-	-	-	318,771
Total fund balances	<u>318,771</u>	<u>886,484</u>	<u>11,711,554</u>	<u>-</u>	<u>6,237</u>	<u>3,988,535</u>	<u>16,911,581</u>
Total liabilities and fund balances	<u>\$ 1,038,454</u>	<u>\$ 943,024</u>	<u>\$ 12,856,473</u>	<u>\$ 3,596,837</u>	<u>\$ 4,061,999</u>	<u>\$ 4,298,176</u>	<u>\$ 26,794,963</u>

**State of New Mexico General Services Department
Reconciliation of the Balance Sheet – Governmental
Funds to the Statement of Net Position
June 30, 2017**

Total fund balance - Governmental Funds
(Governmental Fund Balance Sheet) \$ 16,911,581

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 in the funds.

The cost of capital assets is: 1,082,220,680
Accumulated depreciation is: (494,386,775)

Total capital assets 587,833,905

Long-term and certain other liabilities, such as compensated
absences, are not due and payable in the current period and,
therefore, are not reported as liabilities in the funds. (279,391)

Net position of governmental activities -
(Statement of Net Position) \$ 604,466,095

**State of New Mexico General Services Department
Statement of Revenues, Expenditures, and Changes in Fund
Balances – Governmental Funds
Year Ended June 30, 2017**

	Major Funds					Other Governmental Funds	Total Governmental
	17400 General Fund	28600 Purchasing Division Fees	86300 Capital Buildings Repair Fund	89200 STB Projects	97000 Laws of 2005		
REVENUES							
Service Fees/Premiums	\$ -	\$ 1,931,139	560,610	\$ -	\$ -	\$ 118,797	\$ 2,610,546
Interest Income	-	-	6,866,375	-	-	8,180	6,874,555
Other Miscellaneous Revenue	2,065	-	-	-	-	-	2,065
Total revenues	2,065	1,931,139	7,426,985	-	-	126,977	9,487,166
EXPENDITURES							
Current expenditures:							
State Purchasing	6,573,880	2,036,161	-	-	-	-	8,610,041
Facilities management	5,654,969	-	-	-	-	-	5,654,969
Other	-	-	185,410	365,113	14,656	1,018,684	1,583,863
Capital outlay	36,216	34,800	6,719,718	29,484,361	10,350,733	2,214,320	48,840,148
Total expenditures	12,265,065	2,070,961	6,905,128	29,849,474	10,365,389	3,233,004	64,689,021
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,263,000)	(139,822)	521,857	(29,849,474)	(10,365,389)	(3,106,027)	(55,201,855)
OTHER FINANCING SOURCES (USES)							
Severance tax bond proceeds	-	-	-	-	-	-	-
General and special appropriations	12,540,000	-	-	-	-	-	12,540,000
Transfers:							
Intra-agency transfer	(105,800)	(50,700)	(297,634)	(1,142,775)	-	1,440,409	(156,500)
Reversions to state general fund	(169,132)	-	-	-	-	-	(169,132)
Other state agency transfers, net	-	(2,600,000)	(132,165)	30,992,249	10,365,360	(2,649,458)	35,975,986
NET OTHER FINANCING SOURCES (USES)	12,265,068	(2,650,700)	(429,799)	29,849,474	10,365,360	(1,209,049)	48,190,354
NET CHANGE IN FUND BALANCES	2,068	(2,790,522)	92,058	-	(29)	(4,315,076)	(7,011,501)
FUND BALANCES, beginning of year	316,703	3,677,006	11,619,496	-	6,266	8,303,611	23,923,082
FUND BALANCES, end of year	\$ 318,771	\$ 886,484	\$ 11,711,554	\$ -	\$ 6,237	\$ 3,988,535	\$ 16,911,581

**State of New Mexico General Services Department
 Reconciliation of the Statement of Revenues, Expenditures,
 And Changes in Fund Balances – Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2017**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 (STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES) \$ (7,011,501)

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

In the Statement of Activities, certain operating expenses - compensated absences
 (sick and annual leave) are measured by the amounts earned during the year.
 In the Governmental Funds, however, expenditures for these items are measured
 by the amounts of financial resources used (essentially, the amounts actually paid).
 The decrease in the liabilities for the fiscal year was: 32,727

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
 and reported as depreciation expense. In the current period, these amounts were:

Capital outlay	48,840,148
Depreciation expense	<u>(28,070,866)</u>
Excess of capital outlay and transfers over depreciation expense	<u>20,769,282</u>

The Statement of Activities reports the loss on the sale of equipment, while the
 Statement of Revenues, Expenditures and Changes in Fund Balance reports
 the proceeds. The reconciling amount is the difference: (289,826)

CHANGE IN NET POSITION OF GOVERNMENTAL
 ACTIVITIES (STATEMENT OF ACTIVITIES) \$ 13,500,682

**State of New Mexico General Services Department
Statement of Revenues, Expenditures – Major Governmental
Fund – Budget and Actual
Year Ended June 30, 2017**

	General Fund - Total			Variance From Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Appropriations	\$ 12,345,200	\$ 12,540,000	\$ 12,540,000	\$ -
Other Miscellaneous revenue	-	-	2,065	2,065
Total revenue	12,345,200	12,540,000	12,542,065	<u>\$ 2,065</u>
TOTAL REVENUES, OTHER AND FINANCING SOURCES AND FUND BALANCE BUDGETED				
	<u>\$ 12,345,200</u>	<u>\$ 12,540,000</u>		
EXPENDITURES AND OTHER FINANCING USES				
State Purchasing	851,155	851,155	6,573,880	5,722,725
Facilities management	11,519,713	11,413,913	5,654,969	(5,758,944)
Capital outlay	-	-	36,216	36,216
Other financing uses	-	105,800	105,800	-
TOTAL EXPENDITURES AND OTHER FINANCING USES				
	<u>\$ 12,370,868</u>	<u>\$ 12,370,868</u>	<u>\$ 12,370,865</u>	<u>\$ (3)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)			171,200	
NON-BUDGETED RECONCILING ITEMS				
Reversions to state general fund			<u>(169,132)</u>	
NET CHANGE IN FUND BALANCE			2,068	
FUND BALANCE, beginning of year			<u>316,703</u>	
FUND BALANCE, end of year			<u>\$ 318,771</u>	

**State of New Mexico General Services Department
Statement of Revenues, Expenditures – Major Governmental
Fund – Budget and Actual
Year Ended June 30, 2017**

	Purchasing Division Fees Fund - Total			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Service fees and premiums	\$ 1,323,800	\$ 1,382,800	\$ 1,931,139	\$ 548,339
Total revenue	1,323,800	1,382,800	1,931,139	\$ 548,339
TOTAL REVENUES, OTHER AND FINANCING SOURCES AND FUND BALANCE BUDGETED	<u>\$ 1,323,800</u>	<u>\$ 1,382,800</u>		
EXPENDITURES AND OTHER FINANCING USES				
State Purchasing	948,924	1,066,463	2,036,161	969,698
Capital outlay	-	-	34,800	34,800
Other	-	3,605,147	2,600,000	(1,005,147)
Other financing uses	50,700	50,700	50,700	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 999,624</u>	<u>\$ 4,722,310</u>	<u>\$ 4,721,661</u>	<u>\$ (649)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)			(2,790,522)	
NON-BUDGETED RECONCILING ITEMS				
Reversions to state general fund			-	
NET CHANGE IN FUND BALANCE			(2,790,522)	
FUND BALANCE, beginning of year			3,677,006	
FUND BALANCE, end of year			<u>\$ 886,484</u>	

State of New Mexico General Services Department
Statement of Net Position – Enterprise Funds
June 30, 2017

	35700 Public Liability	35900 Workers' Compensation Retention	35600 Public Property Reserve	75200 Group Insurance Premium Stabilization	Other Enterprise Funds	Total
ASSETS						
Current Assets						
Investment in the State General Fund						
Investment Pool	\$ 49,322,055	\$ 22,992,563	\$ 14,347,427	\$ 23,402,745	\$ 19,172,329	\$ 129,237,119
Receivables:					-	
Accounts/trade receivable	1,069,770	1,089,757	748,266	690,139	3,783,344	7,381,276
Allowance for doubtful accounts	(1,069,770)	(1,089,757)	(746,320)	(129,796)	(3,099,875)	(6,135,518)
Inventories	-	-	-	-	3,570	3,570
Total current assets	49,322,055	22,992,563	14,349,373	23,963,088	19,859,368	130,486,447
Non-Current Assets						
Capital assets	-	-	-	-	27,652,720	27,652,720
Less accumulated depreciation	-	-	-	-	(22,615,227)	(22,615,227)
Total non-current assets	-	-	-	-	5,037,493	5,037,493
Total assets	49,322,055	22,992,563	14,349,373	23,963,088	24,896,861	135,523,940

State of New Mexico General Services Department
Statement of Net Position – Enterprise Funds (Continued)
June 30, 2017

	35700	35900	35600	75200		
	Public	Workers'	Public	Group	Other	
	Liability	Compensation	Property	Insurance	Enterprise	Total
	<u>Liability</u>	<u>Retention</u>	<u>Reserve</u>	<u>Stabilization</u>	<u>Funds</u>	<u>Total</u>
LIABILITIES						
Current Liabilities						
Claims payable	\$ 37,672,389	\$ 11,190,681	\$ 2,387,525	\$ 40,813,995	\$ 5,303,473	\$ 97,368,063
Accounts payable	1,448,792	203,219	6,333	5,770,736	1,917,122	9,346,202
Unearned revenue	-	-	-	1,010,309	-	1,010,309
Accrued payroll	-	-	-	-	317,626	317,626
Due to other agencies	-	-	-	600,149	303	600,452
Compensated absences	-	-	-	-	347,731	347,731
	<u>39,121,181</u>	<u>11,393,900</u>	<u>2,393,858</u>	<u>48,195,189</u>	<u>7,886,255</u>	<u>108,990,383</u>
Long-Term Liabilities						
Claims payable	45,472,126	36,858,224	449,873	-	1,214	82,781,437
Compensated absences	-	-	-	-	9,519	9,519
	<u>84,593,307</u>	<u>48,252,124</u>	<u>2,843,731</u>	<u>48,195,189</u>	<u>7,896,988</u>	<u>191,781,339</u>
Net Position						
Invested in capital assets	-	-	-	-	1,772,024	1,772,024
Unrestricted	<u>(35,271,252)</u>	<u>(25,259,561)</u>	<u>11,505,642</u>	<u>(24,232,101)</u>	<u>15,227,849</u>	<u>(58,029,423)</u>
	<u>(35,271,252)</u>	<u>(25,259,561)</u>	<u>11,505,642</u>	<u>(24,232,101)</u>	<u>16,999,873</u>	<u>(56,257,399)</u>
	<u>49,322,055</u>	<u>22,992,563</u>	<u>14,349,373</u>	<u>23,963,088</u>	<u>24,896,861</u>	<u>135,523,940</u>

**State of New Mexico General Services Department
Statement of Revenues, Expenses, and Changes
in Net Position – Enterprise Funds
Year Ended June 30, 2017**

	35700	35900	35600	75200		
	Public	Workers'	Public	Group	Other	
	Liability	Compensation	Property	Insurance	Enterprise	Total
		Retention	Reserve	Premium	Funds	
				Stabilization		
OPERATING REVENUES						
Service Fees/Premiums	\$ 46,431,383	\$ 20,509,228	\$ 11,161,048	\$ 333,812,809	\$ 17,459,065	\$ 429,373,533
Interest Income	301,412	138,986	69,387	156,854	92,036	758,675
Other Miscellaneous revenue	15,132,324	1,435,538	530,387	493,642	600,900	18,192,791
Total operating revenues	61,865,119	22,083,752	11,760,822	334,463,305	18,152,001	448,324,999
OPERATING EXPENSES						
Program Support	-	-	-	-	3,668,100	3,668,100
State printing and graphics	-	-	-	-	1,268,580	1,268,580
Risk management operating	-	-	-	-	4,094,585	4,094,585
Employee group benefits	-	-	-	345,460,591	-	345,460,591
Transportation services	-	-	-	-	7,657,839	7,657,839
Risk management	30,721,286	15,977,906	7,458,960	-	6,510,876	60,669,028
Depreciation	-	-	-	-	1,115,496	1,115,496
Total operating expenses	30,721,286	15,977,906	7,458,960	345,460,591	24,315,476	423,934,219
OPERATING INCOME/(LOSS)	31,143,833	6,105,846	4,301,862	(10,997,286)	(6,163,475)	24,390,780
NON-OPERATING REVENUES (EXPENSES)						
General appropriations	-	-	-	-	544,300	544,300
Transfers:						
Intra-Agency transfers	(1,706,500)	(1,582,400)	-	(4,249,500)	7,694,900	156,500
Other state agency transfers	(17,500,000)	(3,000,000)	(1,699,300)	-	(10,750,001)	(32,949,301)
Total non-operating revenues (expenses)	(19,206,500)	(4,582,400)	(1,699,300)	(4,249,500)	(2,510,801)	(32,248,501)
CHANGE IN NET POSITION	11,937,333	1,523,446	2,602,562	(15,246,786)	(8,674,276)	(7,857,721)
NET POSITION (DEFICIT), beginning	(47,208,585)	(26,783,007)	8,903,080	(8,985,315)	25,674,149	(48,399,678)
NET POSITION (DEFICIT), ending	\$ (35,271,252)	\$ (25,259,561)	\$ 11,505,642	\$ (24,232,101)	\$ 16,999,873	\$ (56,257,399)

State of New Mexico General Services Department
Statement of Cash Flows – Enterprise Funds
Year Ended June 30, 2017

	35700	35900	35600	75200		
	Public	Workers'	Public	Group	Other	
	Liability	Compensation	Property	Insurance	Enterprise	Total
		Retention	Reserve	Premium	Funds	
				Stabilization		
OPERATING ACTIVITIES						
Premiums/service fees received	\$ 61,563,707	\$ 21,944,766	\$ 11,691,435	\$ 333,870,446	\$ 18,059,965	\$ 447,130,319
Other income	301,412	138,986	69,387	156,854	92,036	758,675
Cash paid to suppliers	(44,561,574)	(17,651,508)	(6,251,560)	(346,107,218)	(20,034,753)	(434,606,613)
Cash paid to Employees	-	-	-	-	(9,226,212)	(9,226,212)
Net cash provided (used) by operating activities	<u>17,303,545</u>	<u>4,432,244</u>	<u>5,509,262</u>	<u>(12,079,918)</u>	<u>(11,108,964)</u>	<u>4,056,169</u>
NON-CAPITAL FINANCING ACTIVITIES						
Appropriation from/reversion to State General Fund	-	-	-	-	387,561	387,561
Transfers	<u>(19,206,500)</u>	<u>(4,582,400)</u>	<u>(1,699,300)</u>	<u>(4,249,500)</u>	<u>(3,055,101)</u>	<u>(32,792,801)</u>
Net cash provided (used) by Non-capital financing activities	<u>(19,206,500)</u>	<u>(4,582,400)</u>	<u>(1,699,300)</u>	<u>(4,249,500)</u>	<u>(2,667,540)</u>	<u>(32,405,240)</u>
NET INCREASE (DECREASE) IN CASH	<u>(1,902,955)</u>	<u>(150,156)</u>	<u>3,809,962</u>	<u>(16,329,418)</u>	<u>(13,776,504)</u>	<u>(28,349,071)</u>
CASH, beginning of year	<u>51,225,010</u>	<u>23,142,719</u>	<u>10,537,465</u>	<u>39,732,163</u>	<u>32,948,833</u>	<u>157,586,190</u>
CASH, end of year	<u>\$ 49,322,055</u>	<u>\$ 22,992,563</u>	<u>\$ 14,347,427</u>	<u>\$ 23,402,745</u>	<u>\$ 19,172,329</u>	<u>\$ 129,237,119</u>

State of New Mexico General Services Department
Statement of Cash Flows – Enterprise Funds (Continued)
Year Ended June 30, 2017

	35700 Public Liability	35900 Workers' Compensation Retention	35600 Public Property Reserve	75200 Group Insurance Premium Stabilization	Other Enterprise Funds	Total
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 31,143,833	\$ 6,105,846	\$ 4,301,862	\$ (10,997,286)	\$ (6,163,475)	\$ 24,390,780
Adjustments						
Depreciation	-	-	-	-	1,115,496	1,115,496
Changes in assets and liabilities						
Accounts receivable and due from other agencies and funds	100,000	-	(1,946)	(521,332)	(2,865)	(426,143)
Unearned revenue	-	-	-	1,010,309	-	1,010,309
Other assets	-	-	-	-	2,843	2,843
Claims payable	(14,478,020)	(1,227,744)	1,203,013	(436,005)	(382,807)	(15,321,563)
Accounts payable and due to other agencies and funds	537,732	(445,858)	6,333	(1,135,604)	(5,670,943)	(6,708,340)
Accrued expenses	-	-	-	-	11,529	11,529
Accrued compensated absences	-	-	-	-	(18,742)	(18,742)
Net cash provided (used) by operating activities	<u>\$ 17,303,545</u>	<u>\$ 4,432,244</u>	<u>\$ 5,509,262</u>	<u>\$ (12,079,918)</u>	<u>\$ (11,108,964)</u>	<u>\$ 4,056,169</u>

**State of New Mexico General Services Department
Statement of Fiduciary Assets and Liabilities – Agency Funds
June 30, 2017**

ASSETS

Investment in the State General Fund Investment Pool	\$ 2,560,453
Due from other funds	<u>-</u>
Total assets	<u>\$ 2,560,453</u>

LIABILITIES

Accounts payable	\$ 260
Deposits held in custody for others	<u>2,560,193</u>
Total liabilities	<u>\$ 2,560,453</u>

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 1 – Definition of Reporting Entity

The State of New Mexico General Services Department (the Department) was created to increase the efficiency and responsiveness of New Mexico State Government by consolidating certain governmental functions within a single department and by providing support services for other governmental entities. Specific programs accomplish a number of services, including building maintenance and security, transportation, capital projects and improvements, central purchasing, and printing.

The financial reporting entity, is a department of the State of New Mexico and these statements do not represent the complete reporting entity for the State, only New Mexico General Services as a Department thereof. Rather than a governing board, oversight responsibilities are placed with the chief executive of the Department, known as the Secretary of the Department. This position is appointed by the Governor of New Mexico and upon appointment, the Secretary becomes a member of the Governor's cabinet. The Department is included in the State's reporting entity. These financial statements include all funds over which the Department Secretary has oversight responsibility. The functions of the Department are administered through the following divisions: Administrative Services, Facilities Management, Risk Management, State Purchasing, State Printing & Graphics, and Transportation Services. Overall support is provided by the Administrative Services Division and the Office of the Secretary.

The Department had no component units during the year ended June 30, 2017.

Note 2 – Summary of Significant Accounting Policies

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

Financial reporting entity – The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations, constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

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 funds of the Department and exclude fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The components of net position are investment in capital assets, net of related debt (if applicable) and restricted and unrestricted.

State of New Mexico General Services Department

Notes to Financial Statements

June 30, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are reported as general revenues. Indirect expenses are allocated to other costs.

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

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary (enterprise) funds and the fiduciary funds 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 considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

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

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

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB No. 33 (as it relates to non-exchange and exchange transactions), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and as a deferred inflow of resources by the recipient. Derived tax revenues (gas, motor vehicle) are included as revenue when the underlying transaction takes place. Any non-exchange transactions (including grants, taxes and contributions) are not recognized until they are measurable or reasonably estimable.

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary (enterprise) funds distinguish operating revenues and expenses from nonoperation 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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 accounts of the Department are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues and expenditures/expenses. The various funds are summarized by type in the accompanying financial statements.

The following fund types are used by the Department:

Governmental-type Funds – Governmental-type funds are those through which most governmental functions of the Department are financed. The acquisition, use and balances of the Department's expendable available financial resources and the related liabilities (except those accounted for in enterprise funds) are accounted for through governmental-type funds. Governmental fund types have fund balance, classified as follows: nonspendable, restricted, committed, assigned and unassigned. The measurement focus is upon determination of changes in financial position rather than upon net income determination. The following are the government fund types:

General Fund – The General Fund is the general operating fund of the Department. It is used to account for the general operations of the Department in carrying out its specific functions. The primary source of revenue for the General Fund is State appropriations. The General Fund exists through the annual budget approval.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or debt service) that are restricted or committed to expenditures for specific purposes.

Capital Projects Funds – Capital Projects funds are used to account for financial resources that are restricted, committed or assigned to be used for the acquisition or construction of major capital facilities.

Major governmental-type funds in addition to the general fund include:

Capital Buildings Repair Fund – A capital projects fund used to account for repairs, remodeling and equipping of capitol buildings and adjacent lands, and to repair or replace building machinery and building equipment located in the capitol building.

Severance Tax Bond (STB) Projects – A capital projects fund used to account for the acquisition, improvement, alteration or reconstruction of long-term assets.

Laws of 2005 – A capital projects fund used to account for the acquisition, improvement, alteration or reconstruction of long-term assets.

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

The governmental-type funds identified below did not have budget authority for the fiscal year, nor did they have any financial activity or balances. Because of this, they have not been included for presentation in the financial statements.

<u>Fund Number</u>	<u>Description</u>
89000	American Recovery and Reinvestment Act
36400	Laws of 2004
30600	Laws of 2003
76600	Laws of 2000
35500	Laws of 1999

Business-type Funds – Enterprise funds are used to account for the Department's ongoing activities where the intent of the State is that the costs and expenses, including depreciation, of providing goods and services to other departments or agencies of the governmental unit or to other unrelated governmental units, on a continuing basis, be financed or recovered primarily through user or customer charges.

Major enterprise-type funds include:

State Unemployment Compensation Reserve – accounts for the administration of all contributions collected and payments made to beneficiaries pursuant to the Unemployment Compensation Law.

Public Liability – provides liability insurance for state agencies and their employees and for any local public body participating in the fund and pays claims and judgments under the certificate of coverage.

Workers' Compensation Retention – accounts for the purchase and administration of workers' compensation insurance for employees of state agencies.

State Transportation Pool – provides transportation for all state agencies in the Santa Fe and Albuquerque, New Mexico areas.

Group Insurance Premium Stabilization – accounts for premiums collected from employees of the Department who have elected health insurance coverage with the Department's carrier.

Fiduciary Funds (Agency Funds) – These funds are used to account for assets held by the Department as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary data – Per the General Appropriation Act, Laws of 2010, Chapter 6, Section 3, item M, "For the purpose of administering the General Appropriation Act of 2010 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting, except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple- year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control is at the appropriation unit level.

The unexpended State General Fund appropriation to the Department lapses at year end and reverts to the State General Fund. The Department may also receive funding from various special appropriations. The language of a particular special appropriation determines when it lapses and whether or not unexpended balances revert to the State General Fund.

Cash deposits – The Department is required by statute to deposit any money received into the State Fiscal Agent Bank. Balances maintained at the end of the day are pooled and invested by the State Treasurer in repurchase agreements. Investments with the State Treasurer in the State General Fund Investment Pool are stated at quoted market prices. The Department does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure these deposits, categories of risk involved and the market value of purchased investments, which may differ from the cash deposited by the Department. Cash and cash equivalents are defined to include cash on deposit with banks or the State Treasurer.

Receivables – All accounts/trade receivables represent uncollected insurance premiums or fees for services rendered to external parties. Receivables in excess of 120 days comprise the Department's allowance for doubtful accounts.

Inventories – Inventories are valued at the lower of cost (first-in, first-out method) or market and consist of expendable supplies held for consumption and raw materials used in the printing department.

State of New Mexico General Services Department

Notes to Financial Statements

June 30, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Capital assets and depreciation – Capital assets are stated at cost or estimated cost, and include land, land improvements, buildings, computer software, property and equipment constructed with Department resources and acquired with State appropriations and government grant funds. They also include certain land and buildings transferred from other departments and agencies of the State of New Mexico under the provisions of the Property Control Act (Section 12-6-10, NMSA 1978). Capitalized asset additions made through governmental funds are recorded as capital outlay expenditures in the respective funds and recorded in the government-wide financial statements. Items greater than \$5,000 are capitalized.

Capital assets acquired by enterprise funds are reported in those funds at cost or at estimated fair value at the time of donation. Provisions for depreciation are computed using the straight-line method and charged to operations of enterprise funds over the assets' estimated useful lives using the straight-line method. Estimated useful lives are 10 to 40 years for building and improvements; 3 to 6 years for motor vehicles and motorized equipment; and 4 to 20 years for furniture, machinery and equipment.

The Department receives funding from bonds issued by the New Mexico Finance Authority to construct buildings and building improvements. These bonds are paid by the State through pledged gross receipts tax.

Capital assets for the governmental activities are recorded on the government-wide financial statements and depreciated over the same estimated useful lives using the straight-line method.

Compensated absences – A total of 12 days of sick leave per year may be accumulated by each employee. 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% of the excess over 600 hours, up to a maximum of 120 hours. Upon retirement or termination, employees are paid 50% of the excess over 600 hours, up to a maximum of 400 hours. Employees may accrue from 10 days to 20 days of annual leave per year, depending on the years of service. Employees are paid for the accumulated annual leave upon retirement or other termination. A maximum of 30 days of annual leave may be accumulated by each employee.

Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the financial statement date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Interfund transactions – Reciprocal interfund activity is accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made for it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except reciprocal transactions and reimbursements, are reported as transfers.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various charges between the business-type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Note 2 – Summary of Significant Accounting Policies (continued)

Pensions – In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with the requirements of Government Accounting Standards Board Statement No.68 and No.71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2016.

The General Services Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Restricted expendable net position – GASB Pronouncement Number 46 states that net position is legally enforceable, meaning that a government can be compelled by an external party (i.e., citizen, public interest group, etc.) to use resources only as created by the legislation. The three categories of net position are net investment in capital assets, restricted and unrestricted.

Net position – created to either 1) satisfy legal covenants that require a portion of the fund balance be segregated, or 2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific restricted net position accounts are summarized below:

Restricted for capital projects – Resources that must be used to acquire capital assets.

Invested in capital assets – Cumulative resources used to acquire depreciable and non-depreciable capital assets.

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Restatement – Management identified certain properties that were not previously recorded in their financial records, and was able to establish historical cost or value upon acquisition, and restated beginning balances to include these assets in the Department’s financial statements. The identified properties are classified as land and had been acquired at different historical times. The impact to net position as previously reported in June 30, 2016 is summarized below, for governmental activities:

	As Previously Reported June 30, 2016	As Restated, June 30, 2016	Change
Governmental Activities:			
Capital assets	\$ 990,204,603	\$ 995,930,859	\$ 5,726,256
Accumulated depreciation	<u>(465,376,237)</u>	<u>(466,698,503)</u>	<u>(1,322,266)</u>
Capital assets, net	524,828,366	529,232,356	4,403,990
Land	<u>20,806,177</u>	<u>38,122,093</u>	<u>17,315,916</u>
Capital assets, net	<u>545,634,543</u>	<u>567,354,449</u>	<u>21,719,906</u>
Net Position:			
Net investment in capital assets	545,634,543	567,354,449	21,719,906
Restricted for capital projects	23,606,379	23,606,379	-

Note 3 – State General Fund Investment Pool

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006 through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I, the Board of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation.

The State Controller indicated on August 8, 2016 that calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months; resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 3 – State General Fund Investment Pool (continued)

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Investments with the State Treasurer in the State General Fund Investment Pool are stated at fair value with quoted market prices readily available.

Note 4 – Interest in the State General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2017, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool* \$150,284,102

*Includes cash overdraft of \$3,683,286 in Fund 97000

The cash overdraft is a result of a timing delay for capital purchases for ongoing projects at other state agencies. The funds are reimbursed back to Fund 97000 to the State General Fund Investment Pool, with a timing delay that is typically no longer than one to two weeks.

Interest rate risk – The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk – The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate financial statements for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2017.

The fair values of the investments maintained at the New Mexico State Treasurer's Office are as follows at June 30, 2017:

Investment	Balance June 30, 2017
New Mexico State Treasurer's Office	
General Fund Investment Pool (Primary Government) *	\$ 147,723,649
Agency Fund Total	2,560,453
Total	\$ 150,284,102

*Includes cash overdraft of \$3,683,286 in Fund 97000.

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 4 – Interest in the State General Fund Investment Pool (continued)

Pledged Collateral (Custodial Credit Risk) – In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance.

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

The New Mexico State Treasurer's office is responsible to ensure that all accounts have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Department.

Note 5 – Interagency Receivables and Payables

Due from other state agencies as of June 30, 2017 are as follows:

Due From Other State Agencies	Fund Number	Amount	Due From Agency/Purpose	Fund Number	Amount
State Investment Council	60100	\$ 563,148	LGPF distribution to beneficiaries	86300	\$ 563,148
Department of Health	06102	2,720,575	Alzheimer's home	97000	2,720,575
Department of Veterans Service	50280	1,341,424	State veterans cemetery	97000	1,341,424
Total all funds		<u>\$ 4,625,147</u>			<u>\$ 4,625,147</u>

Due to other state agencies as of June 30, 2017 are as follows:

Due To Other State Agencies	Fund Number	Amount	Due From Agency/Purpose	Fund Number	Amount
Tax and Revenue Department	83200	\$ 149	To accrue June 2017 state CRS taxes	75200	\$ 149
Department of Veterans Service	06500	303	Closing journal entry correction	80600	303
Department of Health	40185	600,000	To accrue portion of vaccine payment	83200	600,000
Total all funds		<u>\$ 600,452</u>			<u>\$ 600,452</u>

The purpose of all interfund and interagency balances is to record the services that the Department provides to other funds and agencies (e.g., information processing, printing, insurance, etc.).

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 6 – Capital Assets and Land

Governmental-Type Activities	June 30, 2016, As restated	Additions	Transfers	Deletions	Balance June 30, 2017
Depreciable assets:					
Building and improvements	\$947,644,073	\$ -	\$22,065,180	\$ (672,420)	\$969,036,833
Machinery and equipment	12,197,024	69,600	2,298,127		14,564,751
Land improvements	5,654,034		4,698,959		10,352,993
Total	965,495,131	69,600	29,062,266	(672,420)	993,954,577
Non-depreciable assets:					
Land	38,122,093	1,110,368			39,232,461
Construction in progress	30,435,728	47,660,180	(29,062,266)		49,033,642
Total	68,557,821	48,770,548	(29,062,266)	-	88,266,103
Accumulated depreciation					
Building and improvements	(462,937,368)	(26,406,416)		382,594	(488,961,190)
Machinery and equipment	(2,438,869)	(1,401,382)			(3,840,251)
Land improvements	(1,322,266)	(263,068)			(1,585,334)
Total accumulated depreciation	(466,698,503)	(28,070,866)	-	382,594	(494,386,775)
Net total	<u>\$ 567,354,449</u>	<u>\$ 20,769,282</u>	<u>\$ -</u>	<u>\$ (289,826)</u>	<u>\$ 587,833,905</u>

Depreciation expense of \$28,070,866 was charged to the Capital Projects function.

Business-type activities assets – A summary of changes in business-type activities capital assets is as follows:

Business-Type Activities	Balance June 30, 2016	Additions	Adjustments/ Deletions	Balance June 30, 2017
Depreciable assets:				
Aircraft, autos and trucks	\$ 27,100,603	\$ -	\$ (1,654,675)	\$ 25,445,928
Building and improvements	8,982	-	-	8,982
Furniture and fixtures	62,267	-	-	62,267
Machinery an equipment	1,201,718	-	-	1,201,718
Information technology	935,253		(3,226)	932,027
Total	29,308,823	-	(1,657,901)	27,650,922
Accumulated depreciation				
Aircraft, autos and trucks	(21,204,319)	(1,039,254)	1,654,675	(20,588,898)
Building and improvements	(1,828)	(359)		(2,187)
Furniture and fixtures	(50,568)	(1,242)		(51,810)
Machinery an equipment	(1,076,763)	(16,717)		(1,093,480)
Information technology	(824,154)	(57,924)	3,226	(878,852)
Total accumulated depreciation	(23,157,632)	(1,115,496)	1,657,901	(22,615,227)
Non-depreciable assets:				
Land	1,798	-	-	1,798
Net total	<u>\$ 6,152,989</u>	<u>\$ (1,115,496)</u>	<u>\$ -</u>	<u>\$ 5,037,493</u>

Depreciation expense of \$942,672 was charged to the State Transportation Pool (Fund 36500) and \$172,824 was charged to other, non-major enterprise funds.

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 7 – Leases (Enterprise Funds)

Operating leases – Lease expenditures/expenses for the year ended June 30, 2017 totaled \$3,480,008. Lease expense for vehicles approximates the revenue earned by the Department for leasing these vehicles to other state agencies. The Department has other lease agreements with related expenses reflected in the individual funds' operating costs.

The following is a schedule by year of future minimum lease payments for various buildings, copiers and vehicles at June 30, 2017:

Years ending June 30:

2018	\$ 3,108,387
2019	3,132,790
2020	3,121,329
2021	3,122,852
2022	<u>31,224,422</u>
Total	<u>\$ 43,709,780</u>

Note 8 – Insurance Claims Payable (Enterprise Funds)

The State of New Mexico manages its risks internally and sets aside assets for claim settlement through Enterprise Funds within the Risk Management Division (RMD) of the General Services Department. The RMD 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. The Department has coverage for general liability and civil rights claims through the Public Liability Fund administered by the State of New Mexico's Risk Management Division. The dollar amount "limits" of the insurance coverage are the damages caps set forth in the Tort Claims Act, NMSA § 41-4-19, which may be amended from time to time by the legislature. All funds, agencies and authorities of the State participate in Risk Management. Risk Management 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 catastrophic losses.

Risk Management 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 recent settled claims, the frequency of claims and other economic and social factors.

Insurance claims payable of \$180,585,505 were reported by the Department as of June 30, 2017. The amounts of the liabilities are determined by independent actuarial consultants to the Department. The total liability is shown in the accompanying financial statements at the present value of the payments, computed at 2% annual rate between June 30, 2017, and the date the claims are ultimately expected to be paid.

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 8 – Insurance Claims Payable (Enterprise Funds) (continued)

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

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

Fund	Balance June 30, 2016	Incurred (net of Actuarial Provision)	Payments	Balance June 30, 2017	Current Amount Due
35300 State Unemployment	\$ 4,657,878	\$ 5,012,632	\$ (5,324,807)	\$ 4,345,703	\$ 4,345,703
35400 Local Public Body	1,024,733	1,034,700	(1,103,378)	956,055	956,055
35600 Public Property Reserve	1,634,385	3,752,597	(2,549,584)	2,837,398	2,387,525
35700 Public Liability	97,622,535	3,357,458	(17,835,478)	83,144,515	37,672,389
35800 Surety Bond	4,883	(1,954)	-	2,929	1,715
35900 Workers' Compensation	49,276,649	13,843,034	(15,070,778)	48,048,905	11,190,681
75200 Group Insurance Premium	41,250,000	325,912,839	(326,348,844)	40,813,995	40,813,995
Net total	<u>\$ 195,471,063</u>	<u>\$ 352,911,306</u>	<u>\$ (368,232,869)</u>	<u>\$ 180,149,500</u>	<u>\$ 97,368,063</u>

Fund	Balance June 30, 2015	Incurred (net of Actuarial Provision)	Payments	Balance June 30, 2016	Current Amount Due
35300 State Unemployment	\$ 5,313,899	\$ (654,746)	\$ (1,275)	\$ 4,657,878	\$ 4,657,878
35400 Local Public Body	1,169,058	877,874	(1,022,199)	1,024,733	1,024,733
35600 Public Property Reserve	1,852,776	4,345,968	(4,564,359)	1,634,385	1,370,436
35700 Public Liability	105,185,759	13,193,487	(20,756,711)	97,622,535	40,764,765
35800 Surety Bond	3,906	977	-	4,883	2,948
35900 Workers' Compensation	49,017,400	16,366,638	(16,107,389)	49,276,649	11,443,605
75200 Group Insurance Premium	38,964,322	321,506,535	(319,220,857)	41,250,000	41,250,000
Net total	<u>\$ 201,507,120</u>	<u>\$ 355,636,733</u>	<u>\$ (361,672,790)</u>	<u>\$ 195,471,063</u>	<u>\$ 100,514,365</u>

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 9 – Compensated Absences

The compensated absence liability of the governmental funds has typically been liquidated by the general fund in prior years. The changes in accrued compensated absences for governmental activities are as follows:

Governmental Activities

<u>Balance,</u> <u>June 30, 2016</u>	<u>Increase</u>	<u>Adjustments/ (Decrease)</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts Due</u> <u>Within One Year</u>
<u>\$ 312,118</u>	<u>\$ 517,354</u>	<u>\$ (550,081)</u>	<u>\$ 279,391</u>	<u>\$ 276,698</u>

Business Type

<u>Balance,</u> <u>June 30, 2016</u>	<u>Increase</u>	<u>Adjustments/ (Decrease)</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts Due</u> <u>Within One Year</u>
<u>\$ 375,992</u>	<u>\$ 611,399</u>	<u>\$ (630,141)</u>	<u>\$ 357,250</u>	<u>\$ 347,731</u>

Note 10 – Operating Transfers

Transfers between fund for the year ended June 30, 2017 are as follows:

<u>Fund Description</u>	<u>Fund Number</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Net</u>
Governmental Funds				
General Fund	17400	\$ -	\$ (105,800)	\$ (105,800)
Purchasing Division Fees	28600	-	(50,700)	(50,700)
Capital Buildings Repair	86300	-	(297,634)	(297,634)
STB Projects	89200	-	(1,142,775)	(1,142,775)
Subtotal, Major Governmental Funds		<u>-</u>	<u>(1,596,909)</u>	<u>(1,596,909)</u>
Administrative Cost	12500	1,485,409	-	1,485,409
Laws of 2015	24900	-	(45,000)	(45,000)
Subtotal, Non-major Governmental Funds		<u>1,485,409</u>	<u>(45,000)</u>	<u>1,440,409</u>
Total Governmental Funds		<u>1,485,409</u>	<u>(1,641,909)</u>	<u>(156,500)</u>
Enterprise Funds				
Public Liability	35700	-	(1,706,500)	(1,706,500)
Public Property Reserve	35600	-	-	-
Workers' Compensations Retention	35900	-	(1,582,400)	(1,582,400)
Group Insurance Premium Stabilization	75200	-	(4,249,500)	(4,249,500)
Subtotal, Major Enterprise Funds		<u>-</u>	<u>(7,538,400)</u>	<u>(7,538,400)</u>
Program Support	19700	3,761,000	-	3,761,000
Risk Management Operating	35200	5,211,500	-	5,211,500
State Unemployment Compensation	35300	-	(963,700)	(963,700)
LPB Unemployment	35400	-	(48,200)	(48,200)
Surety Bond	35800	-	-	-
State Transportation	36500	-	(193,350)	(193,350)
Surplus Property Bureau	36000	-	(16,450)	(16,450)
State Aircraft Bureau	41700	-	(5,800)	(5,800)
State Printing	80600	-	(50,100)	(50,100)
Subtotal, Non-major Enterprise Funds		<u>8,972,500</u>	<u>(1,277,600)</u>	<u>7,694,900</u>
Total Enterprise Funds		<u>\$ 8,972,500</u>	<u>\$ (8,816,000)</u>	<u>\$ 156,500</u>
Grand Total		<u>\$ 10,457,909</u>	<u>\$ (10,457,909)</u>	<u>\$ -</u>

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 10 – Operating Transfers (continued)

Transfers from (to) other state agencies for the year ended June 30, 2017 are as follows:

State Agency	Agency Number	86300 Capital Buildings Repair Fund	28500 Tobacco Tax: DOH Facilities	28600 Purchasing Division Fees	28700 Public Buildings Repair	89200 STB Projects	97000 Laws of 2005	Governmental Funds Subtotal
Legislative Council Service	11100	\$ (132,165)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (132,165)
Department of Veteran's Services	67000	-	-	-	-	-	8,128,247	8,128,247
Department of Health	66500	-	-	-	-	-	2,237,113	2,237,113
DFA - Board of Finance Bond Funds	34103	-	-	-	-	30,992,249	-	30,992,249
State General Fund	34101	-	(1,649,458)	(2,600,000)	(1,000,000)	-	-	(5,249,458)
		<u>\$ (132,165)</u>	<u>\$ (1,649,458)</u>	<u>\$ (2,600,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ 30,992,249</u>	<u>\$ 10,365,360</u>	<u>\$ 35,975,986</u>

State Agency	Agency Number	35300 State Unemployment Compensation Reserve	35600 Public Property Reserve	35700 Public Liability	35900 Workers' Compensation Retention	36000 Surplus Property Bureau	36500 State Transportation Pool	41700 State Aircraft Pool	Enterprise Funds Subtotal
State General Fund	34101	\$ (8,750,000)	\$ (1,699,300)	\$ (17,500,000)	\$ (3,000,000)	\$ (189,252)	\$ (1,385,749)	\$ (425,000)	\$ (32,949,301)
		<u>\$ (8,750,000)</u>	<u>\$ (1,699,300)</u>	<u>\$ (17,500,000)</u>	<u>\$ (3,000,000)</u>	<u>\$ (189,252)</u>	<u>\$ (1,385,749)</u>	<u>\$ (425,000)</u>	<u>\$ (32,949,301)</u>

Note 11 – Reversions

The Department had reversions listed in the operating statements for fiscal years as follows:

		Year of Appropriation		
17400	General Fund	2017	\$	169,132

In accordance with statute Section 6-5-10(A) NMSA 1978, all unrestricted balances in reverting funds and accounts as reflected in the SHARE system as of June 30 shall revert. \$169,132 is payable at June 30, 2017, and due by September 30, 2017. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

Note 12 – Pension Plan – Publix Employees Retirement Association

Plan Description – Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

State of New Mexico General Services Department

Notes to Financial Statements

June 30, 2017

Note 12 – Pension Plan – Publix Employees Retirement Association (continued)

PERA administers two tiers of benefits dependent upon hire date, and the authority to set and amend benefits requires legislative approval. PERA administers a qualified governmental plan under Section 401(a) of the Internal Revenue Code (IRC), which provides retirement, disability and survivor benefits pursuant to the Public Employees Retirement Act. The Public Employees Retirement Act, NMSA 1978 §§10-11-1 to 10-11-142, provides most of PERA's statutory authority. Additional statutory authority is contained in NMSA 1978 § 10-11A-1 et seq, NMSA 1978 § 10-12B-1 et seq, NMSA 1978 § 10-12C-1 et seq, and NMSA 1978 § 10-13A-1 et seq. Deferred compensation is governed by NMSA 1978 §§ 10-7A-1 to 10-7A-12 and the U.S. Internal Revenue Code § 457

Funding Policy – Plan members are required to contribute between 3.83% and 7.42% of their gross salary, and the Department is required to contribute 11.48% to 13.83% of the gross covered salary, depending on the selected plan. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2017 and 2016 were \$1,863,565, and \$2,002,315, respectively, which equal the amount of the required contributions for each fiscal year. The expense included in the Department's basic financial statements are equal to the contributions made.

Note 13 – Post Employment Benefits – State Retiree Health Care Plan

Plan Description – The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care 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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the 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.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Note 13 – Post Employment Benefits – State Retiree Health Care Plan (continued)

Funding Policy – The Retiree Health Care Act (Section 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 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% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2016, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2017 and 2016 were \$219,372, and \$235,702, respectively, which equal the requirement contributions for each year. The expense included in the Department's basic financial statements are equal to the contributions made.

Note 14 – Commitments and Contingencies

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

In addition, the Risk Management Division is named as defendant in several lawsuits or complaints. The cases outstanding at June 30, 2017, have been included in the actuary's determination of "claims payable."

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 14 – Commitments and Contingencies (continued)

Risk Management – The Department is exposed to various risks of loss for which the Department carries insurance with the State of New Mexico Risk Management Division (an enterprise fund within the Department). Coverage is provided for the following:

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

Note 15 – Net Position Deficits

The following funds had net position deficits at June 30, 2017:

Enterprise Funds			
35700	Public Liability	357	\$ (35,271,252)
35900	Workers' Compensation Retention	359	(25,259,561)
75200	Group Insurance Premium Stabilization	752	(24,232,101)

The Public Liability, Workers' Compensation Retention, and Group Insurance Premium Stabilization funds are Risk Management funds that include claims liabilities (see Note 8, Insurance Claims Payable) based on future actuarial estimated losses from claims incurred that the affected funds would need to pay using June 30, 2017 net position balances. Such reporting is required by GASB 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. The New Mexico Risk Management Advisory Board recommends maintaining the position balances at a minimum of at least 50 percent of the actuarial estimated losses. While the Public Liability and the State Unemployment Compensation funds are above 50 percent soundness, the Department is working on increasing insurance premium fees to help make the Workers' Compensation Retention fund reach this level.

Note 16 – Fund Balance

In the governmental fund financial statements, fund balances are classified as:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. The committed portion is committed for maintenance and utility costs.

Assigned – Amounts that are constrained by the Legislative and Executive branches' intent to be used for specific purposes or, in some cases, by legislation.

State of New Mexico General Services Department
Notes to Financial Statements
June 30, 2017

Note 16 – Fund Balance (continued)

Unassigned – All amounts not included in other spendable classifications.

		<u>Restricted</u>	<u>Committed</u>
17400	General Fund		
	Maintenance Costs	\$ -	\$ 318,771
86300	Capitol Building Repair Fund		
	State Building Repair	11,711,554	-
12500	Administrative Costs		
	Capital Projects	777,181	-
28600	Purchasing Division Fees		
	Procurement Services	886,484	-
28700	Public Building Repair		
	State Building Repair	27,100	-
78500	Property Control Reserve		
	Capital Projects	1,543,864	-
24900	Laws of 2015		
	Capital Projects	1,570,697	-
64100	Laws of 2006		
	Capital Projects	69,693	-
97000	Laws of 2015		
	Capital Projects	6,237	-
		<u>\$ 16,592,810</u>	<u>\$ 318,771</u>

Supplementary Information

State of New Mexico General Services Department
General Fund Description
June 30, 2017

The General Fund (Fund 17400) is used to account for all resources traditionally associated with governments that are not required to be accounted for in another fund. The General Fund is a reverting fund and includes the following:

Purchasing Division

Facilities Maintenance Division

Building Services Division

State of New Mexico General Services Department
Combining Balance Sheet – by Fund Type –
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total
ASSETS			
Investment in State General Fund Investment Pool	\$ 900,113	\$ 3,398,063	\$ 4,298,176
Total assets	<u>\$ 900,113</u>	<u>\$ 3,398,063</u>	<u>\$ 4,298,176</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to the State General Fund Investment Pool	\$ -	\$ -	\$ -
Accounts payable	95,832	213,809	309,641
Accrued payroll	-	-	-
Total liabilities	<u>95,832</u>	<u>213,809</u>	<u>309,641</u>
Fund Balance			
Restricted	<u>804,281</u>	<u>3,184,254</u>	<u>3,988,535</u>
Total fund balances	<u>804,281</u>	<u>3,184,254</u>	<u>3,988,535</u>
Total liabilities and fund balances	<u>\$ 900,113</u>	<u>\$ 3,398,063</u>	<u>\$ 4,298,176</u>

State of New Mexico General Services Department
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – by Fund Type –
Non-Major Governmental Funds
Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total
REVENUES			
Service Fees/Premiums	\$ 118,797	\$ -	\$ 118,797
Interest income	-	8,180	8,180
Total revenues	<u>118,797</u>	<u>8,180</u>	<u>126,977</u>
EXPENDITURES			
Current expenditures:			
State Purchasing	-	-	-
Other	1,018,684	-	1,018,684
Capital outlay	-	2,214,320	2,214,320
Total expenditures	<u>1,018,684</u>	<u>2,214,320</u>	<u>3,233,004</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(899,887)</u>	<u>(2,206,140)</u>	<u>(3,106,027)</u>
OTHER FINANCING SOURCES (USES)			
Transfers:			
Intra-agency transfer	1,485,409	(45,000)	1,440,409
Other state agency transfers, net	<u>(1,000,000)</u>	<u>(1,649,458)</u>	<u>(2,649,458)</u>
NET OTHER FINANCING SOURCES (USES)	<u>485,409</u>	<u>(1,694,458)</u>	<u>(1,209,049)</u>
NET CHANGE IN FUND BALANCES	(414,478)	(3,900,598)	(4,315,076)
FUND BALANCES, beginning of year	<u>1,218,759</u>	<u>7,084,852</u>	<u>8,303,611</u>
FUND BALANCES, end of year	<u>\$ 804,281</u>	<u>\$ 3,184,254</u>	<u>\$ 3,988,535</u>

State of New Mexico General Services Department
Special Revenue Funds Descriptions
June 30, 2017

Administrative Costs Fund

The Administrative Costs Fund (Fund 12500, non-reverting FY04, Section 15-33-10 NMSA 1978) was created by the Laws of 2001, Chapter 319, for the purpose of accounting for Capital Projects overhead expenses. Transfers are made from Capital Projects to cover administrative costs of each project as expenses are incurred.

Purchasing Division Fees Fund

The Purchasing Division Fees Fund (Fund 28600, non-reverting) was created by the Laws of 1984, Chapter 65 (13-1-104, NMSA 1978) for the purpose of accounting for the collection and expenditure of registration fees for qualified vendors submitting bids to provide the State of New Mexico with tangible items of personal property, construction or services. Fees collected are expended for the actual, direct cost of furnishing copies of a public notice or invitation for bids to the prospective bidders.

Public Buildings Repair Fund

The Public Buildings Repair Fund (Fund 28700, non-reverting, Section 15-38-18 NMSA) was created by the Laws of 1996, Chapter 46, House bill 349 for the purpose of expenditure related to necessary repair, renovation and purchase of physical plant equipment for public buildings owned by the state and under the control of the Facilities Maintenance Division. The fund shall consist of appropriations, building use fees, gifts, grants, donations and bequests.

State of New Mexico General Services Department
Combining Balance Sheet –
Non-Major Special Revenue Funds
June 30, 2017

	12500 Administrative Costs	28700 Public Buildings Repair	Total
ASSETS			
Investment in State General Fund Investment Pool	\$ 873,013	\$ 27,100	\$ 900,113
Total assets	<u>\$ 873,013</u>	<u>\$ 27,100</u>	<u>\$ 900,113</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	95,832	-	95,832
Accrued payroll	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>95,832</u>	<u>-</u>	<u>95,832</u>
Fund Balance			
Restricted	<u>777,181</u>	<u>27,100</u>	<u>804,281</u>
Total fund balances	<u>777,181</u>	<u>27,100</u>	<u>804,281</u>
Total liabilities and fund balances	<u>\$ 873,013</u>	<u>\$ 27,100</u>	<u>\$ 900,113</u>

State of New Mexico General Services Department
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances –
Non-Major Special Revenue Funds
Year Ended June 30, 2017

	12500	28700	
	Administrative	Public	
	Costs	Buildings	Total
	Repair		
REVENUES			
Service Fees/Premiums	\$ -	\$ 118,797	\$ 118,797
Total revenues	-	118,797	118,797
EXPENDITURES			
Current expenditures:			
State Purchasing	-	-	-
Other	930,453	88,231	1,018,684
Capital outlay	-	-	-
Total expenditures	930,453	88,231	1,018,684
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(930,453)</u>	<u>30,566</u>	<u>(899,887)</u>
OTHER FINANCING SOURCES (USES)			
Transfers:			
Intra-agency transfer	1,485,409	-	1,485,409
Other state agency transfers, net	-	(1,000,000)	(1,000,000)
NET OTHER FINANCING SOURCES (USES)	<u>1,485,409</u>	<u>(1,000,000)</u>	<u>485,409</u>
NET CHANGE IN FUND BALANCES	554,956	(969,434)	(414,478)
FUND BALANCES, beginning of year	<u>222,225</u>	<u>996,534</u>	<u>1,218,759</u>
FUND BALANCES, end of year	<u>\$ 777,181</u>	<u>\$ 27,100</u>	<u>\$ 804,281</u>

State of New Mexico General Services Department

Capital Projects Funds Descriptions

June 30, 2017

Capitol Buildings Repair Fund – Major Fund

The Capitol Buildings Repair Fund (Fund 86300) was created by the Laws of 2001, Chapter 19, Section 17, to account for repairs, remodeling and equipping of capitol buildings and adjacent lands and to repair or replace building machinery and building equipment located in capitol buildings. Financing is provided through transfers from the State Land Office and the State Investment Council of all income, including earnings on investments, derived from lands granted to the State by the U.S. Congress for legislative, executive and judicial public buildings. Balances in this fund are non-reverting. Two percent of this fund shall be transferred annually to a "state capital maintenance fund", hereby created, as a special perpetual fund for the upkeep and maintenance of the capitol renovation and capital grounds.

Property Control Reserve Fund

The Property Control Reserve Fund (Fund 78500) was created by the Laws of 1998, Chapter 58 (15-3-24.2, NMSA 1978) for the purpose of providing a reserve account from which the Facilities Maintenance Division can purchase or construct state office buildings. Such buildings are to be purchased or built to alleviate the State's reliance on leased offices in Santa Fe, New Mexico. Fund revenues consist mainly of proceeds from the sale of property under the division's control. Expenditures are subject to legislative appropriations and balances are non-reverting.

Capital Improvement Funds (Various)

The Capital Improvement Funds are used to account for the acquisition, improvement, alteration or reconstruction of long-term assets, including land, buildings, machinery, furniture and equipment. The Capital Improvement Funds are appropriated to the Facilities Maintenance Division for capital out projects specified by the Legislature in accordance with State statutes. The primary sources of financing for Capital Projects and Capital Improvement Funds are provided through State General Fund appropriations, severance tax bond proceeds and general obligation bond proceeds.

The Capital Improvement Funds include the following:

- 28500 Tobacco Tax: DOH Facilities – reverting
- 97000 Laws of 2005 (Major Fund) – reverting
- 35500 Laws of 1999 – reverting
- 64100 Laws of 2006 – reverting
- 24900 Laws of 2015 – reverting
- 93100 General Fund Projects – reverting
- 89200 Severance Tax Bond (STB) Projects (Major Fund) – reverting

State of New Mexico General Services Department
Combining Balance Sheet –
Non-Major Capital Projects Funds
June 30, 2017

	78500 Property Control Reserve	28500 Tobacco Tax: DOH Facilities	64100 Laws of 2006	24900 Laws of 2015	Total
ASSETS					
Investment in State General Fund	\$ 1,543,864	\$ -	\$ 69,693	\$ 1,784,506	\$ 3,398,063
Total assets	<u>\$ 1,543,864</u>	<u>\$ -</u>	<u>\$ 69,693</u>	<u>\$ 1,784,506</u>	<u>\$ 3,398,063</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 213,809	\$ 213,809
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,809.00</u>	<u>213,809</u>
Fund Balance					
Restricted	<u>1,543,864</u>	<u>-</u>	<u>69,693</u>	<u>1,570,697</u>	<u>3,184,254</u>
Total fund balances	<u>1,543,864</u>	<u>-</u>	<u>69,693</u>	<u>1,570,697</u>	<u>3,184,254</u>
Total liabilities and fund balances	<u>\$ 1,543,864</u>	<u>\$ -</u>	<u>\$ 69,693</u>	<u>\$ 1,784,506</u>	<u>\$ 3,398,063</u>

**State of New Mexico General Services Department
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances –
Non-Major Capital Projects Funds
Year Ended June 30, 2017**

	78500 Property Control Reserve	28500 Tobacco Tax: DOH Facilities	64100 Laws of 2006	24900 Laws of 2015	Total
REVENUES					
Interest income	\$ 8,180	\$ -	\$ -	\$ -	\$ 8,180
Total revenues	8,180	-	-	-	8,180
EXPENDITURES					
Current expenditures:					
Capital outlay	-	-	-	2,214,320	2,214,320
Total expenditures	-	-	-	2,214,320	2,214,320
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,180	-	-	(2,214,320)	(2,206,140)
OTHER FINANCING SOURCES (USES)					
Transfers:					
Intra-agency transfer	-	-	-	(45,000)	(45,000)
Other state agency transfers, net	-	(1,649,458)	-	-	(1,649,458)
NET OTHER FINANCING SOURCES (USES)	-	(1,649,458)	-	(45,000)	(1,694,458)
NET CHANGE IN FUND BALANCES	8,180	(1,649,458)	-	(2,259,320)	(3,900,598)
FUND BALANCES, beginning of year	1,535,684	1,649,458	69,693	3,830,017	7,084,852
FUND BALANCES, end of year	\$ 1,543,864	\$ -	\$ 69,693	\$ 1,570,697	\$ 3,184,254

State of New Mexico General Services Department

Enterprise Funds Descriptions

Year Ended June 30, 2017

Administrative Services Division and Office of the Secretary

The Administrative Services Division and Office of the Secretary (Fund 19700, non-reverting) provides program support for the Department. Both Divisions were separated from the General Fund in fiscal year 2002. The Office of the Secretary is responsible to the Governor for the operations of the Department. It is his duty to manage all operations of the Department and to administer and enforce the laws with which he or the Department is charged. The Administrative Services Division provides financial, purchasing, budget and personnel-related services for its parent agency, the General Services Department.

Transportation Services Division

State Transportation Pool (Major Fund 36500, non-reverting, Chapter 15, Article 8, NMSA 1978) provides transportation for all state agencies in the Santa Fe and Albuquerque, New Mexico areas.

Surplus Property Bureau (Fund 36000, non-reverting, Section 15-4-3 NMSA 1978) administers federal and state surplus property. The surplus property is sold to qualified organizations at a discounted fee prescribed by the United States General Services Administration.

State Aircraft Pool (Fund 41700, non-reverting, Aviation Services Fund, Section 15-9-4.1 NMSA 1978) provides transportation services via the State aircraft to all governmental entities.

Communications Division

State Printing (Fund 80600, non-reverting) is responsible for all large printing work for the State Government agencies.

Risk Management Division

Public Liability (Major Fund 35700, non-reverting, Section 15-7-2 NMSA 1978) provides for liability insurance for State agencies and their employees and for any local public body participating in this fund and pays claims and judgments against governmental entities or their employees covered by a certificate of coverage. Financing is provided through collections and transfers from governmental entities and interest on invested funds. This is a major fund.

Workers' Compensation Retention (Major Fund 35900, non-reverting, Section 15-7-6 NMSA 1978) accounts for the purchase and administration of workers' compensation insurance and provides appropriate reserves for workers' compensation coverage for employees of the State agencies. Financing is provided through the collection and transfer of funds from State agencies for workers' compensation, and from interest earned on investments.

Group Insurance Premium Stabilization (Major Fund 75200, non-reverting, Section 15-7-2C NMSA 1978) is used to account for premiums collected under the Consolidated Omnibus Budget Reconciliation Act (COBRA) from former employees of the Department who have elected to continue their health insurance coverage with the Department's carrier, and for retiree participation in the group insurance plans.

State of New Mexico General Services Department
Enterprise Funds Descriptions (Continued)
Year Ended June 30, 2017

This fund is also used to account for money appropriated, employers' contributions, employees' contributions, insurance proceeds and other income from group life, vision care, dental care, health and disability insurance plans.

Risk Management Operating Account (Fund 35200, non-reverting) serves as an enterprise fund to the other Risk Funds within the Risk Management Division. The Operating Account assesses an administrative fee to the Risk Funds and is reflected in income. The Risk Funds report the assessment as part of expenses within each Risk Fund.

State Unemployment Compensation Reserve (Major Fund 35300, non-reverting, Section 15- 7-2 NMSA 1978) accounts for the administration of all contributions collected and payments made to beneficiaries pursuant to the Unemployment Compensation Law. The fund is self-insured and financing is provided through billings to State government agencies and interest on invested funds.

Local Public Body (LPB) Unemployment Compensation (Fund 35400, non-reverting, Section 15-7-2 NMSA 1978) accounts for the administration of unemployment compensation benefits paid to public employees of local public bodies of the State of New Mexico who have agreed to participate in the fund activity. Financing is provided through assessments made to local public bodies pursuant to the rate schedule prescribed by the Risk Management Division and interest on invested funds.

Surety Bond (Fund 35800, non-reverting, Section 15-7-2 NMSA 1978) accounts for surety bond coverage of all or any portion of the surety bond risk of State agencies covered by a surety bond certificate of coverage issued by the Department. Financing is provided through the collection or transfer of funds from each State agency to cover costs of coverage of employees of that agency, and from interest earned on investments.

Public Property Reserve (Fund 35600, non-reverting, Section 15-7-2 NMSA 1978) accounts for the purchase and administration of property insurance and the payment of any claim covered by a certificate of coverage, used by the Risk Management Division. Financing is provided through assessments to State agencies. Interest on invested funds is retained in the State of New Mexico General Fund.

Rates of the Risk Management Division are based upon the costs of insurance coverage purchased from third-party carriers or the direct cost of coverage for any risk not insured. Rates are also weighted to reflect the respective risk of each agency.

State of New Mexico General Services Department
Combining Statement of Net Position –
Non-Major Enterprise Funds
June 30, 2017

	19700	36000	36500	41700	80600	35200	35300	35400	35800	
	Administrative	Surplus	State	State	State	Risk	State	LPB		
	Services	Property	Transportation	Aircraft	State	Management	Unemployment	Unemployment	Surety	
	Division	Bureau	Pool	Pool	Printing	Operating	Compensation	Compensation	Bond	Total
	Account	Reserve								
ASSETS										
Current Assets										
Investment in State General Fund Investment Poo	\$ 653,880	\$ 287,586	\$ 215,046	\$ 91,493	\$ 197,487	\$ 2,852,431	\$ 7,788,767	\$ 6,584,104	\$ 501,535	\$ 19,172,329
Receivables:										
Interest receivable	-	-	-	-	-	-	-	-	-	-
Accounts/trade receivables	7,037	26,144	658,715	20,903	91,759	499	2,562,642	167,686	247,959	3,783,344
Allowance for doubtful accounts	-	(5,849)	(71,827)	(1,974)	(41,938)	-	(2,562,642)	(167,686)	(247,959)	(3,099,875)
Inventories	3,570	-	-	-	-	-	-	-	-	3,570
Total current assets	664,487	307,881	801,934	110,422	247,308	2,852,930	7,788,767	6,584,104	501,535	19,859,368
Non-Current Assets										
Capital assets	433,618	144,329	23,071,216	2,477,372	1,478,033	48,152	-	-	-	27,652,720
Accumulated depreciation	(381,114)	(124,221)	(19,805,747)	(856,719)	(1,415,599)	(31,827)	-	-	-	(22,615,227)
Total non-current assets	52,504	20,108	3,265,469	1,620,653	62,434	16,325	-	-	-	5,037,493
Total assets	716,991	327,989	4,067,403	1,731,075	309,742	\$ 2,869,255	\$ 7,788,767	\$ 6,584,104	\$ 501,535	24,896,861

State of New Mexico General Services Department
Combining Statement of Net Position –
Non-Major Enterprise Funds (Continued)
June 30, 2017

	19700	36000	36500	41700	80600	35200 Risk Management	35300 State Unemployment Compensation	35400 LPB Unemployment Compensation	35800 Surety Bond	Total
	Administrative Services Division	Surplus Property Bureau	State Transportation Pool	State Aircraft Pool	State Printing	Operating Account	Reserve			
LIABILITIES AND NET ASSETS										
Liabilities										
Current Liabilities										
Claims payable	\$ -	\$ -		\$ -	\$ -	\$ -	\$ 4,345,703	\$ 956,055	\$ 1,715	\$ 5,303,473
Accounts payable	152,262	7,179	332,004	50,634	104,347	14,360	969,498	286,838	-	1,917,122
Accrued payroll	118,985	17,065	46,699	10,309	18,719	105,849	-	-	-	317,626
Due to other agencies	-	-	-	-	303	-	-	-	-	303
Compensated absences	119,760	17,307	62,838	18,175	19,631	110,020	-	-	-	347,731
Total current liabilities	391,007	41,551	441,541	79,118	143,000	230,229	5,315,201	1,242,893	1,715	7,886,255
Long-Term Liabilities										
Claims payable	-	-		-	-	-	-	-	1,214	1,214
Compensated absences	501	-	1,361	7,657	-	-	-	-	-	9,519
Total long-term liabilities	501	-	1,361	7,657	-	-	-	-	1,214	10,733
Total liabilities	391,508	41,551	442,902	86,775	143,000	230,229	5,315,201	1,242,893	2,929	7,896,988
Net Position										
Investment in capital assets	52,504	20,108	-	1,620,653	62,434	16,325	-	-	-	1,772,024
Unrestricted	272,979	266,330	3,624,501	23,647	104,308	2,622,701	2,473,566	5,341,211	498,606	15,227,849
Total net position	325,483	286,438	3,624,501	1,644,300	166,742	2,639,026	2,473,566	5,341,211	498,606	16,999,873
Total liabilities and net position	\$ 716,991	\$ 327,989	\$ 4,067,403	\$ 1,731,075	\$ 309,742	\$ 2,869,255	\$ 7,788,767	\$ 6,584,104	\$ 501,535	\$ 24,896,861

**State of New Mexico General Services Department
Combining Statement of Revenues, Expenses, and Changes
In Net Position – Non Major Enterprise Funds
Year Ended June 30, 2017**

	19700	36000	36500	41700	80600	35200	35300	35400	35800	
	Administrative	Surplus	State	State		Risk	State	LPB		
	Services	Property	Transportation	Aircraft	State	Management	Unemployment	Unemployment	Surety	Total
	Division	Bureau	Pool	Pool	Printing	Operating	Compensation	Compensation	Bond	
						Account	Reserve			
OPERATING REVENUE										
Service Fees/Premiums	\$ -	695,584	7,281,948	54,053	\$ 1,649,956	\$ -	\$ 6,228,852	\$ 1,536,811	\$ 11,861	\$ 17,459,065
Interest income	-	-	-	-	-	-	54,402	34,988	2,646	92,036
Other Miscellaneous revenue	12,794	48,820	127,221	18,094	11,164	-	312,175	68,678	1,954	600,900
Total operating revenues	12,794	744,404	7,409,169	72,147	1,661,120	-	6,595,429	1,640,477	16,461	18,152,001
OPERATING EXPENSES										
Program Support	3,668,100	-	-	-	-	-	-	-	-	3,668,100
State printing and graphics	-	-	-	-	1,268,580	-	-	-	-	1,268,580
Risk management operating	-	-	-	-	-	4,094,585	-	-	-	4,094,585
Transportation services	-	708,060	6,413,663	536,116	-	-	-	-	-	7,657,839
Risk management	-	-	-	-	-	-	5,369,786	1,129,228	11,862	6,510,876
Depreciation	37,356	4,108	942,672	98,720	24,122	8,518	-	-	-	1,115,496
Total operating expenses	3,705,456	712,168	7,356,335	634,836	1,292,702	4,103,103	5,369,786	1,129,228	11,862	24,315,476
OPERATING INCOME/(LOSS)	(3,692,662)	32,236	52,834	(562,689)	368,418	(4,103,103)	1,225,643	511,249	4,599	(6,163,475)
NON-OPERATING REVENUES (EXPENSES)										
General appropriations	-	-	-	544,300	-	-	-	-	-	544,300
Transfers:										
Intra-Agency transfers	3,761,000	(16,450)	(193,350)	(5,800)	(50,100)	5,211,500	(963,700)	(48,200)	-	7,694,900
Other state agency transfers	-	(189,252)	(1,385,749)	(425,000)	-	-	(8,750,000)	-	-	(10,750,001)
Total non-operating revenues (expenses)	3,761,000	(205,702)	(1,579,099)	113,500	(50,100)	5,211,500	(9,713,700)	(48,200)	-	(2,510,801)
CHANGE IN NET POSITION	68,338	(173,466)	(1,526,265)	(449,189)	318,318	1,108,397	(8,488,057)	463,049	4,599	(8,674,276)
NET POSITION (DEFICIT), beginning	257,145	459,904	5,150,766	2,093,489	(151,576)	1,530,629	10,961,623	4,878,162	494,007	25,674,149
NET POSITION (DEFICIT), ending	\$ 325,483	\$ 286,438	\$ 3,624,501	\$ 1,644,300	\$ 166,742	\$ 2,639,026	\$ 2,473,566	\$ 5,341,211	\$ 498,606	\$ 16,999,873

State of New Mexico General Services Department
Combining Statement of Cash Flows – Non Major Enterprise Funds
Year Ended June 30, 2017

	19700	36000	36500	41700	80600	35200 Risk Management	35300 State Unemployment	35400	35800	
	Administrative Services Division	Surplus Property Bureau	State Transportation Pool	State Aircraft Pool	State Printing	Operating Account	Compensation Reserve	LPB Unemployment Compensation	Surety Bond	Total
OPERATING ACTIVITIES										
Premiums/service fees received	\$ 12,794	\$ 744,404	\$ 7,409,169	\$ 72,147	\$ 1,661,120	\$ -	\$ 6,541,027	\$ 1,605,489	\$ 13,815	\$ 18,059,965
Other income	-	-	-	-	-	-	54,402	34,988	2,646	92,036
Cash paid to suppliers	(896,203)	(135,394)	(5,098,846)	(200,448)	(832,091)	(400,274)	(11,295,070)	(1,167,887)	(8,540)	(20,034,753)
Cash paid to Employees	(2,743,490)	(599,288)	(1,451,202)	(291,875)	(424,703)	(3,715,654)	-	-	-	(9,226,212)
Net cash provided (used) by operating activities	(3,626,899)	9,722	859,121	(420,176)	404,326	(4,115,928)	(4,699,641)	472,590	7,921	(11,108,964)
NON-CAPITAL FINANCING ACTIVITIES										
Appropriation from/reversion to State General Fund	-	-	-	544,300	(156,739)	-	-	-	-	387,561
Transfers	3,761,000	(205,702)	(1,579,099)	(430,800)	(50,100)	5,211,500	(9,713,700)	(48,200)	-	(3,055,101)
Net cash provided (used) by Non-capital financing activities	3,761,000	(205,702)	(1,579,099)	113,500	(206,839)	5,211,500	(9,713,700)	(48,200)	-	(2,667,540)
NET INCREASE (DECREASE) IN CASH	134,101	(195,980)	(719,978)	(306,676)	197,487	1,095,572	(14,413,341)	424,390	7,921	(13,776,504)
CASH, beginning of year	519,779	483,566	935,024	398,169		1,756,859	22,202,108	6,159,714	493,614	32,948,833
CASH, end of year	\$ 653,880	\$ 287,586	\$ 215,046	\$ 91,493	\$ 197,487	\$ 2,852,431	\$ 7,788,767	\$ 6,584,104	\$ 501,535	\$ 19,172,329

State of New Mexico General Services Department
Combining Statement of Cash Flows – Non Major Enterprise Funds (Continued)
Year Ended June 30, 2017

	19700	36000	36500	41700	80600	35200	35300	35400	35800	
	Administrative	Surplus	State	State		Risk	State	LPB		
	Services	Property	Transportation	Aircraft	State	Management	Unemployment	Unemployment	Surety	Total
	Division	Bureau	Pool	Pool	Printing	Operating	Compensation	Compensation	Bond	
						Account	Reserve			
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FROM OPERATING ACTIVITIES										
Operating income (loss)	\$ (3,692,662)	\$ 32,236	\$ 52,834	\$ (562,689)	\$ 368,418	\$ (4,103,103)	\$ 1,225,643	\$ 511,249	\$ 4,599	\$ (6,163,475)
Adjustments										
Depreciation	37,356	4,108	942,672	98,720	24,122	8,518	-	-	-	1,115,496
Changes in assets and liabilities										
Accounts receivable and due from other agencies and funds	195	(13,352)	(28,768)	(468)	34,751	(499)	-	-	5,276	(2,865)
Other assets	2,803	-	40	-	-	-	-	-	-	2,843
Claims payable	-	-	-	-	-	-	(312,175)	(68,678)	(1,954)	(382,807)
Accounts payable and due to other agencies and funds	16,223	5,039	(112,118)	45,604	(27,562)	(15,039)	(5,613,109)	30,019	-	(5,670,943)
Accrued expenses	17,041	(3,323)	2,881	1,030	2,554	(8,654)	-	-	-	11,529
Accrued compensated absences	(7,855)	(14,986)	1,580	(2,373)	2,043	2,849	-	-	-	(18,742)
Net cash provided (used) by operating activities	<u>\$ (3,626,899)</u>	<u>\$ 9,722</u>	<u>\$ 859,121</u>	<u>\$ (420,176)</u>	<u>\$ 404,326</u>	<u>\$ (4,115,928)</u>	<u>\$ (4,699,641)</u>	<u>\$ 472,590</u>	<u>\$ 7,921</u>	<u>\$ (11,108,964)</u>

State of New Mexico General Services Department

Fiduciary Funds Description

Year Ended June 30, 2017

Purchasing Division

The Bond Securities (Fund 75100) is used to account for bid securities of contractors bidding on construction projects who elect to remit cash directly to State Purchasing instead of obtaining bonding from a surety company.

Risk Management Division

The Insurance Carrier Premiums (Fund 56100) was established in fiscal year 2001 to hold both the employer's and employee's share of vision, long-term care and life insurance premiums until they are remitted to the Davis Vision and Prudential insurance companies. The premiums are collected from state agencies, participating local public bodies and their employees.

Administrative Services Division

Governor's Residence Preservation Fund (Fund 11490) was established in fiscal year 2013 to account for gifts, donations, and bequests of money to the Governor's Residence Advisory Commission (the Commission), as well as appropriations made to the Commission. Earnings from the investment of the fund shall be credited to the fund. Expenditure of the fund shall be only for the purpose for which the Commission was created and shall be paid to the Commission upon vouchers signed by the chairman of the Commission and warrants issued by the Secretary of Finance and Administration.

**State of New Mexico General Services Department
Combining Statement of Fiduciary Assets and
Liabilities – Agency Funds
June 30, 2017**

	<u>75100</u>	<u>56100</u>	<u>11490</u>	
	Bond	Insurance	Government	
	Securities	Carrier	Residence	
		Premiums	Preservation	Total
ASSETS				
Investment in State General Fund Investment Pool	\$ 150	2,541,092	19,211	\$ 2,560,453
Total assets	<u>\$ 150</u>	<u>\$ 2,541,092</u>	<u>\$ 19,211</u>	<u>\$ 2,560,453</u>
LIABILITIES				
Accounts payable	\$ -	-	260	\$ 260
Deposits held for others	150	2,541,092	18,951	2,560,193
Total liabilities	<u>\$ 150</u>	<u>\$ 2,541,092</u>	<u>\$ 19,211</u>	<u>\$ 2,560,453</u>

Other Supplementary Information

**State of New Mexico General Services Department
Schedules of Changes in Assets and
Liabilities – Agency Funds
Year Ended June 30, 2017**

75100 Bond Securities	Balance as of <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>June 30, 2017</u>
ASSETS				
Investment in the State General Fund Investment Pool	\$ 150	\$ -	\$ -	\$ 150
Total assets	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>
LIABILITIES				
Deposits held in custody for others	\$ 150	\$ -	\$ -	\$ 150
Total liabilities	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>
 56100 Insurance Carrier Premiums				
ASSETS				
Investment in the State General Fund Investment Pool	\$ 1,561,878	\$ 1,535,588	\$ (556,374)	\$ 2,541,092
Due from other funds	-	555,234	(555,234)	-
Total assets	<u>\$ 1,561,878</u>	<u>\$ 2,090,822</u>	<u>\$ (1,111,608)</u>	<u>\$ 2,541,092</u>
LIABILITIES				
Deposits held in custody for others	\$ 1,561,878	\$ 2,008,338	\$ (1,029,124)	\$ 2,541,092
Total liabilities	<u>\$ 1,561,878</u>	<u>\$ 2,008,338</u>	<u>\$ (1,029,124)</u>	<u>\$ 2,541,092</u>

State of New Mexico General Services Department
Schedules of Changes in Assets and
Liabilities – Agency Funds (Continued)
Year Ended June 30, 2017

11490 Gov Residence Preservation	Balance as of June 30, 2016	Additions	Deletions	Balance as of June 30, 2017
ASSETS				
Investment in the State General Fund Investment Pool	\$ 8,527	\$ 23,079	\$ (12,395)	\$ 19,211
Total assets	<u>\$ 8,527</u>	<u>\$ 23,079</u>	<u>\$ (12,395)</u>	<u>\$ 19,211</u>
LIABILITIES				
Accounts payable	\$ -	\$ 13,919	\$ (13,659)	\$ 260
Deposits held in custody for others	8,527	24,079	(13,655)	18,951
Total liabilities	<u>\$ 8,527</u>	<u>\$ 37,998</u>	<u>\$ (27,314)</u>	<u>\$ 19,211</u>
Total All Agency Funds				
ASSETS				
Investment in the State General Fund Investment Pool	\$ 1,570,555	\$ 1,558,667	\$ (568,769)	\$ 2,560,453
Due from other funds	-	555,234	(555,234)	-
Total assets	<u>\$ 1,570,555</u>	<u>\$ 2,113,901</u>	<u>\$ (1,124,003)</u>	<u>\$ 2,560,453</u>
LIABILITIES				
Accounts payable	\$ -	\$ 13,919	\$ (13,659)	\$ 260
Deposits held in custody for others	1,570,555	2,032,417	(1,042,779)	2,560,193
Total liabilities	<u>\$ 1,570,555</u>	<u>\$ 2,046,336</u>	<u>\$ (1,056,438)</u>	<u>\$ 2,560,453</u>

Report of Independent Auditors 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*

Mr. Ed Burckle, Secretary
State of New Mexico General Services Department
and
Mr. Timothy Keller
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, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund of the State of New Mexico General Services Department (the Department), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described as 2017-001 in the accompanying schedule of findings and responses, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2017-002.

General Services Department's Response to Findings

The Department's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Mess Adams LLP

Albuquerque, New Mexico
November 1, 2017

State of New Mexico General Services Department
Schedule of Findings and Responses
Year Ended June 30, 2017

2017-001 (Originally Finding 2013-001) Land Reconciliation and Restatement (Material Weakness) Repeated and Modified

Condition: During our testwork over capital assets, we found inconsistencies between the records being stored in AIM compared to SunSystems. On occasion an asset had been identified in AIM with evidence of ownership, and with no valuation recorded. The corresponding record was not reflected in SunSystems. At June 30, 2017, the dollar value of the reconciliation remains unknown, but it is potentially material to the financial statements.

Further, when all land locations are considered in comparison to the plots of land that all buildings are located at, there is not a full accounting of the land asset. It is unclear if the value of the land was combined with buildings or is unaccounted for.

Additionally, we noted some Construction in Process projects that were not being placed into service timely in 2017.

Management's Progress for Repeat Finding 2016-001 (Originally Finding 2013-001): The Department and its Facilities Management Division (FMD) identified the properties (34 parcels in six different counties) for which no historic value was maintained in the records of all land holdings. The effort to obtain historic values was incorporated into an overall plan to comply with several statutory requirements for obtaining current facility condition assessment information and to assist all agencies with developing and administering master planning guidelines. The aforementioned 34 parcels of land described in the prior year finding and above, were researched by ASD and FMD, which ultimately resulted in a final population of 198 individuals, uniquely identified land parcels and land improvement assets. The land improvement classification was added in the current period as a result of the research effort. 153 unique land records were entered into SunSystems, as where 45 unique land improvement records with depreciation calculated as well. The population entered into SunSystems appeared to be materially accurate and complete and resulted in a \$21,719,907 impact to beginning net position

Criteria: The Manual of Model Accounting Practices section FIN 6.4, Recording and Reporting Capital Assets, states that Agencies shall record and report state owned capital assets in accordance with state law, state rule, and Generally Accepted Accounting Principles. Capital assets shall be recorded at the time of acquisition at cost (including ancillary costs) as determined by the amount paid for purchased assets, at cost of construction for constructed assets, or at estimated fair market value for donated capital assets.

Further, sound internal control over managing construction in progress should ensure projects are placed into service in a timely manner to calculate depreciation expense accurately.

Cause: Lack of historical communication between the Financial Division of the Department and the Property Control Division regarding land values when acquired, in addition to a lack of historical documents for various properties that indicate the incremental value of land such as water rights, mineral rights, legal definitions and historical costs that comprise the total land value.

State of New Mexico General Services Department

Schedule of Findings and Responses

Year Ended June 30, 2017

2017-001 (Originally Finding 2013-001) Land Reconciliation and Restatement (Material Weakness) Repeated and Modified (continued)

Additionally, the personnel resources available to NMGSD throughout the year were limited in regards to the time and effort required to perform a full analysis of the completeness and accuracy of all capital assets. Significant improvements were made; however, the amount of asset records represent a high volume of data. ASD was focused on a specific set of land parcels to accurately record in SunSystems. However, FMD has incomplete records reflected in AIM that need to be researched and a system to system comparison was not performed.

Regarding the Construction in Progress control cycle, we noted projects being tracked within AIM that were not placed into service in a timely manner. An additional expenditure, through the initiation of a voucher or purchase order, would cause some projects to remain 'open', regardless of the true status of the project. Often times, there are additional costs for inspections or legal costs, that are associated with the project, however these should not delay the asset being placed into service.

Effect: Capital asset balances in the Department's financial statements could be misstated.

Recommendation: We recommend the Department continue to perform a thorough reconciliation of their land capital assets to identify all properties it owns, as well as the appropriate historical value of the respective land properties. NMGSD should design expanded procedures tailored to address a comparison between the SunSystems capital asset module and the AIM capital asset module using an analysis that can be performed electronically using unique identifiers relied upon by both systems. Further procedures should include an analysis of building locations and the plot of land specific to that location to determine who owns the land and if there is a historical record to support valuation.

Regarding the control cycle over construction in progress projects, we recommend that procedures should be designed to specifically assist FMD and ASD personnel in defining when a project is considered closed.

Management Response: SunSystems is the official fixed asset management system relied upon by the General Services Department and its Administrative Services Division to record and maintain information relating to all department fixed assets and to have depreciation calculated, which is then entered into SHARE FIN. The AiM application put into service by the Facilities Management Division beginning in FY14 had been designed as a project management application to be used to monitor project work from inception to completion. It was never intended to be used as the book of record for asset values and depreciation. Nevertheless, GSD understands that in the course of the FY17 audit, comparisons between the two applications were attempted as a method to establish complete and accurate records, values, and associated depreciation.

**State of New Mexico General Services Department
Schedule of Findings and Responses
Year Ended June 30, 2017**

**2017-001 (Originally Finding 2013-001) Land Reconciliation and Restatement (Material Weakness)
Repeated and Modified (continued)**

As staffing resources become available, depending on appropriations and other funding sources, FMD will endeavor to ensure that all records in AiM are correct and complete. ASD will then endeavor to ensure that all records in SunSystems correlate to the AiM records so that comparisons in subsequent years can be facilitated. Again, because AiM is not the official fixed asset management system, the effort to bring that system into compliance with SunSystems will be completed as time and resources can be applied.

All land parcels not specifically owned by GSD/FMD have been identified in AiM, Now FMD staff will undertake the task of developing a project plan to ensure that all land parcels associated with buildings for which FMD has been responsible for constructing will be separately identified for valuation. This should be accomplished by FY18 Q3. ASD will develop a project plan to add the land values of those parcels identified by FMD to SunSystems, including associated depreciation. This should be accomplished in concert with the FMD timeline of FY18 Q3. The intent would be to accomplish the part of the task related to segregating GSD/FMD-owned land from the buildings that may have been constructed thereon, identifying initial land value separate and apart from total building asset value, including those land values in SunSystems, and calculating appropriate depreciation for inclusion in SHARE. All the activity will be planned and started by FMD staff as time permits in the current fiscal year, with the expectation that all information to be uploaded to SunSystems will be identified and formatted by the end of the next calendar year, resulting in the information's being available for comparison to AiM by calendar year end 2018.

State of New Mexico General Services Department

Schedule of Findings and Responses

Year Ended June 30, 2017

2017-002 Timely Deposits, Non-Compliance – Other Matters

Condition: During our internal control walkthrough over cash management, we noted that NMGSD did not deposit cash receipts before the close of the next business day. We noted that the check had stamped received date of August 1, 2016 and was not deposited until August 3, 2016.

Criteria: According to 6-10-3 NMSA 1978, State agencies receiving money in cash or by check, draft or otherwise for or on behalf of the State or agency are required before the close of the next succeeding business day after the receipt of the money to deliver or remit it to the State Treasurer.

Effect: NMGSD was not in compliance with New Mexico State Statutes during the year.

Cause: The NMGSD did not have appropriate controls in place to ensure timely deposits.

Recommendation: We recommend that policies and procedures be implemented to ensure that receipt of money is deposited within the statutory requirement.

Management's Response: NMGSD has developed and implemented check receipt, transmittal, and deposit procedures as recommended by POD, Inc., the business process re-engineering contractor hired by the Department to provide recommendations on financial process improvement in June 2013. In this instance, the Department's Risk Management Division (RMD) received a check that was not immediately transmitted to the Department's Administrative Services Division (ASD) for timely deposit, consistent with existing procedures. When RMD realized the check had not been forwarded to ASD for deposit in a timely way, it immediately commenced to do so. An internal procedure has already been developed and is in place within RMD to ensure that all checks received by any RMD bureau is immediately processed and transmitted to ASD for timely deposit according to NMSA 1978, §6-10-3. The problem was the procedure in place was not followed to prevent such an occurrence. Staff of RMD and ASD have been reminded of the procedure to be followed and activities will be monitored to ensure no delays in transferring checks for timely deposit will occur.

State of New Mexico General Services Department
Schedule of Prior Year Audit Findings
Year Ended June 30, 2017

2016-001 Land Reconciliation (Material Weakness) – Repeated and Modified

Condition: During testwork over capital assets in the FY13 audit, variances from the Department's internal land holding listing did not agree with either internal records or the annual audit financial statements. The Department informed it was in the process of reconciling all land assets because they identified discrepancies during their transition to their new capital asset software. These discrepancies include variances from the prior capital assets software (GEAC), the imported balances to the new software (SunSystems), the Department's internal Land Holdings Listing, and the annual audited financial statements. At June 30, 2015, the dollar value of the reconciliation remains unknown but is believed to be material to the financial statements.

2016-002 Fuel Cards (Compliance and Other Matters) – Resolved

Condition: During testwork over fuel cards, we noted 1 out of 131 vehicles in the Department's possession had two fuel cards assigned to it.

2016-003 Procurement Violation (Compliance and Other Matters) – Resolved

Condition: The Department's Facilities Management Division (FMD) procured architectural and engineering services through a series of professional services contracts. During the course of the project, it was discovered by FMD that the most recent contract for the procured services expired prior to the project's completion. The contractor had continued to provide services after the expiration date and billed FMD for approximately \$15,000.

**State of New Mexico General Services Department
Exit Conference
Year Ended June 30, 2017**

An exit conference was held on October 30, 2017, in a closed session, with the following in attendance:

State of New Mexico General Services Department:

Edward Burckle – Secretary
Zella Cay Cox – CFO and Director Administrative Services Division
Rebecca Abbo – Internal Auditor

Moss Adams LLP:

Ryan Loveland, CPA, Senior Manager
Amy Carter, CPA, Senior Manager

The basic financial statements have been prepared by Moss Adams LLP with assistance from the New Mexico General Services Department, who is responsible for their content.