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**STATE OF NEW MEXICO  
GENERAL SERVICES DEPARTMENT**

**FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**June 30, 2019**

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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State of New Mexico  
General Services Department

OFFICIAL ROSTER

June 30, 2019

**Office of the Secretary**

Ken Ortiz, Cabinet Secretary

**Division Directors**

Michael Lujan	Administrative Services Division
Anna Silva	Facilities Management Division
Mark Hayden	Purchasing Division
Clinton Nicely	Risk Management Division
James Chavez	Transportation Services Division

## INDEPENDENT AUDITORS' REPORT

Mr. Ken Ortiz, Cabinet Secretary  
State of New Mexico General Services Department  
and  
Mr. Brian Colón, State Auditor 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 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, 2019, 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.

### Auditors' 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 unmodified and qualified 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. Additionally, the dates in service for construction in process could not be determined for certain projects determined to have been completed in prior years. 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.

Management has also identified to us that loan agreements related to long-term debt, restricted cash and bond premiums initially recorded this year as a prior-period restatement are unavailable, missing or nonexistent, and the Department's underlying obligations have not been determined or substantiated. Accounting principles generally accepted in the United States of America require that long-term debt be complete and accurate based on genuine obligations of the Department to be recorded at historical cost or estimated net realizable value at the date of recognition (i.e. date of prior-period restatement) 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 matters 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, 2019, 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, the aggregate remaining fund information of the Department, and the budgetary comparisons for the General Fund as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof 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 A, 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, 2019, 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.

As discussed in Note N, the State of New Mexico, as a single employer, follows Government Accounting Standards Board (GASB) Standard No. 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2019, Comprehensive Annual Financial Report (CAFR). Accordingly,



there is no allocation of the proportional share of the net pension liability to individual agencies or to the Department's financial statements. All other required footnotes and other disclosures required by GASB are included in the State of New Mexico CAFR for June 30, 2019. Our opinion is not modified with respect to this matter.

As discussed in Note O, the State of New Mexico, as a single employer, follows GASB Standard No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions, (OPEB)* in the June 30, 2019, Comprehensive Annual Financial Report (CAFR). Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to the Department's financial statements. All other required footnotes and other disclosures required by GASB are included in the State of New Mexico CAFR for June 30, 2019. 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 14 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 presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the Supplementary Information section 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 in the Supplementary Information section 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 13, 2019, 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.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico  
November 13, 2019

State of New Mexico  
General Services Department

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

June 30, 2019

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, 2019. 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, 2019. 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 Governmental Accounting Standards Board (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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2019

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.

***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.

State of New Mexico  
General Services Department

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2019

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.

**Implementation of GASB Statement No. 88**

During fiscal year 2019, the General Services Department implemented GASB Statement No. 88, *Certain Disclosures Related to Debt*, including direct borrowings and direct placements.

**General Appropriations Act of 2018**

Laws 2018, Chapter 73, Section 8 contained appropriations for compensation increases in fiscal year 2019 as well as targeted increases for employee classifications. General fund supplemental appropriations include \$5 million to the State Fair for obligations to the General Services Department.

**Financial Analysis of the Department as a Whole**

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

	2019	2018 (as restated)	Amount Change	Total % Change
<b>ASSETS</b>				
Current assets	\$ 231,966,960	\$ 148,000,659	\$ 83,966,301	57%
Capital assets, net	666,060,391	597,469,338	68,591,053	11%
Total assets	<u>\$ 898,027,351</u>	<u>\$ 745,469,997</u>	<u>\$ 152,557,354</u>	20%
<b>LIABILITIES</b>				
Current liabilities	\$ 126,446,843	\$ 126,635,510	\$ (188,667)	0%
Long-term liabilities	226,833,690	183,682,575	43,151,115	23%
Total liabilities	<u>353,280,533</u>	<u>310,318,085</u>	<u>42,962,448</u>	14%
<b>NET POSITION</b>				
Net investment in capital assets	509,721,920	491,312,298	18,409,622	4%
Restricted	72,916,629	15,377,105	57,539,524	374%
Unrestricted (Deficit)	<u>(37,891,731)</u>	<u>(71,537,491)</u>	<u>33,645,760</u>	-47%
Total net position	<u>544,746,818</u>	<u>435,151,912</u>	<u>109,594,906</u>	25%
Total liabilities and net position	<u>\$ 898,027,351</u>	<u>\$ 745,469,997</u>	<u>\$ 152,557,354</u>	20%

State of New Mexico  
General Services Department

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2019

Net Position: Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2019 and 2018, respectively. Total Department net position for fiscal year 2019 was \$544,746,818. 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, 2019, asset balance. Such reporting is required by Governmental Accounting Standards Board (GASB) Statement 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:

Workers' Compensation Retention	\$(21,426,046)
Group Insurance Premium Stabilization	\$(50,747,850)

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 (\$37,891,731) deficit of unrestricted net position indicates insufficient resources on hand to pay claims against the state in future years.

The Department's claims reserve for risk management increased this year by approximately \$2.0 million or 1.1%. These reserves are recorded based on calculations provided by an actuary.

State of New Mexico  
General Services Department

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2019

**Table A-2  
Changes in the Department's Net Position**

	2019	2018 (as restated)	Amount Change	Total % Change
<b>REVENUES</b>				
Program Revenues				
Charges for services and premiums	\$ 6,428,783	\$ 5,218,506	\$ 1,210,277	23%
Risk management	446,037,117	424,545,381	21,491,736	5%
Total program revenues	452,465,900	429,763,887	22,702,013	5%
General revenues	139,299,490	53,062,770	86,236,720	163%
Total revenues	591,765,390	482,826,657	108,938,733	23%
<b>EXPENSES</b>				
Employee group benefits	342,573,843	362,033,668	(19,459,825)	-5%
Risk management	63,004,185	64,874,966	(1,870,781)	-3%
Transportation services	7,367,017	6,694,238	672,779	10%
State printing and graphics	1,788,892	1,492,275	296,617	20%
Facilities management	24,431,028	14,665,321	9,765,707	67%
Depreciation expense	32,505,229	31,038,711	1,466,518	5%
Program support and other	4,817,696	7,194,734	(2,377,038)	-33%
Interest expense	5,682,605	-	5,682,605	
Total expenses	482,170,495	487,993,913	(5,823,418)	-1%
Change in net position	109,594,895	(5,167,256)	114,762,151	-2221%
Net position beginning, before restatement	541,390,135	546,555,873	(5,165,738)	-1%
Prior period restatement	(106,238,212)	-	(106,238,212)	
Net position beginning, after restatement	435,151,923	440,319,179	(5,167,256)	-1%
Net position, ending	\$ 544,746,818	\$ 435,151,923	\$ 109,594,895	25%

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2019

**Changes in Net Position** – The Department's change in net position for fiscal year 2019 was an increase of \$109,594,895 (Table A-2). The change is the difference between total program revenues, general revenues and the total expenses, grouped by program code totals. The changes in the Department's net position are summarized below.

A major portion of the Department's revenues came from program revenues. Approximately 77 percent of total revenues came from service fees and insurance premiums collected from all state agencies, participating local public bodies and their employees. Only 23 percent of the Department's revenues came from general revenue appropriations, taxes and other general revenues.

**Financial Analysis of the Department's Expenses**

**Employee group benefits** expense was \$342,573,843, a decrease of five percent from the previous year. The fiscal year 19 Health Benefits ending fund balance was not sufficient to cover claims costs and will need to be addressed to meet fiscal statutory requirements. A premium increase went into effect on July 1, 2019, which should assist in reducing the shortfall in fiscal year 2020. RMD is working with a Benefits consultant to project fund needs going forward. We are requesting a total of \$31 million in supplemental appropriations. While this amount was originally believed to bring the group health benefits fund to a balance that reflects one-third of a one-month claims spend amount, nominal changes to calendar year 2020 plan design are likely to offset some of the progress towards the above-referenced one third amount. While the plan remains to reach the one-month claims spend amount over a three-year period, future year supplemental appropriation amounts may exceed a one third share to account for the calendar year 2020 plan design. The newly formed Interagency Pharmaceutical Purchasing Council (PPC) Laws of 2019, Chapter 91, Senate Bill 131, created an 11-member pharmaceutical purchasing council to be chaired by the secretary of GSD. The council is tasked with coordinating cost-containment strategies for statewide procurement of pharmaceuticals and pharmacy benefits management and is mandated to meet quarterly. The PPC is anticipated to provide guidance and cost savings to the high cost specialty drugs that burden the employee benefit plan. The Laws of 2019, Chapter 278, Senate Bill 536, includes \$100 thousand in nonrecurring and \$257 thousand in recurring appropriations to staff and support the council. Chapter 279, House Bill 548 includes \$50 thousand in recurring general fund revenue for the council as well. The number of employees that sought services at the Stay Well Health Clinic continues to increase and the popularity of services offered prompted the question whether such clinics could be built in other cities Statewide. The continuation of free lab services, physicals and vaccines have been a welcome cost savings to local government employees in the Santa Fe area. The Clinic recorded 23,569 total health center visits and a 97% patient satisfaction approval rating for fiscal year 2019. Additionally, the Employee Assistance Program (EAP) experienced a reduction in employee utilization. The cost for the administration of the program has dropped due to the reduction in counseling hours for fiscal year 2019. In fiscal year 2020 the premium increase for health benefits is five percent (5%) and the premium increase is 3% for fiscal year 2021. Plan design changes will take effect beginning January 2020 and are projected to reduce claim costs. The fees and taxes associated with Affordable Care Act compliance continue to be an issue for the Health Plan.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2019

***Risk Management Operating (RMD) and Liability Funds*** expense was \$63,004,185 in fiscal year 2019, a decrease of 3 percent from the previous year. During fiscal year 2019, RMD's Alternative Dispute Resolution Bureau (ADR) enjoyed continued success at its annual symposium. The ADR Bureau continued mediation training statewide to assist agencies, schools, and local public bodies on how to mediate personnel matters as a way to avoid litigation. In fiscal year 2019, the bureau continued in its track to certify new mediators, and train state mediators in conflict, communication, and change activities. ADR also delivered management/staff ADR orientations and training to three State agencies that requested site specific training. The ADR bureau trained 28 new ADR coordinators and the annual ADR Symposium welcomed 156 attendees. The Loss Prevention and Safety Bureau focused on losses, rate development, and insurance renewals. The Workers' Compensation Bureau (WCB) struggled with vacancies at all levels and had to reduce the number of training sessions provided for all insured entities. WCB will focus on recruitment and training of staff in fiscal year 2020 and re-double efforts to continue training sessions and emphasize how agencies can prevent claims and reduce claims exposure to pending claims by being proactive in reducing workers' compensation indemnity payments achieving "Early Return to Work" for injured workers. This results in premium reductions and cost savings for the State. The Property & Casualty Bureau continued its efforts to control defense costs associated with medical malpractice, whistleblower, and civil rights claims. The Public Property fund continues to struggle with exposure to large claims associated with aging infrastructure and catastrophic weather events. Three large loss events took place in fiscal year 2019 alone. The excess property insurance rates for policy year fiscal year 2020 rose due to the combination of increased exposure (additional high value buildings being added to the property inventory which is presently \$8.74 billion) and hardening property insurance markets adversely impacted by global catastrophes (hurricanes/wild fires, etc.). Specifically, the commercial market declined to quote for rate locks of any length, and catastrophic weather events around the country resulted in an increase to excess insurance procurement costs. Continued highly publicized jury verdicts and settlements from across the state have created an environment of increased tort exposure for all claims asserted against the public liability fund.

***Transportation Services Program*** expense was \$7,367,017, an increase of 10 percent from the previous year. In an effort to enhance customer service and ensure maximum vehicle utilization TSD will continue its efforts to manage the state fleet by transferring vehicles into the appropriate agency and location driven by agency needs, vehicle utilization and best practices. TSD will continue to explore industry standards on vehicles which in turn will result in identifying which vehicles would be most efficient while meeting the needs of our customers. This includes continuing to expand its electric fleet initiatives by acquiring more electric vehicles and establishing charging stations throughout the state. State Central Fleet continues to utilize technological tools such as GPS to enhance its operations which includes an automated vehicle inspection process and automating the waiver process. State Surplus Property (SASP) purpose is to acquire more usable and diverse property, thus creating a savings for taxpayers of anywhere

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2019

from 80 percent to 85 percent of what the customers would have paid had they bought the items new. The SASP will continue to find ways to market its property utilizing new technologies such as on-line sales. TSD has implemented a standard operating procedure for the Aviation Services Bureau which focuses on both pilot and aircraft safety. Aviation Services Bureau continues to market its services to agencies assisting them in achieving their missions. This has been realized by the State Forestry in fire suppression flights; Children's Medical Services; flights for New Mexico School for the Blind and Visually Impaired; US Senate delegation flights and various other agencies that rely on air services.

**State Printing and Graphics (SP&G) Program** expense was \$1,788,892, an increase of 20 percent from the previous year. Fund 80600 is an enterprise fund, and as such, the SP&G program relies entirely on customer revenue as a funding source. Increases in fiscal year 2019 were attributable to SP&G continuing to grow its primary business and be the first choice for state agencies that need traditional printing services, thus increasing the need for printing supplies and the costs of printing operations. With the addition of markets not generally served by SP&G in the past, SP&G expands its customer base by providing traditional printing services and related goods to local non-profits, municipalities, and city and county agencies on a cost-recovery basis. Sales results were strong. Results include revenues exceeding expenses by \$319,230 with a 31 percent increase in sales (as compared to fiscal year 2017 - prior 60 day Legislative Session).

**Facilities Management Program** expense was \$24,557,428, an increase of 67 percent from the previous year. The general fund appropriation to the Facilities Management Division (FMD) was \$178 thousand less, or 1.4 percent, below the previous year operating budget due to lower projected cost assumptions for risk coverage. Also included was an appropriation of \$692.8 thousand from the property control reserve fund to replace general fund monies lost to prior year budget cuts to maintain state-owned buildings. FMD used these funds to pay for some costs associated with property insurance premiums. Additionally, FMD received supplemental funding to address the general fund budget shortfall of unforeseen expenses resulting from the purchase of the CYFD wellness center site at the end of fiscal year 2018. The purchase resulted in unplanned fiscal year 2019 operating expenses for FMD. The CYFD wellness center site maintenance, management and utility costs must be paid for by the FMD general fund operating budget. These additional costs reduce available budget normally used for utilities, building maintenance, repairs and custodial services in Santa Fe. The CYFD wellness center site purchase and construction costs are funded by New Mexico Finance Authority state office building tax revenue bonds (laws of 2018 chapter 65).

**Capital Projects** expense was \$9,814,287 for the year. Fund 93100 Laws of 2019, Senate bill 280, legislation provided general fund for capital projects for expenditure in fiscal years 2019 through 2023. General Services Department received building bonds for the Children, Youth and Families Department (CYFD), Child Wellness Center. Chapter 65, Senate Bill 193 authorized \$20 million of state building bonds, backed by an existing gross receipts tax revenue distribution. The proceeds will fund the purchase, renovation, or construction of a building to consolidate the CYFD Albuquerque offices.

**Program Support and other** - expenses were \$4,817,696, a decrease of 14% from the previous year. The biggest change in expenses from fiscal year 2018 related to PS&EB costs. Due to the deconsolidation of HR administration resources back to the GSD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2019

**Capital Assets and Debt Management**

**Capital Assets** – The Department's net capital assets increased by \$67,371,471 in 2019 including a prior period restatement of \$(1,064,221) (see Note G). The increase is mainly due to the purchase of a facility, the Fort Bayard Medical Center in Grant County, the title to which shall be in the name of the Facilities Management Division of GSD.

**Long-term Debt** – At June 30, 2019, long-term debt consisted of the following:

**State Building Tax Refunding Revenue Bonds** – Bonds issued by the New Mexico Finance Authority (NMFA), totaled \$21,301,300 at June 30, 2018, of which \$21,196,300 is currently outstanding. The bonds issued was to provide funding to the Department for the purpose of constructing, renovating and maintaining structures. The bonds are payable from the State Building Bonding Fund for the Department.

**Public Project Revolving Fund Loan** – Bonds (loans) issued by the NMFA totaled \$111,680,000 at June 30, 2018, of which \$109,255,000 is currently outstanding. The loans were issued to design, remodel, renovate, rehabilitate or improve State Facilities under General Services Department jurisdiction. Two of the three loans PPRF-3445 and PPRF-4431 are secured by a pledge of governmental gross receipts revenue (GGRT). The third loan, PPRF-4769, was authorized under the Laws of 2008, Chapter 4, codified as Section 9-7-6.5 NMSA 1978, as amended and supplemented (the "Fort Bayard Replacement Act"), authorizes the Secretary of NMDOH to acquire by purchase, lease, lease purchase or other financing arrangement a facility in Grant County to replace Fort Bayard Medical Center, the title to which shall be in the name of the Facilities Management Division of GSD. Pursuant to occupancy agreement, NMDOH shall provide all timely payments due to debt service account paid directly to the NMFA by electronic debit to accounts in the ACH agreement, for remittance to the trustee (BOKF, DBA Bank of Albuquerque) on behalf of GSD.

**Cigarette Tax Revenue Bonds** – The New Mexico Finance Authority (NMFA) has issued its Cigarette Tax Revenue Bonds for Department of Health projects specifically authorized by law for land acquisition and the planning, designing, construction and the equipping of Department of Health facilities or improvements to such facilities, when the Secretary of the Department of Finance and Administration certifies the need for issuance of the bonds. GSD has recorded the bonds issued by the NMFA with the principal totaling \$25,379,800 at June 30, 2018, of which \$17,630,600 is currently outstanding.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2019

**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.

**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, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
<b>Current Assets</b>			
Investment in the State General Fund			
Investment Pool	\$ 76,299,698	\$ 143,333,803	\$ 219,633,501
Restricted cash	10,377,968	-	10,377,968
Due from other component units of the state	264,592	-	264,592
Due from other state agencies	945,758	-	945,758
Other cash	-	250	250
Receivables:			
Accounts/trade receivable	89	2,194,699	2,194,788
Allowance for doubtful accounts	(89)	(1,449,808)	(1,449,897)
Total current assets	<u>87,888,016</u>	<u>144,078,944</u>	<u>231,966,960</u>
<b>Non-Current Assets</b>			
Capital assets	1,174,610,989	25,559,207	1,200,170,196
Less accumulated depreciation	(554,378,882)	(20,350,544)	(574,729,426)
	620,232,107	5,208,663	625,440,770
Land	40,610,639	8,982	40,619,621
Total non-current assets	<u>660,842,746</u>	<u>5,217,645</u>	<u>666,060,391</u>
Total assets	<u>\$ 748,730,762</u>	<u>\$ 149,296,589</u>	<u>\$ 898,027,351</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

**STATEMENT OF NET POSITION – CONTINUED**

June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Due to State General Fund Investment Pool	\$ 1,136,676	\$ 2,062,240	\$ 3,198,916
Insurance claims payable	-	90,625,453	90,625,453
Accounts payable	13,183,614	12,026,440	25,210,054
Other accrued liabilities	332,771	279	333,050
Stale dated warrants	-	1,497	1,497
Receipts held in suspense	-	-	-
Unearned revenue	-	234,700	234,700
Accrued payroll	318,326	354,982	673,308
Compensated absences	285,112	401,091	686,203
Current portion of unamortized bond premiums	464,462	-	464,462
Current portion of long-term debt	5,019,200	-	5,019,200
	<u>20,740,161</u>	<u>105,706,682</u>	<u>126,446,843</u>
Total current liabilities			
<b>Long-Term Liabilities</b>			
Insurance claims payable	-	75,968,338	75,968,338
Compensated absences	1,062	9,481	10,543
Long-term debt, net of current portion	143,062,700	-	143,062,700
Unamortized bond premium, net of current portion	7,792,109	-	7,792,109
	<u>171,596,032</u>	<u>181,684,501</u>	<u>353,280,533</u>
Total liabilities			
<b>Net Position (Deficit)</b>			
Net investment in capital assets, net of debt and bond premiums	504,504,275	5,217,645	509,721,920
Restricted for capital projects and other	72,916,629	-	72,916,629
Unrestricted (Deficit)	(286,174)	(37,605,557)	(37,891,731)
	<u>577,134,730</u>	<u>(32,387,912)</u>	<u>544,746,818</u>
Total net position (deficit)			
Total liabilities and net position	<u>\$ 748,730,762</u>	<u>\$ 149,296,589</u>	<u>\$ 898,027,351</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	Net Revenue (Expenses) and Changes in Net Position		
		Charges for Services	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>					
State purchasing	\$ 1,322,179	\$ 5,917,987	\$ 4,595,808	\$ -	\$ 4,595,808
Facilities management and operating costs	24,431,028	46,334	(24,384,694)	-	(24,384,694)
Risk management	-	-	-	-	-
Interest expense	5,682,605	-	(5,682,605)	-	(5,682,605)
Amortization of bond premium	-	464,462	464,462	-	464,462
Depreciation expense	31,162,740	-	(31,162,740)	-	(31,162,740)
<b>Total governmental activities</b>	<b>62,598,552</b>	<b>6,428,783</b>	<b>(56,169,769)</b>	<b>-</b>	<b>(56,169,769)</b>
<b>Business-Type Activities</b>					
Program Support	3,495,517	8,323	-	(3,487,194)	(3,487,194)
State printing and graphics	1,788,892	2,163,220	-	374,328	374,328
Risk management operating	3,999,189	390	-	(3,998,799)	(3,998,799)
Employee group benefits	342,573,843	349,763,596	-	7,189,753	7,189,753
Transportation services	7,367,017	7,472,458	-	105,441	105,441
Risk management	59,004,996	86,629,130	-	27,624,134	27,624,134
Depreciation	1,342,489	-	-	(1,342,489)	(1,342,489)
<b>Total business-type activities</b>	<b>419,571,943</b>	<b>446,037,117</b>	<b>-</b>	<b>26,465,174</b>	<b>26,465,174</b>
<b>Total</b>	<b>\$ 482,170,495</b>	<b>\$ 452,465,900</b>	<b>(56,169,769)</b>	<b>26,465,174</b>	<b>(29,704,595)</b>
<b>General Revenues</b>					
Transfers in:					
Intra-agency transfers			2,592,886	12,037,679	14,630,565
Transfer of bond proceeds appropriations			-	-	-
General and special appropriations			70,882,484	3,024,000	73,906,484
Transfer of tax intercept proceeds			14,472,991	-	14,472,991
Other state agency transfers			31,832,514	761,834	32,594,348
Transfers from other components of the state			66,413,376	-	66,413,376
Transfers out:					
Intra-agency transfers			(3,417,958)	(11,212,607)	(14,630,565)
Other state agency transfers			(267,759)	-	(267,759)
Reversions - General Fund			(16,036)	-	(16,036)
Transfers to other components of the state			(52,542,838)	-	(52,542,838)
Interest income and investment income			767,598	3,971,326	4,738,924
<b>Total general revenues</b>			<b>130,717,258</b>	<b>8,582,232</b>	<b>139,299,490</b>
Change in net position			74,547,489	35,047,406	109,594,895
Net position (deficit), beginning before restatement			608,867,856	(67,477,721)	541,390,135
Prior period restatement			(106,280,615)	42,403	(106,238,212)
Net position (deficit) beginning, after restatement			502,587,241	(67,435,318)	435,151,923
Net position (deficit), ending			<b>\$ 577,134,730</b>	<b>\$ (32,387,912)</b>	<b>\$ 544,746,818</b>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

**BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2019

	Major Funds			Non-major Governmental Funds	Total Governmental Funds
	17400 General Fund	86300 Capital Buildings Repair Fund	93100 General Fund Capital Projects		
<b>ASSETS</b>					
Interest in the State General Fund					
Investment Pool	\$ 2,016,368	\$ 11,151,031	\$ 56,614,190	\$ 6,518,109	\$ 76,299,698
Restricted cash	10,377,968	-	-	-	10,377,968
Due from other components of the state	-	-	-	264,592	264,592
Due from other state agencies	-	-	-	945,758	945,758
Receivables:					
Other receivables	89	-	-	-	89
Allowance for doubtful accounts	(89)	-	-	-	(89)
Total assets	<u>\$ 12,394,336</u>	<u>\$ 11,151,031</u>	<u>\$ 56,614,190</u>	<u>\$ 7,728,459</u>	<u>\$ 87,888,016</u>
<b>LIABILITIES</b>					
Due to State General Fund Investment Pool	\$ -	\$ -	\$ -	\$ 1,136,676	\$ 1,136,676
Accounts payable	1,419,397	2,238,013	4,889,058	4,637,146	13,183,614
Accrued payroll	268,448	-	-	49,878	318,326
Other accrued liabilities	332,771	-	-	-	332,771
Total liabilities	<u>2,020,616</u>	<u>2,238,013</u>	<u>4,889,058</u>	<u>5,823,700</u>	<u>14,971,387</u>
<b>FUND BALANCES</b>					
Restricted	-	8,913,018	51,725,132	1,904,759	62,542,909
Committed	10,373,720	-	-	-	10,373,720
Total fund balances	<u>10,373,720</u>	<u>8,913,018</u>	<u>51,725,132</u>	<u>1,904,759</u>	<u>72,916,629</u>
Total liabilities and fund balances	<u>\$ 12,394,336</u>	<u>\$ 11,151,031</u>	<u>\$ 56,614,190</u>	<u>\$ 7,728,459</u>	<u>\$ 87,888,016</u>

The accompanying notes are an integral part of this financial statement.



State of New Mexico  
General Services Department

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

June 30, 2019

Total fund balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 72,916,629
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:	1,215,221,628
Accumulated depreciation is:	<u>(554,378,882)</u>
Total capital assets	660,842,746
Long-term debt and related unamortized bond premiums	(156,338,471)
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.	<u>(286,174)</u>
Net position of governmental activities - (Statement of Net Position)	<u>\$ 577,134,730</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

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

For the Year Ended June 30, 2019

	Major Funds				Total Governmental
	17400 General Fund	86300 Capital Buildings Repair Fund	93100 General Fund Capital Projects	Non-major Governmental Funds	
<b>REVENUES</b>					
Service fees and premiums	\$ -	\$ 3,388,864	\$ -	\$ 2,529,123	\$ 5,917,987
Other grants - interagency	-	-	-	-	-
Interest income	-	351,607	-	17,006	368,613
Other investment income	398,985	-	-	-	398,985
Other miscellaneous revenue	2,224	116	-	994	3,334
<b>Total revenues</b>	<b>401,209</b>	<b>3,740,587</b>	<b>-</b>	<b>2,547,123</b>	<b>6,688,919</b>
<b>EXPENDITURES</b>					
Current:					
Personnel	7,260,948	-	-	1,034,220	8,295,168
Contractual services	187,629	122,091	4,766,031	1,386,062	6,461,813
Other	6,226,397	2,781,329	17,991	1,989,776	11,015,493
Capital expenditures	52,293,686	10,060,410	161,630	36,559,211	99,074,937
Debt service:					
Principal	10,279,200	-	-	-	10,279,200
Interest	5,682,605	-	-	-	5,682,605
<b>Total expenditures</b>	<b>81,930,465</b>	<b>12,963,830</b>	<b>4,945,652</b>	<b>40,969,269</b>	<b>140,809,216</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(81,529,256)</b>	<b>(9,223,243)</b>	<b>(4,945,652)</b>	<b>(38,422,146)</b>	<b>(134,120,297)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in:					
Intra-agency transfers	-	-	-	1,441,171	1,441,171
General and special appropriations	14,031,700	-	56,850,784	-	70,882,484
Other state agency transfers	110,000	7,966,197	-	22,687,334	30,763,531
Transfers from other components of the state	53,873,784	-	-	12,539,592	66,413,376
Transfer of tax intercept proceeds	14,472,991	-	-	-	14,472,991
Transfer of bond proceeds appropriations	60,925,093	-	-	-	60,925,093
Transfers out:					
Intra-agency transfers	(213,700)	(320,549)	(180,000)	(997,822)	(1,712,071)
Other state agency transfers	-	(233,434)	-	-	(233,434)
Transfers to other components of the state	(52,542,838)	-	-	-	(52,542,838)
Reversions to state general fund	(16,036)	-	-	-	(16,036)
<b>Net other financing sources</b>	<b>90,640,994</b>	<b>7,412,214</b>	<b>56,670,784</b>	<b>35,670,275</b>	<b>190,394,267</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>9,111,738</b>	<b>(1,811,029)</b>	<b>51,725,132</b>	<b>(2,751,871)</b>	<b>56,273,970</b>
FUND BALANCES, beginning of year, before restatement	321,332	10,724,047	-	4,656,630	15,702,009
Prior period restatement	940,650	-	-	-	940,650
FUND BALANCES, beginning of year, after restatement	1,261,982	10,724,047	-	4,656,630	16,642,659
<b>FUND BALANCES, end of year</b>	<b>\$ 10,373,720</b>	<b>\$ 8,913,018</b>	<b>\$ 51,725,132</b>	<b>\$ 1,904,759</b>	<b>\$ 72,916,629</b>

The accompanying notes are an integral part of this financial statement.

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**

For the Year Ended June 30, 2019

Net Changes In Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$	56,273,970
Amounts reported for governmental activities in the Statement of Activities are different because:		
Proceeds from bond issuances		(60,925,093)
Debt service payments		10,279,200
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:		19,253
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	\$	99,074,937
Depreciation expense		<u>(31,162,740)</u>
Excess of capital outlay and transfers over depreciation expense		67,912,197
Intra-agency transfers out from governmental funds to enterprise funds		(521,970)
Bond premium amortization		464,462
Other		10,812
In the Statement of Activities, transfers of fixed assets to and from other state agencies and component units are recorded as other financing uses and sources, respectively. Transfers of property in the current period were:		<u>1,034,658</u>
Change in Net Position of Governmental Activities (Statement of Activities)	\$	<u>74,547,489</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

**STATEMENT OF REVENUES AND EXPENDITURES – MAJOR GOVERNMENTAL  
FUND – BUDGET AND ACTUAL**

For the Year Ended June 30, 2019

	17400 - General Fund - Total			Variance From Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Appropriations	\$ 13,029,300	\$ 13,029,300	\$ 13,029,300	\$ -
Other financing sources	110,000	110,000	110,000	-
Total revenue	<u>13,139,300</u>	<u>13,139,300</u>	<u>13,139,300</u>	<u>\$ -</u>
<b>TOTAL REVENUES, OTHER AND FINANCING SOURCES AND FUND BALANCE BUDGETED</b>	<u>\$ 13,139,300</u>	<u>\$ 13,139,300</u>		
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Personnel	\$ 7,379,200	\$ 7,261,700	7,260,948	\$ 752
Contractual services	270,800	188,052	187,629	423
Other	5,275,600	5,475,848	5,460,987	14,861
Intra-agency transfers out	200,000	213,700	213,700	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 13,125,600</u>	<u>\$ 13,139,300</u>	<u>13,123,264</u>	<u>\$ 16,036</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)</b>			<u>16,036</u>	
<b>NON-BUDGETED RECONCILING ITEMS</b>				
Reversions to state general fund			(16,036)	
Nonreverting appropriations for special projects			1,002,400	
Expenditures for special projects			(1,285,575)	
Capital outlays for debt financed purchase of real estate			(51,482,312)	
Transfer of tax intercept proceeds			14,472,991	
Transfer of bond proceeds appropriations			60,925,093	
Other state agency and components of the state transfers out			(52,542,838)	
Debt service payments			(15,961,805)	
Other state agency transfers in			110,000	
Other state agency and components of the state transfers in			<u>53,873,784</u>	
<b>NET CHANGE IN FUND BALANCE</b>			9,111,738	
<b>FUND BALANCE, beginning of year, after prior period restatement</b>			<u>1,261,982</u>	
<b>FUND BALANCE, end of year</b>			<u>\$ 10,373,720</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

**STATEMENT OF NET POSITION – ENTERPRISE FUNDS**

June 30, 2019

	35600 Public Property Reserve Fund	35700 Public Liability Fund	35900 Workers' Compensation Retention Fund	75200 Group Insurance Premium Stabilization Fund	Non-major Enterprise Funds	Total
<b>ASSETS</b>						
<b>Current Assets</b>						
Interest in the State General Fund Investment Pool	\$ 18,307,165	\$ 71,507,910	\$ 28,673,240	\$ -	\$ 24,845,488	\$ 143,333,803
Other cash	-	-	-	-	250	250
Receivables:						
Accounts/trade receivable	299	91,513	4,400	767,119	1,331,368	2,194,699
Allowance for doubtful accounts	(299)	(1,613)	(400)	(208,603)	(1,238,893)	(1,449,808)
Inventories	-	-	-	-	-	-
Total current assets	<u>18,307,165</u>	<u>71,597,810</u>	<u>28,677,240</u>	<u>558,516</u>	<u>24,938,213</u>	<u>144,078,944</u>
<b>Non-Current Assets</b>						
Capital assets	-	-	-	-	25,559,207	25,559,207
Less accumulated depreciation	-	-	-	-	(20,350,544)	(20,350,544)
	-	-	-	-	5,208,663	5,208,663
Land	-	-	-	-	8,982	8,982
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,217,645</u>	<u>5,217,645</u>
Total assets	<u>\$ 18,307,165</u>	<u>\$ 71,597,810</u>	<u>\$ 28,677,240</u>	<u>\$ 558,516</u>	<u>\$ 30,155,858</u>	<u>\$ 149,296,589</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

**STATEMENT OF NET POSITION – ENTERPRISE FUNDS – CONTINUED**

June 30, 2019

	35600	35700	35900	75200		Total
	Public Property Reserve Fund	Public Liability Fund	Workers' Compensation Retention Fund	Group Insurance Premium Stabilization Fund	Non-major Enterprise Funds	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Due to State General Fund						
Investment Pool	\$ -	\$ -	\$ -	\$ 2,044,535	\$ 17,705	\$ 2,062,240
Insurance claims payable	2,505,616	31,041,243	11,609,653	40,648,647	4,820,294	90,625,453
Accounts payable	108,708	1,751,645	254,865	8,379,157	1,532,065	12,026,440
Stale dated warrants	-	400	597	500	-	1,497
Receipts held in suspense	-	-	-	-	-	-
Unearned revenue	-	1,173	-	233,527	-	234,700
Accrued payroll	-	-	-	-	354,982	354,982
Other accrued liabilities	-	-	-	-	279	279
Compensated absences	-	-	-	-	401,091	401,091
<b>Total current liabilities</b>	<b>2,614,324</b>	<b>32,794,461</b>	<b>11,865,115</b>	<b>51,306,366</b>	<b>7,126,416</b>	<b>105,706,682</b>
<b>Long-Term Liabilities</b>						
Insurance claims payable	472,125	37,256,828	38,238,171	-	1,214	75,968,338
Compensated absences	-	-	-	-	9,481	9,481
<b>Total liabilities</b>	<b>3,086,449</b>	<b>70,051,289</b>	<b>50,103,286</b>	<b>51,306,366</b>	<b>7,137,111</b>	<b>181,684,501</b>
<b>Net Position</b>						
Invested in capital assets	-	-	-	-	5,217,645	5,217,645
Unrestricted	15,220,716	1,546,521	(21,426,046)	(50,747,850)	17,801,102	(37,605,557)
<b>Total net position (deficit)</b>	<b>15,220,716</b>	<b>1,546,521</b>	<b>(21,426,046)</b>	<b>(50,747,850)</b>	<b>23,018,747</b>	<b>(32,387,912)</b>
<b>Total liabilities and net position</b>	<b>\$ 18,307,165</b>	<b>\$ 71,597,810</b>	<b>\$ 28,677,240</b>	<b>\$ 558,516</b>	<b>\$ 30,155,858</b>	<b>\$ 149,296,589</b>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION – ENTERPRISE FUNDS**

For the Year Ended June 30, 2019

	35600 Public Property Reserve Fund	35700 Public Liability Fund	35900 Workers' Compensation Retention Fund	75200 Group Insurance Premium Stabilization Fund	Non-major Enterprise Funds	Total
<b>OPERATING REVENUES</b>						
Service fees and premiums	\$ 9,310,714	\$ 51,178,819	\$ 18,840,070	\$ 340,892,853	\$ 16,308,132	\$ 436,530,588
Interest income	510,627	2,079,979	863,767	24,525	492,428	3,971,326
Gain on sale of autos and equipment	-	-	-	-	280,597	280,597
Other miscellaneous revenue	135,215	11,809	190,842	8,870,743	17,323	9,225,932
<b>Total operating revenues</b>	<b>9,956,556</b>	<b>53,270,607</b>	<b>19,894,679</b>	<b>349,788,121</b>	<b>17,098,480</b>	<b>450,008,443</b>
<b>OPERATING EXPENSES</b>						
Program support	-	-	-	-	3,495,517	3,495,517
State printing and graphics	-	-	-	-	1,788,892	1,788,892
Risk management operating	-	-	-	-	3,999,189	3,999,189
Employee group benefits	-	-	-	342,573,843	-	342,573,843
Transportation services	-	-	-	-	7,559,724	7,559,724
Risk management	10,169,349	29,467,377	16,684,566	-	2,683,704	59,004,996
Depreciation	-	-	-	-	1,342,489	1,342,489
<b>Total operating expenses</b>	<b>10,169,349</b>	<b>29,467,377</b>	<b>16,684,566</b>	<b>342,573,843</b>	<b>20,869,515</b>	<b>419,764,650</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(212,793)</b>	<b>23,803,230</b>	<b>3,210,113</b>	<b>7,214,278</b>	<b>(3,771,035)</b>	<b>30,243,793</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
General appropriations	-	-	-	-	3,024,000	3,024,000
Transfers in:						
Intra-agency transfers	-	-	-	-	11,290,800	11,290,800
Other state agency transfers	-	-	-	-	986,743	986,743
Transfers from governmental funds	-	-	-	-	521,970	521,970
Transfers out:						
Intra-agency transfers	(1,000,000)	(2,415,800)	(2,000,000)	-	(5,604,100)	(11,019,900)
Other state agency transfers	-	-	-	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>(1,000,000)</b>	<b>(2,415,800)</b>	<b>(2,000,000)</b>	<b>-</b>	<b>10,219,413</b>	<b>4,803,613</b>
<b>CHANGE IN NET POSITION</b>	<b>(1,212,793)</b>	<b>21,387,430</b>	<b>1,210,113</b>	<b>7,214,278</b>	<b>6,448,378</b>	<b>35,047,406</b>
<b>NET POSITION (DEFICIT), beginning, before restatement</b>	<b>16,433,509</b>	<b>(19,840,909)</b>	<b>(22,636,159)</b>	<b>(57,962,128)</b>	<b>16,527,966</b>	<b>(67,477,721)</b>
Prior period restatement	-	-	-	-	42,403	42,403
<b>NET POSITION (DEFICIT), beginning, after restatement</b>	<b>16,433,509</b>	<b>(19,840,909)</b>	<b>(22,636,159)</b>	<b>(57,962,128)</b>	<b>16,570,369</b>	<b>(67,435,318)</b>
<b>NET POSITION (DEFICIT), ending</b>	<b>\$ 15,220,716</b>	<b>\$ 1,546,521</b>	<b>\$ (21,426,046)</b>	<b>\$ (50,747,850)</b>	<b>\$ 23,018,747</b>	<b>\$ (32,387,912)</b>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

**STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS**

For the Year Ended June 30, 2019

	35600 Public Property Reserve Fund	35700 Public Liability Fund	35900 Workers' Compensation Retention Fund	75200 Group Insurance Premium Stabilization Fund	Other Enterprise Funds	Total
<b>OPERATING ACTIVITIES</b>						
Premiums/service fees received	\$ 9,310,714	\$ 43,755,560	\$ 18,836,070	\$ 339,180,817	\$ 15,874,675	\$ 426,957,836
Other income	645,842	2,091,787	1,054,609	8,895,266	788,459	13,475,963
Cash paid to suppliers	(9,354,113)	(29,062,439)	(13,535,020)	(348,076,083)	(10,857,747)	(410,885,402)
Cash paid to employees	-	-	-	-	(8,924,260)	(8,924,260)
Net cash provided (used) by operating activities	<u>602,443</u>	<u>16,784,908</u>	<u>6,355,659</u>	<u>-</u>	<u>(3,118,873)</u>	<u>20,624,137</u>
<b>NON-CAPITAL AND CAPITAL FINANCING ACTIVITIES</b>						
Appropriation from/reversion to State General Fund	-	-	-	-	3,024,000	3,024,000
Transfers In (Out)	(1,000,000)	(2,415,800)	(2,000,000)	-	5,731,100	315,300
Purchases of capital assets	-	-	-	-	(180,273)	(180,273)
Proceeds from sale of capital assets	-	-	-	-	146,733	146,733
Net cash provided (used) by Non-capital financing activities	<u>(1,000,000)</u>	<u>(2,415,800)</u>	<u>(2,000,000)</u>	<u>-</u>	<u>8,721,560</u>	<u>3,305,760</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(397,557)</b>	<b>14,369,108</b>	<b>4,355,659</b>	<b>-</b>	<b>5,602,687</b>	<b>23,929,897</b>
Interest in State General Fund Investment Pool and other cash, beginning of year	<u>18,704,722</u>	<u>57,138,802</u>	<u>24,317,581</u>	<u>-</u>	<u>19,242,801</u>	<u>119,403,906</u>
Interest in State General Fund Investment Pool and other cash, end of year	<u>\$ 18,307,165</u>	<u>\$ 71,507,910</u>	<u>\$ 28,673,240</u>	<u>\$ -</u>	<u>\$ 24,845,488</u>	<u>\$ 143,333,803</u>

The accompanying notes are an integral part of this financial statement.



State of New Mexico  
General Services Department

**STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS – CONTINUED**

For the Year Ended June 30, 2019

	35600 Public Property Reserve Fund	35700 Public Liability Fund	35900 Workers' Compensation Retention Fund	75200 Group Insurance Premium Stabilization Fund	Other Enterprise Funds	Total
<b>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FROM OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (212,793)	\$ 23,803,230	\$ 3,210,113	\$ 7,214,278	\$ (3,771,035)	\$ 30,243,793
Adjustments						
Depreciation	-	-	-	-	1,342,489	1,342,489
Changes in assets and liabilities						
Accounts receivable and due from other agencies and funds	-	(89,900)	(4,000)	444,060	(32,065)	318,095
Unearned revenue	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Claims payable	740,447	(7,158,370)	3,064,359	(2,156,099)	(401,392)	(5,911,055)
Accounts payable and due to other agencies and funds	74,789	228,775	85,187	(4,976,820)	(340,252)	(4,928,321)
Accrued expenses	-	1,173	-	(525,419)	48,558	(475,688)
Accrued compensated absences	-	-	-	-	34,824	34,824
Net cash provided (used) by operating activities	<u>\$ 602,443</u>	<u>\$ 16,784,908</u>	<u>\$ 6,355,659</u>	<u>\$ -</u>	<u>\$ (3,118,873)</u>	<u>\$ 20,624,137</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
General Services Department

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS**

June 30, 2019

ASSETS

Investment in the State General Fund Investment Pool \$ 1,956,171

Total assets \$ 1,956,171

LIABILITIES

Deposits held in custody for others \$ 1,955,824

Other 347

Total liabilities \$ 1,956,171

The accompanying notes are an integral part of this financial statement.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

**NOTE A – DEFINITION OF 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.

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.

**Financial Reporting Entity**

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.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Department is an agency of the State of New Mexico. The financial statements and notes to the financial statements include all funds for which the Department is responsible. These financial statements only present activity related to the Department. The Department receives funding from state and federal sources and must comply with the requirements of these funding source entities. However, the Department is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In addition, there are no component units as defined in GASB Statement 14 (amended by GASBs 39 and 61) which are included in the Department's reporting entity.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

1. 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.

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.

2. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

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.

GASB Statement No. 88

During FY19, the Department adopted Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 is intended to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

For notes to financial statements related to debt, GASB 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. See Note H.

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 – 17400 – 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 is financed through the annual budget approval.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

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:

Capital Buildings Repair Fund – 86300 – 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 – 89200 – A capital projects fund used to account for the acquisition, improvement, alteration or reconstruction of long-term assets.

General Fund Capital Projects – 93100 – This fund accounts for the capital outlay appropriation the Department received during the 2019 Legislative Session. The appropriation is for \$136.4 million, including \$135.9 million from the general fund and \$0.4 million from other state funds to fund capital outlay projects statewide. A total of \$56.9 in allotments were received in May of 2019.

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

**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:

Public Property Reserve – 35600 accounts for the purchase of property insurance, payment of any claim, cost of repair, reconstruction, and replacement of property and expense incidental thereto arising from damage or destruction covered under the certificate of coverage.

Public Liability – 35700 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 – 35900 accounts for the purchase and administration of workers' compensation insurance for employees of state agencies.

Group Insurance Premium Stabilization – 75200 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.

**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. Unspent resources related to single year appropriations



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

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 unspent resources 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.

3. 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.

4. Investment in the State General Fund Investment Pool

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.

5. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

6. 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.

7. Capital Assets and Depreciation

Capital assets are stated at cost or fair value, 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.

8. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

8. Compensated Absences – Continued

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.

9. 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.

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.

10. Fund Balance

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or committed, assigned or unassigned. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. See Note R for additional information about fund balances.

**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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

10. Fund Balance – Continued

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

**Unassigned** – All amounts not included in other spendable classifications.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

11. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investments in capital assets (net of related debt), restricted and unrestricted.

GASB Pronouncement Number 46 states that net restricted 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 or grant or other requirements. The three categories of net position are net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – Cumulative resources used to acquire depreciable and non-depreciable capital assets. Net Investment in Capital Assets is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Position – Special revenue appropriations or grant requirements.

Unrestricted Net Position – are all other assets that do not meet the definition of "restricted assets" or "investments in capital assets".

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2019.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

12. Deferred Outflows/Inflows of Resources – Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2019.

13. Subsequent Events

Subsequent events have been evaluated through November 13, 2019, the date which the financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2019. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

**NOTE C – 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.

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 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.

The comprehensive cash reconciliation model which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office is now in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE C – STATE GENERAL FUND INVESTMENT POOL – CONTINUED**

The following assertions have been represented by the State Controller:

1. As of June 30, 2019, resources held in the Pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

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

**NOTE D – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL AND CASH IN AUTHORIZED BANK ACCOUNTS**

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, 2019, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool	\$218,391,755*
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\*Includes cash overdrafts of \$690,888, \$445,788, \$17,705 and \$2,044,535 in Funds 97000, 28500, 36000 and 75200, respectively, and cash balances of \$1,956,171 held in fiduciary funds.

**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 assets held in the SGFIP 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, 2019.

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE D – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL AND  
CASH IN AUTHORIZED BANK ACCOUNTS – CONTINUED**

The fair values of the investments maintained at the New Mexico State Treasurer's Office are as follows at June 30, 2019:

<u>Investment</u>	<u>Balance June 30, 2019</u>
New Mexico State Treasurer's Office General Fund Investment Pool (Primary Government) *	\$ 216,435,584
Agency Fund Total	<u>1,956,171</u>
Total	<u>\$ 218,391,755</u>

\*Includes cash overdrafts of \$690,888, \$445,788, \$17,705, and \$2,044,535 in Funds 97000, 28500, 36000, and 75200, respectively.

**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.

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE E – RESTRICTED CASH**

The Department holds bank accounts for debt service requirements, as required under bond issuances. These funds are held by the New Mexico Finance Authority. Deposits are non-interest bearing. Cash on deposit is shown at book value. Balances at commercial banks that exceed FDIC insurance limits are required by state statute to be 50% collateralized. The New Mexico Finance Authority is responsible for monitoring compliance with these collateral requirements and issues its own separate financial statements.

The Department maintains cash in an authorized bank account separate from its share in the State General Fund Investment Pool described in Note C. These cash balances are restricted and required by bond issuances. Restricted cash accounts are maintained by the NMFA under certain loan agreements and totaled \$10,377,968 at June 30, 2019.

Custodial Credit Risk – Custodian credit risk is the risk that in the event of a bank failure, the Department’s deposits may not be returned. The Department does not have a policy for custodial credit risk; however, the expense to the bank accounts for the year ended June 30, 2019 was limited with respect to custodial credit risk.

**NOTE F – DUE FROM OTHER STATE AGENCIES AND COMPONENT UNITS OF THE STATE**

Due from other state agencies as of June 30, 2019, are as follows:

<u>Due To Other State Agencies</u>	<u>Fund Number</u>	<u>Amount</u>	<u>Due From Agency/Purpose</u>	<u>Fund Number</u>	<u>Amount</u>
Department of Veterans Service	67000	\$ 945,728	To accrue Angel Fire Cemetary reimbursement	50280	\$ 945,728
Total all funds		<u>\$ 945,728</u>			<u>\$ 945,728</u>

Due from other component units of the state as of June 30, 2019, are as follows:

<u>Due from Other Component Units of the State</u>	<u>Agency Number</u>	<u>Amount</u>	<u>Due From Agency/Purpose</u>	<u>Fund Number</u>	<u>Amount</u>
New Mexico Finance Authority	38500	\$ 174,592	Administrative fee pursuant to NMSA 15-3B-10	24900	\$ 174,592
	38500	90,000	Administrative fee pursuant to NMSA 15-3B-10	28500	90,000
Total all funds		<u>\$ 264,592</u>			<u>\$ 264,592</u>

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



State of New Mexico  
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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE G – CAPITAL ASSETS AND LAND**

Governmental-Type Activities	Balance June 30, 2018	Prior-Period Restatement	Additions	Adjustments and Transfers	Deletions	Balance June 30, 2019
<b>Depreciable assets</b>						
Building and improvements	\$1,031,433,963	\$ (1,135,056) *	\$ 52,281,668	\$ 4,858,293	\$ (740,213)	\$ 1,086,698,655
Machinery and equipment	14,633,825	-	506,278	73,842	-	15,213,945
Land improvements	11,653,628	-	50,713	85,062	-	11,789,403
Total	<u>1,057,721,416</u>	<u>(1,135,056)</u>	<u>52,838,659</u>	<u>5,017,197</u>	<u>(740,213)</u>	<u>1,113,702,003</u>
<b>Non-depreciable assets:</b>						
Land	40,159,054	-	383,863	67,722	-	40,610,639
Construction in progress	19,698,364	(248,513) *	45,852,415	(4,393,280)	-	60,908,986
Total	<u>59,857,418</u>	<u>(248,513)</u>	<u>46,236,278</u>	<u>(4,325,558)</u>	<u>-</u>	<u>101,519,625</u>
<b>Accumulated depreciation</b>						
Building and improvements	(517,225,576)	319,348 *	(29,246,756)	(168,144)	740,213	(545,580,915)
Machinery and equipment	(4,854,514)	-	(1,473,398)	-	-	(6,327,912)
Land improvements	(2,027,469)	-	(442,586)	-	-	(2,470,055)
Total accumulated depreciation	<u>(524,107,559)</u>	<u>319,348</u>	<u>(31,162,740)</u>	<u>(168,144)</u>	<u>740,213</u>	<u>(554,378,882)</u>
Net total	<u>\$ 593,471,275</u>	<u>\$ (1,064,221)</u>	<u>\$ 67,912,197</u>	<u>\$ 523,495</u>	<u>\$ -</u>	<u>\$ 660,842,746</u>

Depreciation expense of \$31,162,740 reported on the Statement of Activities separately was charged to the facilities management and operating costs funds for government-type activities.

\* See Note S.

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE G – CAPITAL ASSETS AND LAND – CONTINUED**

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

Business-Type Activities	Balance June 30, 2018	Prior-Period Restatement	Additions	Transfers	Adjustments/ Deletions	Balance June 30, 2019
<b>Depreciable assets</b>						
Aircraft, autos and trucks	\$ 23,228,209	\$ 45,976 *	\$ 192,707	\$ 1,266,947	\$ (1,398,734)	\$ 23,335,105
Building and improvements	-	-	-	-	-	-
Furniture and fixtures	40,587	-	-	-	-	40,587
Machinery and equipment	1,144,644	-	18,461	-	-	1,163,105
Information technology	1,041,611	-	15,078	-	(36,279)	1,020,410
Total	25,455,051	45,976	226,246	1,266,947	(1,435,013)	25,559,207
<b>Accumulated depreciation</b>						
Aircraft, autos and trucks	(18,646,115)	-	(1,226,828)	-	1,403,391	(18,469,552)
Building and improvements	(748)	-	(360)	-	-	(1,108)
Furniture and fixtures	(31,370)	-	(1,242)	-	-	(32,612)
Machinery and equipment	(1,002,421)	-	(16,243)	-	-	(1,018,664)
Information technology	(767,069)	-	(97,817)	-	36,278	(828,608)
Total accumulated depreciation	(20,447,723)	-	(1,342,490)	-	1,439,669	(20,350,544)
<b>Non-depreciable assets</b>						
Land	8,982	-	-	-	-	8,982
Net total	\$ 5,016,310	\$ 45,976	\$ (1,116,244)	\$ 1,266,947	\$ 4,656	\$ 5,217,645

Depreciation expense of \$1,342,490 reported on the Statement of Activities separately was charged primarily to the transportation and aircraft funds for business-type activities.

\*See Note S.

**NOTE H – LONG-TERM DEBT**

At June 30, 2019, long-term debt are governmental activities that consist of loans between the Department, as obligor, and the New Mexico Finance Authority (NMFA), as obligee, which relate to NMFA's issuance of public project revolving fund bonds, the financing of which support capital assets and capital projects owned by the Department. Public project revolving fund bonds are issued (sold) by the New Mexico Finance Authority (NMFA) directly to the registered bondholders and the proceeds received by NMFA are then directly loaned (by appropriation) to the Department for the design, maintenance and purchase of various facilities owned by the Department as a component of the State of New Mexico. Long-term debt also includes unamortized bond premiums. The loans are secured by a pledge of governmental gross receipts revenue (GGRT). Any GGRT revenue distributed to the Department remaining after the payment of debt service may be used by the Department for the management of facilities.

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE H – LONG-TERM DEBT – CONTINUED**

At June 30, 2019, there was no long-term debt included within the Department's enterprise fund activities.

The Department's governmental activities loans outstanding owed to the NMFA and unamortized bond premiums consisted of the following at June 30, 2019:

Description	Loan Number	NMFA Related Bond Issuance Purpose	Maturity Date	Interest Rate	Monthly Payment	Prior-Period Restatement Balance at June 30, 2018	Principal Additions	Bond Premium Additions	Bond Premium Amortization	Principal Payments	Balance at June 30, 2019
New Mexico Finance Authority, as obligee	PPRF-2151	2008A Cigarette Tax Bonds - DOH State Laboratory, refunded with PPRF-4432 DOH6 - 2008D Cigarette Tax Bonds - NM Rehab Center	2019	4.401%	\$ -	\$ 6,500,000	\$ -	\$ -	\$ -	\$ (6,500,000)	\$ -
New Mexico Finance Authority, as obligee	PPRF-2214	2008-B NMFA PPRF Loan	2037	5.000%	45,833	5,695,000	-	-	-	(550,000)	5,145,000
New Mexico Finance Authority, as obligee	PPRF-2261	Construction Fund Parking Garage NMFA PPRF Loan	2039	1.35% - 5.500%	6,667	1,926,300	-	-	-	(80,000)	1,846,300
New Mexico Finance Authority, as obligee	PPRF-2344	Construction Fund Executive Bldg	2039	0.65% - 5.140%	2,083	825,000	-	-	-	(25,000)	800,000
New Mexico Finance Authority, as obligee	PPRF-2668	DOH- Las Vegas Meadows Hospital	2037	3.774%	9,933	8,064,800	-	-	-	(119,200)	7,945,600
New Mexico Finance Authority, as obligee	PPRF-3445	Series 2016B 2006A refunding project	2036	1.9% - 3.900%	85,000	34,565,000	-	-	-	(1,020,000)	33,545,000
New Mexico Finance Authority, as obligee	PPRF-4431	Series 2018A (2008A 2008B refunding project) State Laboratory	2036	3.15% - 4.90%	86,250	28,480,000	-	-	-	(1,035,000)	27,445,000
New Mexico Finance Authority, as obligee	PPRF-4432	Series 2018 DOH Cig Tax Refunding Bonds (State Labs)	2028	5.00%	48,333	-	5,120,000	-	-	(580,000)	4,540,000
New Mexico Finance Authority, as obligee	PPRF-4717	Bond Premium issued by NMFA related to PPRF-4432	2028	-	-	-	-	642,067	(64,207)	-	577,860
New Mexico Finance Authority, as obligee	PPRF-4717	Series 2018 C-1, Tax Exempt - CYFD Building Project	2039	3.90% - 4.90%	-	11,510,000	-	-	-	-	11,510,000
New Mexico Finance Authority, as obligee	PPRF-4717	Bond Premium issued by NMFA related to PPRF-4717	2039	-	-	1,550,940	-	-	(73,854)	-	1,477,086
New Mexico Finance Authority, as obligee	PPRF-4717	Series 2018 C-2, Taxable - CYFD Building Project	2038	2.66% - 3.99%	2,500	7,040,000	-	-	-	-	7,040,000
New Mexico Finance Authority, as obligee	PPRF-4769	Series 2018 Property Acquisition & Improvement Loan, Ft. Bayard Medical Center	2038	5%	121,538	-	48,635,000	-	-	(370,000)	48,265,000
New Mexico Finance Authority, as obligee	PPRF-4767	Bond Premium issued by NMFA related to PPRF-4767	2038	-	-	-	-	6,528,026	(326,401)	-	6,201,625
						<u>\$ 106,157,040</u>	<u>\$ 53,755,000</u>	<u>\$ 7,170,093</u>	<u>\$ (464,462)</u>	<u>\$ (10,279,200)</u>	<u>156,338,471</u>
Less current portion											<u>(5,019,200)</u>
											<u>\$ 151,319,271</u>

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE H – LONG-TERM DEBT – CONTINUED**

The Department's principal and interest requirements to retire the long-term debt obligations are as follows:

<u>Year ended June 30,</u>	<u>Loan Principal</u>	<u>Loan Interest</u>
2020	\$ 5,019,200	\$ 6,668,839
2021	5,221,283	6,424,935
2022	5,421,700	6,170,800
2023	5,632,117	5,906,087
2024	6,277,117	5,630,314
Thereafter	<u>120,503,400</u>	<u>43,906,253</u>
Total	<u>\$ 148,074,817</u>	<u>\$ 74,707,228</u>

The Department's recorded bond premiums related to the long-term debt obligations are as follows:

<u>Year ended June 30,</u>	<u>Bond Premium Amortization</u>
2020	464,462
2021	464,462
2022	464,462
2023	464,462
2024	464,462
Thereafter	<u>5,934,261</u>
Total	<u>\$ 8,256,571</u>

An event of default by either the Department or NMDOH under the Occupancy Agreement occurs and remains uncured when after the period available for cure has expired.

The Department's outstanding loans from direct borrowings related to governmental activities of \$48,265,000 is secured with collateral of the real estate acquired and pledged revenues. Pledged Revenues are the Base Payments and any other revenues payable to the Department by NMDOH as Occupancy Agreement Payments pursuant to the Occupancy Agreement.

The Department's outstanding loans from direct borrowings and direct placements from NMFA that are supported with one existing loan agreement related to governmental activities of \$48,265,000 which contains a provision that in an event the Department (lessor) or NMDOH (lessee) admits insolvency or bankruptcy or its inability to pay its debts as they

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE H – LONG-TERM DEBT – CONTINUED**

become due or is generally not paying its debts as such debts become due, the Finance Authority and the Trustee shall have the right to intervene in the proceedings prior to the expiration of such thirty (30) days to protect its interests. The Department will pledge the amounts payable by NMDOH pursuant to the Occupancy Agreement for the payment of debt service due in connection with this agreement.

The Department's outstanding loans from direct borrowings and direct placements related to governmental activities of \$48,265,000 contain a provision to prevent the issuance by the Department of Additional Parity Obligations payable from the Pledged Revenues, or to prevent the issuance of bonds or other obligations refunding all or a part of this Loan Agreement. Prior written consent of the Finance Authority must be obtained and it must be determined that:

- a) The Department is then current in all of the accumulations required to be made into the Finance Authority Debt Service Account and the Loan Agreement Reserve Account as provided herein.
- b) No default shall exist in connection with any of the covenants or requirements of this Loan Agreement.
- c) The Pledged Revenues received by or credited to the Department for the Fiscal Year or for any twelve (12) consecutive months out of the twenty-four (24) months preceding the date of the issuance of such additional Parity Obligations (the "Historic Test Period") shall have been sufficient to pay an amount representing one hundred percent (100%) of the combined maximum Aggregate Annual Debt Service Requirement coming due in any subsequent Fiscal Year on the then outstanding Parity Obligations and the Parity Obligations proposed to be issued (excluding the accumulation of any reserves therefor).

Loan Agreement Reserve Requirement means, with respect to the Loan, the amount shown as the Loan Agreement Reserve Account deposit on the Term Sheet which amount does not exceed the least of: (1) ten percent (10%) of the Loan Agreement Principal Amount; (2) one hundred twenty-five percent (125%) of the average annual principal and interest requirements under the Loan Agreement; or (3) the maximum annual principal and interest requirements under the Loan Agreement.

Additional Payment Obligations mean payments in addition to Loan Agreement Payments required by the Loan Agreement.

Loan agreements related to the \$104,606,100 prior-period restatement are unavailable, missing, or do not exist between NMFA and the Department. The bond amortization appears to relate to NMFA's bond issuances and not the Department's long-term debt. See Note S.

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE I – LEASES (ENTERPRISE FUNDS)**

**Operating leases** – Lease expenditures/expenses for the year ended June 30, 2019 totaled \$3,232,374. 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, 2019:

Years ending June 30:

2020	\$ 3,179,020
2021	3,180,844
2022	3,181,759
2023	3,181,759
2024	<u>3,181,761</u>
Total	<u>\$ 15,905,143</u>

**NOTE J – 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.

State of New Mexico  
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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE J – INSURANCE CLAIMS PAYABLE (ENTERPRISE FUNDS) – CONTINUED**

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 \$166,593,791 were reported by the Department as of June 30, 2019. 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, 2019, and the date the claims are ultimately expected to be paid.

Insurance claims payable presented are actuarial computed estimates of the costs of administering, defending and settling claims for events that had occurred as of the year end. Since these estimates are based on historical information and various statistical measures, actual amounts paid may vary significantly from the amount estimated by the fund 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, 2018	Incurred (net of Actuarial Provision)	Payments	Balance June 30, 2019	Current Amount Due
35300 State Unemployment	\$ 4,278,665	\$ 3,027,787	\$ (3,356,797)	\$ 3,949,655	\$ 3,949,655
35400 Local Public Body	941,306	1,525,260	(1,597,642)	868,924	868,924
35600 Public Property Reserve	2,237,294	6,949,423	(6,208,976)	2,977,741	2,505,616
35700 Public Liability	75,456,441	19,252,712	(26,411,082)	68,298,071	31,041,243
35800 Surety Bond	2,929	-	-	2,929	1,715
35900 Workers' Compensation	46,783,465	16,440,434	(13,376,075)	49,847,824	11,609,653
75200 Group Insurance Premium	42,804,746	325,169,608	(327,325,707)	40,648,647	40,648,647
Net total	<u>\$ 172,504,846</u>	<u>\$ 372,365,224</u>	<u>\$ (378,276,279)</u>	<u>\$ 166,593,791</u>	<u>\$ 90,625,453</u>

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE K – 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

Balance June 30, 2018	Increase	Adjustments/ (Decrease)	Balance June 30, 2019	Amounts Due Within One Year
\$ 305,427	\$ 522,029	\$ (541,282)	\$ 286,174	\$ 285,112

Business Type

Balance June 30, 2018	Increase	Adjustments/ (Decrease)	Balance June 30, 2019	Amounts Due Within One Year
\$ 375,751	\$ 575,696	\$ (540,875)	\$ 410,572	\$ 401,091



State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE L – OPERATING TRANSFERS**

Intra-agency operating transfers between funds for the year ended June 30, 2019, are as follows:

Fund Description	Fund Number	Transfer In	Transfer Out	Net
<b>Governmental Funds</b>				
General Fund	17400	\$ (115,493)	\$ 1,365,415	\$ 1,249,922
General Fund	17400		\$ 554,172	554,172
Purchasing Division Fees	28600	(8,541)	57,200	48,659
Capital Buildings Repair	86300	(398,733)	320,549	(78,184)
Laws of 2005	97000	(284,112)	23,080	(261,032)
STB Projects	89200	(344,836)	616,350	271,514
Subtotal, Major Governmental Funds		<u>(1,151,715)</u>	<u>2,936,766</u>	<u>1,785,051</u>
Administrative Cost	12500	(1,441,171)	-	(1,441,171)
Laws of 2015	24900	-	-	-
Tobacco Tax - Dept. of Health	28500	-	90,000	90,000
Capital Projects Fund-General Fund Projects	93100	-	180,000	180,000
Laws of 2015	24900	-	211,192	211,192
Subtotal, Non-major Governmental Funds		<u>(1,441,171)</u>	<u>481,192</u>	<u>(959,979)</u>
Total Governmental Funds		<u>(2,592,886)</u>	<u>3,417,958</u>	<u>825,072</u>
<b>Enterprise Funds</b>				
Public Liability	35700	-	2,415,800	2,415,800
Public Property Reserve	35600	-	1,000,000	1,000,000
Workers' Compensations Retention	35900	-	2,000,000	2,000,000
Subtotal, Major Enterprise Funds		<u>-</u>	<u>5,415,800</u>	<u>5,415,800</u>
Program Support	19700	(3,875,000)	-	(3,875,000)
Risk Management Operating	35200	(7,415,800)	3,251,500	(4,164,300)
State Unemployment Compensation	35300	-	1,000,000	1,000,000
LPB Unemployment	35400	-	1,000,000	1,000,000
State Transportation	36500	-	243,600	243,600
State Transportation	36500	(746,879)	192,707	(554,172)
Surplus Property Bureau	36000	-	30,300	30,300
State Aircraft Bureau	41700	-	23,600	23,600
State Printing	80600	-	55,100	55,100
Subtotal, Non-major Enterprise Funds		<u>(12,037,679)</u>	<u>5,796,807</u>	<u>(6,240,872)</u>
Total Enterprise Funds		<u>\$ (12,037,679)</u>	<u>\$ 11,212,607</u>	<u>\$ (825,072)</u>
Grand Total		<u>\$ (14,630,565)</u>	<u>\$ 14,630,565</u>	<u>\$ -</u>

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE L – OPERATING TRANSFERS – CONTINUED**

Transfers from (to) other component units of the state and state agencies for the year ended June 30, 2019, are as follows:

<u>Government Funds</u>								
<u>State Agency</u>	Agency Number	17400 General Fund	24900 Laws 2015	28500 Tobacco Tax: DOH Facilities	86300 Capital Buildings Buildings Repair Fund	89200 STB Projects	97000 Laws of 2005	Governmental Funds Subtotal
Legislative Council Service	11100	-	-	-	(233,434)	-	-	\$ (233,434)
State Investment Council	33700	-	-	-	7,966,197	-	-	7,966,197
DFA - FY19 Compensation Section A3	34100	110,000	-	-	-	-	-	110,000
DFA - Board of Finance Bond Funds	34103	-	-	-	-	18,592,750	-	18,592,750
New Mexico Finance Authority (net)	38500	1,330,946	12,449,592	90,000	-	-	-	13,870,538
Department of Cultural Affairs	50500	-	-	-	-	-	-	-
New Mexico Department of Health	66500	-	-	-	-	-	-	-
Department of Veterans Service	67000	-	-	-	-	-	3,898,103	3,898,103
Department of Public Safety	79000	-	196,481	-	-	-	-	196,481
Total governmental:		<u>\$ 1,440,946</u>	<u>\$ 12,646,073</u>	<u>\$ 90,000</u>	<u>\$ 7,732,763</u>	<u>\$ 18,592,750</u>	<u>\$ 3,898,103</u>	44,400,635
New Mexico Department of Health	66500							1,068,983
Department of Cultural Affairs	50500							(34,325)
Total government wide:								<u>\$ 45,435,293</u>

<u>Enterprise Funds</u>					
<u>State Agency</u>	Agency Number	19700 Admin Services Division Fund	41700 State Aircraft Pool Fund	36500 State Transportation Pool	State Total Enterprise Funds
DFA - Laws of 2019, Chapter 271, Section 7, Item 11	34100	40,000	-	-	40,000
DFA - FY19 Compensation Section A3	34100	-	4,400	-	4,400
Department of Cultural Affairs	50500	-	-	27,291	27,291
Division of Vocational Rehab	64400	-	-	-	-
Development Disabilities Planning Council	64700	-	-	55,457	55,457
NM Environment Department	66700	-	-	52,954	52,954
Regulation & Licensing Dept	42000	-	-	375,512	375,512
Professional Engineers & Surveyors Board	46400	-	-	29,621	29,621
Children, Youth & Family Dept	69000	-	-	53,153	53,153
Department of Military Affairs	70500	-	-	30,004	30,004
Department of Corrections	77000	-	-	93,442	93,442
		<u>\$ 40,000</u>	<u>\$ 4,400</u>	<u>\$ 717,434</u>	<u>\$ 761,834</u>

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE M – REVERSIONS**

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

Fund Number	Description	Year of Appropriation	Reversion
17400	General Fund	2019	\$ 16,036

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. \$16,036 is payable at June 30, 2019, and due by September 30, 2019. Transfers were recorded as a reduction in SGFIP as of June 30, 2019.

**NOTE N – PENSION PLAN – PUBLIC 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](http://www.pera.state.nm.us).

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico follows the standard for the fiscal year ending June 30, 2019.

The 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). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE N – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION –  
CONTINUED**

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.

**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, 2019, 2018 and 2017 were \$1,904,299, \$1,799,245 and \$1,863,565, 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 O – 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 health care 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.

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE O – POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED**

The 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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability 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 liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018, and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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.

**Funding Policy** – 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 not members of an enhanced retirement plan during the fiscal year ended June 30, 2019, 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. The Department's contributions to the RHCA for the years ended June 30, 2019, 2018 and 2017 were \$223,617, \$211,776, and \$219,372, 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.

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE P – 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, 2019, have been included in the actuary's determination of "claims payable."

**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 Q – NET POSITION DEFICITS**

The following funds had net position deficits at June 30, 2019:

28500	Tobacco Tax: DOH Facilities	285	\$ (878,294)
35900	Workers' Compensation Retention	359	(21,426,046)
36000	Surplus Property Bureau	360	(31,592)
75200	Group Insurance Premium Stabilization	752	(50,747,850)
89200	STB Projects Fund	892	(285,867)
97000	Laws of 2015	970	(703,782)

The Public Liability, Workers' Compensation Retention, and Group Insurance Premium Stabilization funds are Risk Management funds that include claims liabilities (see Note J, Insurance Claims Payable) based on future actuarial estimated losses from claims incurred that the affected funds would need to pay using June 30, 2019 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. The Public Liability and the State Unemployment Compensation funds are above 50 percent soundness, and the Department is working on increasing insurance premium fees to help make the Workers' Compensation Retention fund reach this level.

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE Q – NET POSITION DEFICITS – CONTINUED**

The Tobacco Tax: DOH Facilities, STB Projects and Laws of 2005 funds are capital projects funds that are currently awaiting additional appropriations to cover shortfalls. The Surplus Property Bureau fund is an enterprise fund that is temporarily in a negative position.

**NOTE R – FUND BALANCE**

In the governmental fund financial statements, fund balances are classified as of June 30, 2019:

		<u>Restricted</u>	<u>Committed</u>
17400	General Fund	\$ -	\$ 10,373,720
86300	Capitol Building Repair Fund State Building Repair	8,913,018	-
93100	General Fund Capital Projects	51,725,132	-
12500	Administrative Costs Capital Projects	1,270,393	-
28600	Purchasing Division Fees Procurement Services	1,594,931	-
28700	Public Building Repair State Building Repair	443,982	-
78500	Property Control Reserve Capital Projects	188,608	-
24900	Laws of 2015 Capital Projects	205,095	-
28500	Tobacco Tax: DOH Facilities	(878,294)	-
64100	Laws of 2006 Capital Projects	69,693	-
89200	STB Capital Projects	(285,867)	-
97000	Laws of 2015 Capital Projects	<u>(703,782)</u>	<u>-</u>
		<u>\$ 62,542,909</u>	<u>\$ 10,373,720</u>

State of New Mexico  
General Services Department

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE S – PRIOR PERIOD RESTATEMENTS**

Prior period restatements for governmental activities are as follows:

	<u>As Previously Reported June 30, 2018</u>	<u>As Restated, June 30, 2018</u>	<u>Prior Period Restatement</u>
Governmental Activities:			
<b>ASSETS</b>			
Cash in authorized bank accounts	\$ -	\$ 940,646	\$ 940,646
Capital assets	1,077,419,780	1,076,036,211	(1,383,569)
Accumulated depreciation	<u>(524,107,559)</u>	<u>(523,788,211)</u>	<u>319,348</u>
Capital assets, net	553,312,221	552,248,000	(1,064,221)
Land	<u>40,159,054</u>	<u>40,159,054</u>	<u>-</u>
Capital assets, net	<u>593,471,275</u>	<u>592,407,054</u>	<u>(1,064,221)</u>
		Adjustments to total assets:	<u>(123,575)</u>
<b>LIABILITIES</b>			
Long-term debt	-	104,606,100	104,606,100
Unamortized bond premium	<u>-</u>	<u>1,550,940</u>	<u>1,550,940</u>
		Adjustments to total liabilities:	<u>106,157,040</u>
<b>NET POSITION</b>			
Net investment in capital assets, net of debt	593,471,275	486,250,014	(107,221,261)
Restricted for capital projects	15,380,676	15,380,676	-
Unrestricted	<u>15,905</u>	<u>956,551</u>	<u>940,646</u>
Prior-period restatement	<u>\$ 608,867,856</u>	<u>\$ 502,587,241</u>	<u>\$ (106,280,615)</u>

Loans payable to NMFA totaling \$104,606,100 and related bond premiums of \$1,550,940 were recorded by the Department as directed by the Department of Finance and Administration (State Controller). Also recorded related to long-term debt were tax intercept proceeds, bond proceeds and premiums payable related to the bond issuances during the current year to service debt, etc. Formal loan agreements do not appear to exist between NMFA and the Department to support these loan balances and related debt service activity. Cash balances held in escrow related directly to these balances resulting from collection of earmarked tax proceeds totaled \$940,646. See Note H.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE S – PRIOR PERIOD RESTATEMENTS – CONTINUED**

Additionally, buildings with a gross value of \$1,135,056 and related accumulated depreciation of \$151,206 at June 30, 2018, were discovered to have been demolished in the prior year. Construction in progress assets of \$248,513 recorded in prior years were discovered to have been non-capitalizable expenditures and were recorded as a prior period restatement, and accumulated depreciation was found to have been overstated by \$168,142.

Prior period restatements for business-type activities are as follows:

Transfers of net property of \$45,976 were recorded as a prior period adjustment to fund 36500 for transfers occurring out of another agency in a prior year. Additionally, \$3,573 of inventory was written off against fund balance in fund 19700. The net prior-period restatement for business-type activities was \$42,403.

**NOTE T – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS**

GASB 84

GASB Statement No. 84, *Fiduciary Activities* (GASB 84) establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for periods beginning after December 15, 2018 (FY20). Management has not yet determined the impact of this statement.

GASB 87

GASB Statement No. 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

State of New Mexico  
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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2019

**NOTE T – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS – CONTINUED**

GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY 21), with earlier application encouraged. This statement may have some impact on the assets and liabilities of the Department.

**SUPPLEMENTARY INFORMATION**

State of New Mexico  
General Services Department

**GENERAL FUND DESCRIPTION**

June 30, 2019

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 Management Division**

State of New Mexico  
General Services Department

**COMBINING BALANCE SHEET – BY FUND TYPE –  
NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2019

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Interest in State General Fund Investment Pool	\$ 3,563,539	\$ 2,954,570	\$ 6,518,109
Due from other component units of the State	-	264,592	264,592
Due from other state agencies	-	945,758	945,758
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 3,563,539</u>	<u>\$ 4,164,920</u>	<u>\$ 7,728,459</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Due to State General Fund Investment Pool	\$ -	\$ 1,136,676	\$ 1,136,676
Accounts payable	204,355	4,432,791	4,637,146
Accrued payroll	49,878	-	49,878
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>254,233</u>	<u>5,569,467</u>	<u>5,823,700</u>
<b>Fund Balance</b>			
Restricted	<u>3,309,306</u>	<u>(1,404,547)</u>	<u>1,904,759</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>3,309,306</u>	<u>(1,404,547)</u>	<u>1,904,759</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 3,563,539</u>	<u>\$ 4,164,920</u>	<u>\$ 7,728,459</u>

State of New Mexico  
General Services Department

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BY FUND TYPE –  
NON-MAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2019

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<b>REVENUES</b>			
Service fees and premiums	\$ 2,529,123	\$ -	\$ 2,529,123
Other grants - interagency	-	-	-
Interest income	-	17,006	17,006
Other miscellaneous revenue	-	994	994
	<u>2,529,123</u>	<u>18,000</u>	<u>2,547,123</u>
<b>EXPENDITURES</b>			
Current:			
Personnel	1,034,220	-	1,034,220
Contractual services	848,544	537,518	1,386,062
Other Costs	400,449	1,589,327	1,989,776
Capital expenditures	<u>60,442</u>	<u>36,498,769</u>	<u>36,559,211</u>
	<u>2,343,655</u>	<u>38,625,614</u>	<u>40,969,269</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>185,468</u>	<u>(38,607,614)</u>	<u>(38,422,146)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in:			
Intra-Agency transfer	1,441,171	-	1,441,171
General and special appropriations	-	-	-
Reversions to State General Fund	-	-	-
Other state agency transfers	-	22,687,334	22,687,334
Other component transfers	-	12,539,592	12,539,592
Transfers out:			
Intra-Agency transfer	(57,200)	(940,622)	(997,822)
Reversions to State General Fund	-	-	-
Net other financing sources	<u>1,383,971</u>	<u>34,286,304</u>	<u>35,670,275</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,569,439	(4,321,310)	(2,751,871)
<b>FUND BALANCES, beginning of year</b>	<u>1,739,867</u>	<u>2,916,763</u>	<u>4,656,630</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 3,309,306</u>	<u>\$ (1,404,547)</u>	<u>\$ 1,904,759</u>

State of New Mexico  
General Services Department

**SPECIAL REVENUE FUNDS DESCRIPTION**

June 30, 2019

**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, 2019

	<u>12500</u> Administrative Costs Fund	<u>28600</u> Purchasing Division Fees Fund	<u>28700</u> Public Buildings Repair Fund	<u>Total</u>
<b>ASSETS</b>				
Interest in State General Fund Investment Pool	\$ 1,405,922	\$ 1,713,635	\$ 443,982	\$ 3,563,539
Total assets	<u>\$ 1,405,922</u>	<u>\$ 1,713,635</u>	<u>\$ 443,982</u>	<u>\$ 3,563,539</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 135,529	\$ 68,826	\$ -	\$ 204,355
Accrued payroll	<u>-</u>	<u>49,878</u>	<u>-</u>	<u>49,878</u>
Total liabilities	<u>135,529</u>	<u>118,704</u>	<u>-</u>	<u>254,233</u>
<b>Fund Balance</b>				
Restricted	<u>1,270,393</u>	<u>1,594,931</u>	<u>443,982</u>	<u>3,309,306</u>
Total fund balances	<u>1,270,393</u>	<u>1,594,931</u>	<u>443,982</u>	<u>3,309,306</u>
Total liabilities and fund balances	<u>\$ 1,405,922</u>	<u>\$ 1,713,635</u>	<u>\$ 443,982</u>	<u>\$ 3,563,539</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, 2019

	12500 Administrative Costs Fund	28600 Purchasing Division Fees Fund	28700 Public Buildings Repair Fund	Total
<b>REVENUES</b>				
Service fees and premiums	\$ -	\$ 2,233,319	\$ 295,804	\$ 2,529,123
Other miscellaneous revenue	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>2,233,319</b>	<b>295,804</b>	<b>2,529,123</b>
<b>EXPENDITURES</b>				
Current:				
Personnel	-	1,034,220	-	1,034,220
Contractual services	829,295	19,249	-	848,544
Other costs	103,655	296,794	-	400,449
Capital expenditures	-	60,442	-	60,442
<b>Total expenditures</b>	<b>932,950</b>	<b>1,410,705</b>	<b>-</b>	<b>2,343,655</b>
<b>(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES</b>	<b>(932,950)</b>	<b>822,614</b>	<b>295,804</b>	<b>185,468</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
Intra-agency transfer	1,441,171	-	-	1,441,171
Other state agency transfers	-	-	-	-
Transfers out:				
Intra-agency transfer	-	(57,200)	-	(57,200)
<b>Net other financing sources (uses)</b>	<b>1,441,171</b>	<b>(57,200)</b>	<b>-</b>	<b>1,383,971</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>508,221</b>	<b>765,414</b>	<b>295,804</b>	<b>1,569,439</b>
<b>FUND BALANCES, beginning of year</b>	<b>762,172</b>	<b>829,517</b>	<b>148,178</b>	<b>1,739,867</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 1,270,393</b>	<b>\$ 1,594,931</b>	<b>\$ 443,982</b>	<b>\$ 3,309,306</b>

## **CAPITAL PROJECTS FUNDS DESCRIPTIONS**

June 30, 2019

### **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 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, 2019

	78500 Property Control Reserve Fund	97000 Laws of 2005 Fund	64100 Laws of 2006 Fund	24900 Laws of 2015 Fund	89200 STB Projects Fund	28500 Tobacco Tax DOH Facilities	Total
<b>ASSETS</b>							
Interest in State General Fund Investment Pool	\$ 188,608	\$ -	\$ 69,693	\$ 199,946	\$ 2,496,323	\$ -	\$ 2,954,570
Due from other component units of the state	-	-	-	174,592	-	90,000	264,592
Due from other state agencies	-	945,758	-	-	-	-	945,758
<b>Total assets</b>	<b><u>\$ 188,608</u></b>	<b><u>\$ 945,758</u></b>	<b><u>\$ 69,693</u></b>	<b><u>\$ 374,538</u></b>	<b><u>\$ 2,496,323</u></b>	<b><u>\$ 90,000</u></b>	<b><u>\$ 4,164,920</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Due to State General Fund Investment Pool	\$ -	\$ 690,888	\$ -	\$ -	\$ -	\$ 445,788	\$ 1,136,676
Accounts payable	-	958,652	-	169,443	2,782,190	522,506	4,432,791
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>1,649,540</u></b>	<b><u>-</u></b>	<b><u>169,443</u></b>	<b><u>2,782,190</u></b>	<b><u>968,294</u></b>	<b><u>5,569,467</u></b>
<b>Fund Balance</b>							
Restricted (deficit)	188,608	(703,782)	69,693	205,095	(285,867)	(878,294)	(1,404,547)
<b>Total fund balances</b>	<b><u>188,608</u></b>	<b><u>(703,782)</u></b>	<b><u>69,693</u></b>	<b><u>205,095</u></b>	<b><u>(285,867)</u></b>	<b><u>(878,294)</u></b>	<b><u>(1,404,547)</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 188,608</u></b>	<b><u>\$ 945,758</u></b>	<b><u>\$ 69,693</u></b>	<b><u>\$ 374,538</u></b>	<b><u>\$ 2,496,323</u></b>	<b><u>\$ 90,000</u></b>	<b><u>\$ 4,164,920</u></b>

State of New Mexico  
General Services Department

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – NON-MAJOR CAPITAL PROJECTS FUNDS**

For the Year Ended June 30, 2019

	78500 Property Control Reserve Fund	97000 Laws of 2005 Fund	64100 Laws of 2006 Fund	24900 Laws of 2015 Fund	89200 STB Projects Fund	28500 Tobacco Tax DOH Facilities	Total
<b>REVENUES</b>							
Other grants - interagency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	17,006	-	-	-	-	-	17,006
Other miscellaneous revenue	-	994	-	-	-	-	994
<b>Total revenues</b>	<b>17,006</b>	<b>994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,000</b>
<b>EXPENDITURES</b>							
Current expenditures:							
Personnel	-	-	-	-	-	-	-
Contractual services	-	-	-	-	537,518	-	537,518
Other costs	692,800	79,070	-	63,080	754,377	-	1,589,327
Capital expenditures	-	4,526,333	-	14,372,848	16,721,294	878,294	36,498,769
<b>Total expenditures</b>	<b>692,800</b>	<b>4,605,403</b>	<b>-</b>	<b>14,435,928</b>	<b>18,013,189</b>	<b>878,294</b>	<b>38,625,614</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(675,794)</b>	<b>(4,604,409)</b>	<b>-</b>	<b>(14,435,928)</b>	<b>(18,013,189)</b>	<b>(878,294)</b>	<b>(38,607,614)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in:							
Intra-agency transfers	-	-	-	-	-	-	-
General and special appropriations	-	-	-	-	-	-	-
Reversions to state general fund	-	-	-	-	-	-	-
Other components of the state transfers	-	-	-	12,449,592	-	90,000	12,539,592
Other state agency transfers	-	3,898,103	-	196,481	18,592,750	-	22,687,334
Transfers out:							
Intra-agency transfers	-	(23,080)	-	(211,192)	(616,350)	(90,000)	(940,622)
Reversions to state general fund	-	-	-	-	-	-	-
<b>Net other financing sources</b>	<b>-</b>	<b>3,875,023</b>	<b>-</b>	<b>12,434,881</b>	<b>17,976,400</b>	<b>-</b>	<b>34,286,304</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(675,794)</b>	<b>(729,386)</b>	<b>-</b>	<b>(2,001,047)</b>	<b>(36,789)</b>	<b>(878,294)</b>	<b>(4,321,310)</b>
<b>FUND BALANCES, beginning of year</b>	<b>864,402</b>	<b>25,604</b>	<b>69,693</b>	<b>2,206,142</b>	<b>(249,078)</b>	<b>-</b>	<b>2,916,763</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 188,608</b>	<b>\$ (703,782)</b>	<b>\$ 69,693</b>	<b>\$ 205,095</b>	<b>\$ (285,867)</b>	<b>\$ (878,294)</b>	<b>\$ (1,404,547)</b>

State of New Mexico  
General Services Department

**ENTERPRISE FUNDS DESCRIPTIONS**

Year Ended June 30, 2019

**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** (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.

**ENTERPRISE FUNDS DESCRIPTIONS – CONTINUED**

Year Ended June 30, 2019

**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.

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** (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** (Major 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, 2019

	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	
	Division	Bureau	Pool	Pool	Printing	Operating	Compensation	Compensation	Bond	
	Fund	Fund	Fund	Fund	Fund	Account	Reserve	Fund	Fund	Total
<b>ASSETS</b>										
<b>Current Assets</b>										
Interest in State General Fund Investment Pool	\$ 1,197,935	\$ -	\$ 4,298,498	\$ 96,146	\$ 726,178	\$ 1,293,759	\$ 12,017,113	\$ 5,157,476	\$ 58,383	\$ 24,845,488
Other cash	-	250	-	-	-	-	-	-	-	250
Receivables:										
Accounts/trade receivables	220	23,624	42,754	3,147	84,245	499	752,728	177,642	246,509	1,331,368
Allowance for doubtful accounts	(220)	(5,169)	(29,033)	(1,974)	(25,119)	(499)	(752,728)	(177,642)	(246,509)	(1,238,893)
Inventories	-	-	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>1,197,935</b>	<b>18,705</b>	<b>4,312,219</b>	<b>97,319</b>	<b>785,304</b>	<b>1,293,759</b>	<b>12,017,113</b>	<b>5,157,476</b>	<b>58,383</b>	<b>24,938,213</b>
<b>Non-Current Assets</b>										
Capital assets	552,159	144,329	20,892,511	2,468,000	1,462,329	39,879	-	-	-	25,559,207
Accumulated depreciation	(329,584)	(132,437)	(17,407,048)	(1,044,787)	(1,396,809)	(39,879)	-	-	-	(20,350,544)
	222,575	11,892	3,485,463	1,423,213	65,520	-	-	-	-	5,208,663
Land	8,982	-	-	-	-	-	-	-	-	8,982
<b>Total non-current assets</b>	<b>231,557</b>	<b>11,892</b>	<b>3,485,463</b>	<b>1,423,213</b>	<b>65,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,217,645</b>
<b>Total assets</b>	<b>\$ 1,429,492</b>	<b>\$ 30,597</b>	<b>\$ 7,797,682</b>	<b>\$ 1,520,532</b>	<b>\$ 850,824</b>	<b>\$ 1,293,759</b>	<b>\$ 12,017,113</b>	<b>\$ 5,157,476</b>	<b>\$ 58,383</b>	<b>\$ 30,155,858</b>

State of New Mexico  
General Services Department

**COMBINING STATEMENT OF NET POSITION – NON-MAJOR ENTERPRISE FUNDS –  
CONTINUED**

June 30, 2019

	19700	36000	36500	41700	80600	35200	35300	35400	35800	
	Administrative	Surplus	State	State		Risk	State			
	Services	Property	Transportation	Aircraft	State	Management	Unemployment	LPB	Surety	
	Division	Bureau	Pool	Pool	Printing	Operating	Compensation	Unemployment	Bond	
	Fund	Fund	Fund	Fund	Fund	Account	Reserve	Compensation	Fund	Total
<b>LIABILITIES AND NET ASSETS</b>										
<b>Liabilities</b>										
<b>Current Liabilities</b>										
Due to State General Fund										
Investment Pool	\$ -	\$ 17,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,705
Claims payable	-	-	-	-	-	-	3,949,655	868,924	1,715	4,820,294
Accounts payable	115,076	11,917	318,824	9,830	131,288	40,501	722,126	182,503	-	1,532,065
Accrued payroll	125,113	16,885	50,021	11,406	17,583	133,974	-	-	-	354,982
Other accrued liabilities	-	-	279	-	-	-	-	-	-	279
Due to other component units of the state	-	-	-	-	-	-	-	-	-	-
Compensated absences	133,706	15,682	64,931	33,395	50,283	103,094	-	-	-	401,091
<b>Total current liabilities</b>	<b>373,895</b>	<b>62,189</b>	<b>434,055</b>	<b>54,631</b>	<b>199,154</b>	<b>277,569</b>	<b>4,671,781</b>	<b>1,051,427</b>	<b>1,715</b>	<b>7,126,416</b>
<b>Long-Term Liabilities</b>										
Claims payable	-	-	-	-	-	-	-	-	1,214	1,214
Compensated absences	4,694	-	1,180	3,607	-	-	-	-	-	9,481
<b>Total long-term liabilities</b>	<b>4,694</b>	<b>-</b>	<b>1,180</b>	<b>3,607</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,214</b>	<b>10,695</b>
<b>Total liabilities</b>	<b>378,589</b>	<b>62,189</b>	<b>435,235</b>	<b>58,238</b>	<b>199,154</b>	<b>277,569</b>	<b>4,671,781</b>	<b>1,051,427</b>	<b>2,929</b>	<b>7,137,111</b>
<b>Net Position (Deficit)</b>										
Investment in capital assets	231,557	11,892	3,485,463	1,423,213	65,520	-	-	-	-	5,217,645
Unrestricted	819,346	(43,484)	3,876,984	39,081	586,150	1,016,190	7,345,332	4,106,049	55,454	17,801,102
<b>Total net position (deficit)</b>	<b>1,050,903</b>	<b>(31,592)</b>	<b>7,362,447</b>	<b>1,462,294</b>	<b>651,670</b>	<b>1,016,190</b>	<b>7,345,332</b>	<b>4,106,049</b>	<b>55,454</b>	<b>23,018,747</b>
<b>Total liabilities and net position</b>	<b>\$ 1,429,492</b>	<b>\$ 30,597</b>	<b>\$ 7,797,682</b>	<b>\$ 1,520,532</b>	<b>\$ 850,824</b>	<b>\$ 1,293,759</b>	<b>\$ 12,017,113</b>	<b>\$ 5,157,476</b>	<b>\$ 58,383</b>	<b>\$ 30,155,858</b>



State of New Mexico  
General Services Department

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN NET POSITION – NON-MAJOR ENTERPRISE FUNDS**

Year Ended June 30, 2019

	19700	36000	36500	41700	80600	35200	35300	35400	35800	Total
	Administrative Services Division Fund	Surplus Property Bureau Fund	State Transportation Pool Fund	State Aircraft Pool Fund	State Printing Fund	Risk Management Operating Account Fund	State Unemployment Compensation Reserve Fund	LPB Unemployment Compensation Fund	Surety Bond Fund	
<b>OPERATING REVENUE</b>										
Service fees and premiums	\$ -	\$ 348,471	\$ 6,761,806	\$ 73,285	\$ 2,163,220	\$ -	\$ 5,880,422	\$ 1,080,928	\$ -	\$ 16,308,132
Interest income	-	-	-	-	-	-	301,391	189,152	1,885	492,428
Gain on sale of autos and equipment	-	143,210	137,387	-	-	-	-	-	-	280,597
Other miscellaneous revenue	8,323	1,114	7,185	-	-	390	-	-	311	17,323
<b>Total operating revenues</b>	<b>8,323</b>	<b>492,795</b>	<b>6,906,378</b>	<b>73,285</b>	<b>2,163,220</b>	<b>390</b>	<b>6,181,813</b>	<b>1,270,080</b>	<b>2,196</b>	<b>17,098,480</b>
<b>OPERATING EXPENSES</b>										
Program support	3,495,517	-	-	-	-	-	-	-	-	3,495,517
State printing and graphics	-	-	-	-	1,788,892	-	-	-	-	1,788,892
Risk management operating	-	-	-	-	-	3,999,189	-	-	-	3,999,189
Transportation services	-	623,827	6,297,547	638,350	-	-	-	-	-	7,559,724
Risk management	-	-	-	-	-	-	1,127,391	1,562,462	(6,149)	2,683,704
Depreciation	79,854	4,108	1,130,401	98,720	23,494	5,912	-	-	-	1,342,489
<b>Total operating expenses</b>	<b>3,575,371</b>	<b>627,935</b>	<b>7,427,948</b>	<b>737,070</b>	<b>1,812,386</b>	<b>4,005,101</b>	<b>1,127,391</b>	<b>1,562,462</b>	<b>(6,149)</b>	<b>20,869,515</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(3,567,048)</b>	<b>(135,140)</b>	<b>(521,570)</b>	<b>(663,785)</b>	<b>350,834</b>	<b>(4,004,711)</b>	<b>5,054,422</b>	<b>(292,382)</b>	<b>8,345</b>	<b>(3,771,035)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>										
General appropriations	-	-	2,500,000	524,000	-	-	-	-	-	3,024,000
Transfers in:										
Intra-agency transfers	3,875,000	-	-	-	-	7,415,800	-	-	-	11,290,800
Other state agency transfers	40,000	-	942,343	4,400	-	-	-	-	-	986,743
Transfers from governmental funds	-	-	521,970	-	-	-	-	-	-	521,970
Transfers out:										
Intra-agency transfers	-	(30,300)	(243,600)	(23,600)	(55,100)	(3,251,500)	(1,000,000)	(1,000,000)	-	(5,604,100)
Other state agency transfers	-	-	-	-	-	-	-	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>3,915,000</b>	<b>(30,300)</b>	<b>3,720,713</b>	<b>504,800</b>	<b>(55,100)</b>	<b>4,164,300</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>-</b>	<b>10,219,413</b>
<b>CHANGE IN NET POSITION</b>	<b>347,952</b>	<b>(165,440)</b>	<b>3,199,143</b>	<b>(158,985)</b>	<b>295,734</b>	<b>159,589</b>	<b>4,054,422</b>	<b>(1,292,382)</b>	<b>8,345</b>	<b>6,448,378</b>
<b>NET POSITION (DEFICIT), beginning, before restatement</b>	<b>706,522</b>	<b>133,848</b>	<b>4,117,330</b>	<b>1,621,279</b>	<b>355,936</b>	<b>856,601</b>	<b>3,290,910</b>	<b>5,398,431</b>	<b>47,109</b>	<b>16,527,966</b>
<b>Restatement</b>	<b>(3,571)</b>	<b>-</b>	<b>45,974</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,403</b>
<b>NET POSITION (DEFICIT), beginning, after restatement</b>	<b>702,951</b>	<b>133,848</b>	<b>4,163,304</b>	<b>1,621,279</b>	<b>355,936</b>	<b>856,601</b>	<b>3,290,910</b>	<b>5,398,431</b>	<b>47,109</b>	<b>16,570,369</b>
<b>NET POSITION (DEFICIT), ending</b>	<b>\$ 1,050,903</b>	<b>\$ (31,592)</b>	<b>\$ 7,362,447</b>	<b>\$ 1,462,294</b>	<b>\$ 651,670</b>	<b>\$ 1,016,190</b>	<b>\$ 7,345,332</b>	<b>\$ 4,106,049</b>	<b>\$ 55,454</b>	<b>\$ 23,018,747</b>

State of New Mexico  
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**COMBINING STATEMENT OF CASH FLOWS – NON-MAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2019

	19700	36000	36500	41700	80600	35200	35300	35400	35800	
	Administrative	Surplus	State	State		Risk	State			
	Services	Property	Transportation	Aircraft	State	Management	Unemployment	LPB	Surety	
	Division	Bureau	Pool	Pool	Printing	Operating	Compensation	Unemployment	Bond	Total
						Account	Reserve	Compensation	Fund	
<b>OPERATING ACTIVITIES</b>										
Premiums/service fees received	\$ -	\$ 354,972	\$ 6,753,601	\$ 72,112	\$ 2,134,033	\$ -	\$ 5,551,412	\$ 1,008,545	\$ -	\$ 15,874,675
Other income	8,320	144,324	144,569	-	-	391	301,391	189,153	311	788,459
Cash paid to suppliers	(959,831)	(113,341)	(4,963,378)	(300,478)	(1,278,252)	(429,623)	(1,252,816)	(1,566,177)	6,149	(10,857,747)
Cash paid to employees	(2,598,375)	(490,119)	(1,448,780)	(327,749)	(482,443)	(3,578,679)	-	-	1,885	(8,924,260)
Net cash provided (used) by operating activities	(3,549,886)	(104,164)	486,012	(556,115)	373,338	(4,007,911)	4,599,987	(368,479)	8,345	(3,118,873)
<b>NON-CAPITAL FINANCING ACTIVITIES</b>										
Appropriation from/reversion to State General Fund	-	-	2,500,000	524,000	-	-	-	-	-	3,024,000
Transfers	3,915,000	(30,300)	(243,600)	(19,200)	(55,100)	4,164,300	(1,000,000)	(1,000,000)	-	5,731,100
Purchases of capital assets	(15,078)	-	(165,195)	-	-	-	-	-	-	(180,273)
Proceeds on sale of capital assets	-	-	146,733	-	-	-	-	-	-	146,733
Net cash provided (used) by Non-capital financing activities	3,899,922	(30,300)	2,237,938	504,800	(55,100)	4,164,300	(1,000,000)	(1,000,000)	-	8,721,560
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>350,036</b>	<b>(134,464)</b>	<b>2,723,950</b>	<b>(51,315)</b>	<b>318,238</b>	<b>156,389</b>	<b>3,599,987</b>	<b>(1,368,479)</b>	<b>8,345</b>	<b>5,602,687</b>
State General Fund Investment Pool and other cash, beginning of year	847,899	134,464	1,574,548	147,461	407,940	1,137,370	8,417,126	6,525,955	50,038	19,242,801
State General Fund Investment Pool and other cash, end of year	\$ 1,197,935	\$ -	\$ 4,298,498	\$ 96,146	\$ 726,178	\$ 1,293,759	\$ 12,017,113	\$ 5,157,476	\$ 58,383	\$ 24,845,488

State of New Mexico  
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**COMBINING STATEMENT OF CASH FLOWS – NON-MAJOR ENTERPRISE FUNDS –  
CONTINUED**

For the Year Ended June 30, 2019

	19700	36000	36500	41700	80600	35200	35300	35400	35800	
	Administrative	Surplus	State	State		Risk	State	LPB	Surety	
	Services	Property	Transportation	Aircraft	State	Management	Unemployment	Unemployment	Bond	
	Division	Bureau	Pool	Pool	Printing	Operating	Compensation	Compensation	Fund	Total
						Account	Reserve			
<b>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FROM OPERATING ACTIVITIES</b>										
Operating income (loss)	\$ (3,567,048)	\$ (135,140)	\$ (521,570)	\$ (663,785)	\$ 350,834	\$ (4,004,711)	\$ 5,054,422	\$ (292,382)	\$ 8,345	\$ (3,771,035)
<b>Adjustments</b>										
Depreciation	79,854	4,108	1,130,401	98,720	23,494	5,912	-	-	-	1,342,489
<b>Changes in assets and liabilities</b>										
Accounts receivable and due from other agencies and funds	-	6,505	(8,209)	(1,173)	(29,188)	-	-	-	-	(32,065)
Other assets	-	-	-	-	-	-	-	-	-	-
Claims payable	-	-	-	-	-	-	(329,010)	(72,382)	-	(401,392)
Accounts payable and due to other agencies and funds	(101,861)	20,076	(116,289)	8,857	2,128	(24,023)	(125,425)	(3,715)	-	(340,252)
Accrued expenses	31,269	615	2,996	242	(1,160)	14,596	-	-	-	48,558
Accrued compensated absences	7,900	(328)	(1,317)	1,024	27,230	315	-	-	-	34,824
Net cash provided (used) by operating activities	<u>\$ (3,549,886)</u>	<u>\$ (104,164)</u>	<u>\$ 486,012</u>	<u>\$ (556,115)</u>	<u>\$ 373,338</u>	<u>\$ (4,007,911)</u>	<u>\$ 4,599,987</u>	<u>\$ (368,479)</u>	<u>\$ 8,345</u>	<u>\$ (3,118,873)</u>

State of New Mexico  
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**FIDUCIARY FUNDS DESCRIPTIONS**

For the Year Ended June 30, 2019

**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, 2019

	56100 Insurance Carrier Premiums	11490 Government Residence Preservation	Total
<b>ASSETS</b>			
Interest in State General Fund Investment Pool	\$ 1,936,000	\$ 20,171	\$ 1,956,171
Total assets	\$ 1,936,000	\$ 20,171	\$ 1,956,171
<b>LIABILITIES</b>			
Deposits held for others	\$ 1,936,000	\$ 19,824	\$ 1,955,824
Other	-	347	347
Total liabilities	\$ 1,936,000	\$ 20,171	\$ 1,956,171

**OTHER SUPPLEMENTARY INFORMATION**

State of New Mexico  
General Services Department

**SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES –  
AGENCY FUNDS**

For the Year Ended June 30, 2019

<b>56100 Insurance Carrier Premiums</b>	Balance as of <u>June 30, 2018</u>	Additions	Deletions	Balance as of <u>June 30, 2019</u>
<b>ASSETS</b>				
Interest in the State General Fund Investment Pool	\$ 1,397,652	\$ 1,531,449	\$ (993,101)	\$ 1,936,000
Due from other funds	-	-	-	-
Total assets	<u>\$ 1,397,652</u>	<u>\$ 1,531,449</u>	<u>\$ (993,101)</u>	<u>\$ 1,936,000</u>
<b>LIABILITIES</b>				
Deposits held in custody for others	<u>\$ 1,397,652</u>	<u>\$ 1,531,470</u>	<u>\$ (993,122)</u>	<u>\$ 1,936,000</u>
Total liabilities	<u>\$ 1,397,652</u>	<u>\$ 1,531,470</u>	<u>\$ (993,122)</u>	<u>\$ 1,936,000</u>
<b>11490 Gov Residence Preservation</b>	Balance as of <u>June 30, 2018</u>	Additions	Deletions	Balance as of <u>June 30, 2019</u>
<b>ASSETS</b>				
Interest in the State General Fund Investment Pool	<u>\$ 19,326</u>	<u>\$ 12,967</u>	<u>\$ (12,122)</u>	<u>\$ 20,171</u>
Total assets	<u>\$ 19,326</u>	<u>\$ 12,967</u>	<u>\$ (12,122)</u>	<u>\$ 20,171</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,101	\$ 10,622	\$ (11,376)	\$ 347
Deposits held in custody for others	<u>18,225</u>	<u>11,367</u>	<u>(9,768)</u>	<u>19,824</u>
Total liabilities	<u>\$ 19,326</u>	<u>\$ 21,989</u>	<u>\$ (21,144)</u>	<u>\$ 20,171</u>

State of New Mexico  
General Services Department

**SCHEDULES OF CHANGES IN ASSETS AND LIABILITIES –  
AGENCY FUNDS – CONTINUED**

For the Year Ended June 30, 2019

**Total All Agency Funds**

**ASSETS**

Interest in the State General Fund Investment Pool	\$ 1,416,978	\$ 1,544,416	\$ (1,005,223)	\$ 1,956,171
Due from other funds	-	-	-	-
Total assets	<u>\$ 1,416,978</u>	<u>\$ 1,544,416</u>	<u>\$ (1,005,223)</u>	<u>\$ 1,956,171</u>

**LIABILITIES**

Deposits held in custody for others	\$ 1,415,877	\$ 1,542,837	\$ (1,002,890)	\$ 1,955,824
Other	1,101	10,622	(11,376)	347
Total liabilities	<u>\$ 1,416,978</u>	<u>\$ 1,553,459</u>	<u>\$ (1,014,266)</u>	<u>\$ 1,956,171</u>



State of New Mexico  
General Services Department

**SCHEDULE OF MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY  
SEVERANCE TAX BONDS AND GENERAL OBLIGATION BONDS**

For the Year Ended June 30, 2019

**Note:** The following information was obtained from the DFA website and is summarized here for F/S disclosure at w/p 1410.  
(<http://cpms.dfa.state.nm.us/>)

Project Description	Authority/Chapter	Laws	Appropriation Period	Expiration Date	Fund	Original Appropriation	Prior Year Expenditures	Current Year Expenditures	Ousting Encumbrances	AIPP	Reversion Amount	Unencumbered Balance
<u>General Obligation Bonds (GOB)</u>	Chapter 82, Section 10D (GOB17)	Laws of 2016	FY17 - FY21	FY21	89200	\$ 7,000,000	\$ -	\$ 807,075	\$ 253,511	\$ 70,000	\$ -	\$ 5,869,414
<u>Severance Tax Bonds (STB)</u>	Chapter 92, Section 5 (STB08A-1)	Laws of 2008	FY09 - FY12	FY19	89200	\$ 6,500,000	\$ 6,396,887	\$ 38,113	\$ -	\$ 65,000	\$ -	\$ - *
	Chapter 5, Section 5 (STB11A-1)	Laws of 2011	FY12 - FY20	FY20	89200	2,900,000	2,841,840	23,360	-	34,800	-	- *
	Chapter 5, Section 5 (STB11A-1)	Laws of 2011	FY12 - FY20	FY20	89200	3,000,000	2,295,071	660,523	44,406	-	-	- *
	Chapter 64, Section 5 (STB12A)	Laws of 2012	FY13 - FY20	FY20	89200	4,700,000	4,514,857	7,725	-	47,000	-	130,418 *
	Chapter 147, Section 9 (STB13A)	Laws of 2015	FY16 - FY19	FY19	89200	1,500,000	127,963	1,372,037	-	-	-	- *
	Chapter 226, Section 9 (STB13A)	Laws of 2013	FY14 - FY21	FY21	89200	4,000,000	2,451,340	370,550	1,178,110	-	-	- *
	Chapter 226, Section 9 (STB13A)	Laws of 2013	FY14 - FY19	FY19	89200	1,500,000	957,399	542,601	-	-	-	- *
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY21	FY21	89200	500,000	-	500,000	-	-	-	-
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	FY19	89200	1,400,000	-	1,376,646	-	14,000	-	9,354
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY20	FY20	89200	1,000,000	-	1,000,000	-	-	-	-
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY20	FY20	89200	400,000	-	373,578	-	12,000	-	14,422
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	FY19	89200	600,000	-	594,000	-	6,000	-	-
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	FY19	89200	1,200,000	-	1,188,000	-	12,000	-	-
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY21	FY19	89200	16,000,000	-	2,250,894	9,057,014	160,000	-	4,532,091
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY20	FY20	89200	500,000	-	91,500	375,535	-	-	32,965
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	FY19	89200	5,500,000	-	5,500,000	-	-	-	5,500,000
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	FY19	89200	665,000	-	665,000	-	-	-	-
	Chapter 3, Section 6 (STB15SC)	Laws of 2015	FY16 - FY20	FY20	89200	400,000	-	394,669	-	-	-	5,331
	Chapter 3, Section 6 (STB15SC)	Laws of 2015	FY16 - FY22	FY22	89200	400,000	-	325,420	-	-	-	74,580
	Chapter 3, Section 6 (STB15SC)	Laws of 2015	FY16 - FY20	FY20	89200	227,500	42,490	185,010	-	-	-	-
	Chapter 3, Section 6 (STB15SC)	Laws of 2015	FY16 - FY19	FY19	89200	2,000,000	-	1,980,000	-	20,000	-	-
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	280,000	-	277,200	-	2,800	-	-
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	750,000	-	694,855	6,743	7,500	-	40,901
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	190,000	-	142,722	33,043	1,900	-	12,335
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	1,500,000	-	1,355,622	106,099	15,000	-	23,279
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	85,000	41,311	43,689	-	-	-	-
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	400,000	-	313,759	42,907	-	-	43,335
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	5,000,000	-	1,356,683	3,543,317	50,000	-	50,000

State of New Mexico  
General Services Department

**SCHEDULE OF MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY  
SEVERANCE TAX BONDS AND GENERAL OBLIGATION BONDS – CONTINUED**

For the Year Ended June 30, 2019

Project Description	Authority/Chapter	Laws	Appropriation Period	Expiration Date	Fund	Original Appropriation	Prior Year Expenditures	Current Year Expenditures	Outstanding Encumbrances	AIPP	Reversion Amount	Unencumbered Balance
Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	1,500,000	-	1,474,519	24,125	-	-	1,356	
Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	500,000	-	490,000	-	5,000	-	5,000	
Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	7,000,000	-	6,914,753	77,077	-	-	8,170	
Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	2,000,000	-	1,716,708	243,292	20,000	-	20,000	
Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	4,000,000	-	3,686,426	309,104	-	-	4,470	
Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	85,000	-	85,000	-	-	-	-	
Chapter 81, Section 16 (STB16A)	Laws of 2016	FY17 - FY20	FY20	89200	125,622	-	60,718	871	-	-	64,033	
Chapter 81, Section 7 (STB16D)	Laws of 2016	FY17 - FY20	FY20	89200	500,000	-	433,387	58,821	-	-	7,791	
Chapter 81, Section 15 (STB17A)	Laws of 2016	FY17 - FY20	FY20	89200	1,000,000	-	63,166	128,864	-	-	807,970	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	500,000	-	10,000	26,293	5,000	-	458,707	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	1,500,000	-	70,123	211,849	-	-	1,288,151	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	400,000	-	44,697	810	-	-	354,493	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	1,000,000	-	783,695	113,481	-	-	102,823	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	5,100,000	-	1,895,947	3,102,053	51,000	-	51,000	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	270,000	-	23,657	221,039	2,700	-	22,604	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	400,000	-	400,000	-	-	-	-	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	2,000,000	-	1,748,602	251,398	-	-	-	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	4,645,000	-	493,738	557,524	-	-	3,593,738	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	1,500,000	-	1,061,090	397,636	-	-	41,274	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	1,000,000	-	831,912	138,169	-	-	29,919	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	1,500,000	-	1,030,279	191,782	-	-	277,939	
Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	FY22	89200	500,000	-	335,462	35,488	-	-	129,051	
Total Severance Tax Bonds						<u>\$100,123,122</u>	<u>\$ 19,669,158</u>	<u>\$ 47,278,037</u>	<u>\$ 20,476,849</u>			<u>\$ 17,737,500</u>
Total Capital Appropriations						<u>\$107,123,122</u>	<u>\$ 19,669,158</u>	<u>\$ 48,085,112</u>	<u>\$ 20,730,360</u>			<u>\$ 23,606,914</u>

\* Appropriation has expired; however, the Department expects to receive extensions as necessary and expects to expend the remaining funds in FY 2019.

Total draws for the year ended June 30, 2018, were \$14,235,682 based on qualifying expenditures for the same period.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mr. Ken Ortiz, Cabinet Secretary  
State of New Mexico General Services Department  
and  
Mr. Brian Colón  
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 of the State of New Mexico General Services Department (the Department), as of and for the year ended June 30, 2019, 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 13, 2019. Our report is qualified for incomplete land records, and the date certain assets were placed in service could not be determined. Additionally, loan agreements related to long-term debt recorded this year are not available and could not be examined.

**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 2019-001, 2019-002, and 2019-003 in the accompanying schedule of findings and responses, that we consider to be material weaknesses.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 2.2.2 NMAC, which are described in the accompanying schedule of findings and responses as item 2019-004

### **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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATKINSON & CO., LTD

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
November 13, 2019

State of New Mexico  
General Services Department

**SCHEDULE OF FINDINGS AND RESPONSES**

Year Ended June 30, 2019

**SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Qualified

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Material weakness(es) identified?   X   Yes        No

Significant deficiency(s) identified?        Yes   X   No

**COMPLIANCE AND OTHER MATTERS**

Noncompliance material to the financial statements noted?        Yes   X   No

**RESOLUTION TO PRIOR YEAR FINDINGS**

2019-001 (2013-001) Land Reconciliation and Restatement (Material Weakness) –  
Modified and Repeated

2018-002 Life Insurance Remittances (Other Control Deficiency) – Resolved

**FINANCIAL STATEMENT FINDINGS**

2019-001 (2013-001) Land Reconciliation and Restatement (Material Weakness) –  
Modified and Repeated

2019-002 Lack of Effective Reconciliation Procedures over Severance Tax Bonds Funding  
and Other Capital Outlay Project Fund Appropriations (Material Weakness)

2019-003 Long-Term Debt and Bond Premium Recognition (Material Weakness)

**FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC**

2019-004 Late Audit (Other Noncompliance)

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-001 (2013-001) Land Reconciliation and Restatement (Material Weakness) –  
Modified and Repeated**

CONDITION

During our test work over capital assets, we continue to note inconsistencies between existing land records and recorded balances in SunSystems, the Department's fixed asset subsidiary module used to track capital asset balances, which reconciles to SHARE, the general ledger. We continue to note actual land sales that occurred in prior periods had not been properly captured in SunSystems (and SHARE) for all land that was sold. We determined that past disposals were not removed from the books in prior years with a book value of \$983,850. Additionally, other fixed asset related costs were not properly classified to expense by the Department in prior years and several other adjustments were not appropriately captured in SunSystems. These conditions led to the necessary restatement of beginning fund balances for the year ended June 30, 2019, by a net amount to capital assets of \$1,064,221.

Additionally, we continue to note evidence that land transferred into the Department through ownership of title in prior years had not been tracked and recorded by the Department. We could not determine whether or not other fixed asset transfers to the Department from other State agencies which actually had occurred by law, assignment or title, but were not recorded due to lack of evidence of ownership. Currently, there is no effective system in place by the Department to ensure that communication between other State agencies regarding transfers of title of capital assets is adequate, and that appropriate personnel are notified when transfers occur.

Further, the condition remains the same as last year in that we still could not find evidence of complete records of title, appraisals, closing statements or purchase agreements, as supporting for allocation of accurate historical cost valuation between land and buildings recorded for assets placed in service over time since the establishment of the Department leading up to 2012, especially before the 1980s. The Department simply does not have all the records on hand that it needs in order to determine a reasonable allocation method for these assets, and the dollar value of the assets in question could not be adequately determined.

CRITERIA

The Manual of Model Accounting Practices 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, in accordance with state law, state rule, and Generally Accepted Accounting Principles, shall be recorded at the time of acquisition at cost (including any 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.

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-001 (2013-001) Land Reconciliation and Restatement (Material Weakness) –  
Modified and Repeated – Continued**

CAUSE

There is a lack of existing historical records to allocate historical cost valuation, especially for the Department's older acquired real estate and improvements, between building and land. Historical cost values for land and buildings purchased directly by the Department, as well as real estate transferred into the Department over the years, has not been properly allocated between land and building based on lack of contemporaneous title work, purchase agreements, appraisals, etc. There is a lack of communication regarding construction in progress in prior years between the Administrative Services Division (ASD) and the Facilities Management Division (FMD) within the Department.

There is also a lack of communication between the ASD and the FMD 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.

Additionally, there appears to be a lack of adequate communication between other State agencies, and a lack of effective controls in place between other State agencies who purchase at the state level, to ensure that property transferred from other State agencies is captured by the Department and recorded appropriately in a timely manner.

EFFECT

Capital asset recorded balances in the Department's financial statements appear to be misstated between land and building valuation allocations as well as related depreciation estimates.

RECOMMENDATION

We continue to recommend that the Department continue to perform a reconciliation of all capital assets and to identify assets that may have been sold by or transferred to the Department in prior years. We recommend the Department continue to perform a thorough reconciliation of its land capital assets to identify all properties it owns, as well as the appropriate historical value and proper allocation between land and buildings of the respective properties that it owns. 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 continue to recommend that procedures should be designed to specifically assist FMD and ASD personnel in defining when a project is considered closed and placed in service in a timely manner.

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-001 (2013-001) Land Reconciliation and Restatement (Material Weakness) –  
Modified and Repeated – Continued**

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

The General Services Department (GSD) is focused on identifying industry best practices for improvements to be incorporated into the management of fixed assets. This includes completeness and greater accuracy with regard to the approval and recording of land and buildings.

**Background**

The General Services Department (GSD) is responsible for managing diverse assets throughout the State with a significant portfolio of land and buildings under its care and control through its Facilities Management Division (FMD). This extensive inventory includes real property. By statute, FMD is charged with managing these assets of real property that in turn forms an integral part of providing quality services to the State. Specifically, FMD is responsible for asset management of more than 6.8 million square feet of office space in over 750 buildings statewide with an estimated replacement value of nearly \$1.5 billion. The division also leases another 2.7 million square feet of privately owned space for state agencies with payable rent in excess of \$48 million dollars annually.

Over the last several years, GSD has had one recurring finding regarding vacant land values. This finding was addressed and resolved. The current issue is the need to segregate land values from the values of the buildings that exist on that land. This resulted in a new finding during the FY2017 financial audit that repeated in FY2018 and now in FY2019.

Also stated in the finding conditions, GSD uses a web-based commercial off the shelf (COTS) software system known as SunSystems for recording, tracking and maintaining capital assets valued at approximately \$820 million. SunSystems was implemented in FY12 as an interim solution pending implementation of the SHARE Asset Management module. Prior to SunSystems, the old GEAC system was utilized. As it stands, the current software application, does not possess the appropriate tools nor the capabilities necessary to complete an efficient and accurate annual inventory. The current software application requires duplicate manual processes to record, track, calculate depreciation, and retire fixed assets. Additionally, manual processes are used to reconcile and re-map data that involves dual data entry. Errors are common because each tracking mechanism has different data fields and formats and several manual operators. Furthermore, the current application does not have a built-in audit trail tracking mechanism to identify who, what, where, when and why changes were made to the data.



**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-001 (2013-001) Land Reconciliation and Restatement (Material Weakness) –  
Modified and Repeated – Continued**

VIEWES OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN – CONTINUED

**Progress on Finding 2013-001 and Management’s Corrective Action Plan**

To address the *Conditions* noted in the finding by Atkinson and Company the Department initiated a series of resolutions and fixes to mitigate the issues. The first fix was to draft procedure updates to the DFA Model Accounting Practices (MAPs) manual. Secondly, the department requested and received funding to implement the Asset Management (AM) module in SHARE and lastly, the Department issued a request for information (RFI) with the objective of exploring resources, mechanisms and ideas to facilitate the development of a method or mechanism to efficiently cost effectively perform title searches and other pertinent information of State owned properties.

Specifically, changes were made in section FIN 6 Asset Management. This section relates to procedures that articulate roles and responsibilities for new processes being implemented. The DFA policy committee reviewed and approved the new procedures and subsequently distributed these to government agencies statewide. The changes recommend how a state agency should be properly recording its assets. It provides specifics on what should or should not be recorded, and it also provides recommendations of procedures that should be followed for additions and deletions.

Furthermore, the Department requested and received funding to implement the Asset Management (AM) module in SHARE with the objective of utilizing a single information system for the recording and management of fixed assets by all state agencies statewide. To do this the Administrative Services Division (ASD) in GSD will provide professional guidance with regard to the conversion and migration of fixed asset data from the COTS fixed asset system currently in use to the SHARE AM module with the ultimate goal of reconciling all properties and subsidiary records. In order to prepare for data migration, the ASD recommendation is to start with a complete understanding of needs of the Department to find the best possible solution for accurate accounting of fixed assets.

Regarding the accuracy and completeness of the master property record SunSystems, these records were initially loaded with historical data from multiple sources. ASD staff have undertaken the difficult job of verifying the data, standardizing descriptions, and eliminating redundancy. The process of reviewing and revising this historical data has been lengthy, laborious and is continuously ongoing. At the same time, new assets are being acquired and existing assets are being re-deployed. Our examination of the accountable property record maintained on the SunSystems indicates that an acceptable level of accuracy cannot be and has not yet been achieved.

ASD is cooperating with other divisions to share resources, achieve common goals, and avoid unnecessary duplication of effort and expense. A concerted effort is being made to identify and carry out data sharing, and technology exchange opportunities in conducting similar inventories or monitoring. As such, GSD is proposing to utilize the recently updated property listing efforts going on within the Risk Management Division (RMD) of GSD.

State of New Mexico  
General Services Department

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-001 (2013-001) Land Reconciliation and Restatement (Material Weakness) –  
Modified and Repeated – Continued**

VIEWES OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN – CONTINUED

This is a large undertaking and again, in the interest of a quality outcome, the Department will divide the research portion of the project into phases. The first phase is the development of a “Request for Information” (RFI) and that has been sent out by the State Purchasing Division. This will assist in the gathering of information of how this undertaking can be performed efficiently and effectively.

The second phase will be to that listing [yet to be developed and compared to internal records] as a foundational tool for the development of a coinciding valuation of each building and/or land on said list. Three factors have impacted the result of this performance measure. One factor is associated with the gathering of information to better track fixed assets. GSD staff has identified industry best practices to assist with improvements in the management of fixed assets. This is done to create a more complete record with greater accuracy associated with land and buildings owned by the State of NM. Staff is currently in the process of gathering data for analysis on the best ways to approach the identification of potential providers with the ability to execute property title searches. This will allow the program to better identify all State of NM properties.

Planned implementation date: June 30, 2021 audit period.

POINT OF CONTACT: Chief Financial Officer

State of New Mexico  
General Services Department

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-002 Lack of Effective Reconciliation Procedures over Severance Tax Bonds Funding  
And Other Capital Outlay Project Fund Appropriations (Material Weakness)**

CONDITION

During our audit testwork, we noted that the Department did not have an effective reconciliation process in place that would ensure that the severance tax bond fund and other capital outlay projects funds provided to the Department to fund certain specific projects were reconciled to properly match revenues through billing in FY19 for those projects. In addition, we noted that the draw downs for cost reimbursement billings on the severance tax bonds (STB) within the STB Projects Fund (89200) was not done timely, therefore causing revenue to be understated at year end. The applicable receivable from the State General Fund was not reflected on the general ledger.

The following capital outlay projects funds had net position deficits at June 30, 2019:

28500	Tobacco Tax: DOH Facilities	\$	(878,294)
89200	STB Projects Fund		(285,867)
97000	Laws of 2015		<u>(703,782)</u>
		\$	<u>(1,867,943)</u>

CRITERIA

Chapters 6-5-1 through 6-5-6, NMSA 1978 require all state agencies to implement internal accounting controls designed to prevent accounting errors related to financial matters. Chapter 6-5-2-1(J) 2.20.5 & 6 NMAC requires implementation of a monthly reconciliation process with the balances and accounts kept by the State Treasurer, and Chapter 2.20.5.8C(10), NMAC requires that all reporting of financial information to the Department's management and to the oversight agencies and entities to be complete, timely and accurate.

CAUSE

Lack or failure of controls surrounding proper monitoring and timely reconciliations of STB projects and other capital outlay projects funding. The reconciliation that is being utilized does not appear to provide the Department with complete and accurate information, and fund balances had net position deficits.

EFFECT

The Department is not in compliance with the New Mexico code stated above. In addition, untimely draws and lack of the reconciliation process resulted in STB and other capital outlay projects not being fully utilized before period end, creating a deficit in the fund balance and corresponding cash accounts.

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-002 Lack of Effective Reconciliation Procedures over Severance Tax Bonds Funding And Other Capital Outlay Project Fund Appropriations (Material Weakness) – Continued**

RECOMMENDATION

We recommend the Department establishes policies and procedures to ensure that the funding for the capital project fund is being reconciled and the draw requests on STB and other capital outlay projects are being submitted timely. We also recommend the Department establishes a documented monthly review and approval process of the reconciliations to ensure proper monitoring, as well as a year-end closing process be implemented for accurate financial reporting purposes.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The Department agrees only in part with the audit finding 2019-002 – Lack of Effective Reconciliation Procedures over Severance Tax Bonds Funding and Other Capital Outlay Project Fund Appropriations.

The CONDITION states that the Department did not have an effective reconciliation process in place that ensures that the STB appropriations are reconciled to the activity in those projects. It further states that the draws on the STB funds were not done timely, causing revenue to be understated at year end.

It needs to be noted that no requirement exists in statute, administrative code nor Model of Accounting Practices (MAPs) policy or procedure that mandates the frequency of draw requests or **mandatory** deadlines of such requests for capital outlay projects. Furthermore, it should be noted that capital outlay projects usually take more than one year to complete and activity overlaps from one fiscal year to the next; therefore from a practical perspective, accounts of individual projects can be in overdraft at the end of the State of New Mexico fiscal year.

New Mexico Administrative Code (NMAC) number 2.61.6.9(B) PAYMENT OF CAPITAL PROJECT EXPENSES, DRAW REQUEST PROCEDURES states: “Frequency - draw requests are due in the board office by 3:00 p.m. on the 1st and 15th day of each month or by 9:00 a.m. the next business day if the 1st or 15th falls on a weekend or holiday (the “draw request deadline”). Draw requests submitted on or before the draw request deadline will result in funds available six business days after the draw request deadline. The minimum draw request amount per project shall be \$1,500 unless it is the final draw request or otherwise recommended by the intermediate agency.

Planned implementation date: June 30, 2020 audit period.

POINT OF CONTACT: Chief Financial Officer

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-003 Long-Term Debt and Bond Premium Recognition (Material Weakness)**

CONDITION

During our audit testwork, we noted that debt balances with the New Mexico Finance Authority (NMFA) were not supported by legally binding loan agreements. The related recorded debt mirrored the recorded bond issuances by NMFA related to property recorded by the Department.

**Background**

The New Mexico Finance Authority (NMFA), a component unit of the State of New Mexico (the State), is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality, organized and existing pursuant to the New Mexico Finance Authority Act (the Act) created by the laws of 1992, Chapter 61, as amended.

NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except as specifically provided in the Act. Bonds and other obligations issued by NMFA under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

NMFA issues loans to entities pursuant to the rules and regulations governing the Public Projects Revolving Fund Program (PPRF). The PPRF provides low-cost financing to local government entities for a variety of infrastructure projects throughout the State. The PPRF program receives 75 percent of the Governmental Gross Receipts Tax collected by the State of New Mexico pursuant to section 7-1-6.1 New Mexico Statutes Annotated (NMSA), 1978. NMFA may issue bonds in amounts deemed necessary to provide sufficient money for the purposes set forth by the Act. Bonds are issued under a Master Indenture as well as individual Series Indentures, proceeds and covenants of which are administered through a trust relationship established by contract with a trust company or bank bearing trust powers (Trustee) and NMFA pursuant to legislative NMFA transfers from collections of NMFA's portion of the Governmental Gross Receipts Tax (GGRT) to the State's general fund for purposes permitted by law.

State loans receivable consist of amounts due from the State based on legislated appropriations of specified taxes for repayment of certain bonds issued by NMFA on behalf of State entities. The related statutes direct NMFA to issue bonds and make proceeds available to specified State entities to fund various projects. The statutes appropriate a portion of pledged future taxes or fees to fund the payment of the related bonds.

The loans payable to NMFA which relate to the NMFA's bonds payable have been issued to provide financing for various capital projects for the Department and are collateralized as follows:

- Loan Agreements and securities executed and delivered by governmental units in consideration for the financing of all or a portion of their respective projects by NMFA
- Amounts held in the Agreement Reserve Accounts.
- Additional pledged loans.

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-003 Long-Term Debt and Bond Premium Recognition (Material Weakness) –  
Continued**

- Revenues received by NMFA from the allocation of NMFA's portion of the Governmental Gross Receipts tax.
- Revenues pledged through legislation as security for the payment of principal and interest on bonds. These revenues include mainly Court Facilities Fees, Cigarette Excise and Tax, State Gross Receipts Tax.

**Issue for GSD**

Long-term debt amounts owed to the New Mexico Finance Authority (NMFA) were recorded by the Department subject to instruction by the New Mexico Department of Finance Administration (DFA) for the purpose of recording debt on state agency as direct loans from the NMFA by direct loan agreements. The debt is recorded by the Department at the balance of prior period and current bond issuances ending balances as of June 30, 2018, to transfer the obligation to the Department. The NMFA executed loan agreements as the lender (Obligee) directly with the Department (Obligor) because of its original funding source and purposes as the funds ultimately related to the Department's capital assets owned by the Department. The loan agreement balances, payments, and interest expense recorded by the Department are based on the terms of the corresponding bond issuances by NMFA and the bonds are not obligations of the Department (i.e. bond documents are not relevant to the Department, loan agreements are). The majority of loans balances recorded as owed to the NMFA by the Department are not supported by formal loan agreements between the NMFA and the Department. The recorded balances and related terms recorded by the Department mirror the bond issuances; however, without existence of formal loan agreements there is no evidence to substantiate that the Department's loans with NMFA and the related terms are, in fact, bona fide loans that are legally binding to the Department for the new debt balances, unamortized bond premiums and related income and expense accounts.

**CRITERIA**

During FY19, the Department adopted Governmental Accounting Standards Board No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, (GASB 88) which clarifies which liabilities governments should include when disclosing information related to debt. GASB requires debt obligations of the Department which are legally binding as an obligation and liability be recognized and recorded.

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-003 Long-Term Debt and Bond Premium Recognition (Material Weakness) –  
Continued**

CAUSE

The Department has never obtained fully executed loan agreements with the NMFA in advance of the DFA recording the full loan balances and bond premiums for prior and current periods in order to properly determine the existence, rights and obligations and completeness of the recorded long-term debt. The Department is assumed to have participated in executing the missing loan agreements from previous years; however, it is not known if the previous Cabinet Secretaries ever signed the loan agreements. The Department of Finance and Administration and the NMFA were unable to provide legally binding loan agreements for the Department however recorded the total long-term debt including bond premiums of \$156,338,471, with \$106,157,040 as a prior period adjustment and \$50,645,893 for current period activity.

EFFECT

The Department does not have the required documents in place to prove the existence, rights and obligations, and completeness of long-term debt obligations as actual loan obligations of the Department.

RECOMMENDATION

We recommend the Department, the New Mexico Finance Authority (NMFA), and the Department of Finance Administration produce agreements outlining the terms of all obligations of the Department's debt financing with the NMFA that are executed and legally binding.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

Management concurs with the recommendation and is in the process of implementing corrective actions. The Department is committed to managing all documents for the purpose of providing a central, readily accessible, and current source of relevant documents and information generated, or received, by the New Mexico Finance Authority. Management is committed to work with the Department of Finance and other parties to ensure that ongoing monitoring and quality control for our processes are in accordance with applicable rules and regulations.

Planned implementation date: June 30, 2020 audit period.

POINT OF CONTACT: Chief Financial Officer

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-004 Late Audit (Other Noncompliance)**

CONDITION

The annual audit of the Department was not submitted to the Office of the State Auditor by the statutory deadline of November 1, 2019. The date the financial statements were ready for issuance was November 13, 2019.

CRITERIA

Per State Audit Rule 2.2.2.9.A NMAC, the audited financial statements of the Department are due by November 1st following the close of the year under audit. The annual audits of the Department have been filed on time in recent years.

CAUSE

The New Mexico Department of Finance and Administration (DFA) posted several very large and significant accounting entries during the last 10 days of October 2019, which related to long-term debt being added to the Department's books which require sufficient and reasonable time to audit. These entries included prior-period adjustments exceeding \$100M as well as current year debt related accounting entries which still lack supporting documentation to complete our audit procedures. In addition, while providing assistance to the Department with the preparation of the financial statements, additional accounting entries were posted as necessary through the remainder of October to adequately complete account reconciliations to ensure the financial statements resulted in being accurate and complete.

With the implementation of GASB 88, the primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. Due to the new requirements and the need to reconcile issues between DFA, DOH and GSD, the additional time is critical to enhance transparency and to ensure accurate and complete accounting of material fiscal events that need to be sorted out and recorded appropriately and agreed to by all parties affected.

EFFECT

The Department was not in compliance with state law.

RECOMMENDATION

We recommend the Department obtain all fully executed loan agreements it has with the New Mexico Finance Authority for all loans recorded as part of the prior-period restatement. Once obtained, we recommend all missing loan agreements be reconciled to the recorded amount and that all rights and obligations be recognized and disclosed as required by GASB 88. A milestone schedule with completion dates with NMFA should be considered to ensure on time completion; the Department should develop a strategy for ensuring that its requests are responded to timely with DFA.



State of New Mexico  
General Services Department

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

Year Ended June 30, 2019

**2019-004 Late Audit (Other Noncompliance) – Continued**

VIEWES OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

These are extraordinary and unforeseen events that are in no way the fault of the Department and as such be given consideration of a timely delivery of the audit report for fiscal year 2019 as stated in the Audit Rule.

Planned implementation date: June 30, 2020 audit period.

POINT OF CONTACT: Chief Financial Officer

State of New Mexico  
General Services Department

**EXIT CONFERENCE**

Year Ended June 30, 2019

An exit conference was held on October 28, 2019, in a closed session, with the following in attendance:

**State of New Mexico General Services Department:**

Ken Ortiz – Cabinet Secretary  
Michael Lujan – Interim CFO and Director of Administrative Services Division  
Duffy Rodriguez – Deputy Cabinet Secretary  
Silvia Rodarte – GL and AR Bureau Chief  
Naomi Valasquez – ASD/General Ledger Accountant  
Melanie Ortiz – ASD/Accountant

**Atkinson & Co., Ltd:**

Clarke Cagle, CPA, CCIFP, CGFM, Shareholder  
Brett Bauer, CPA, Audit Manager  
Joel Cameron, Audit Senior

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by the independent auditor and were reviewed and approved by the General Services Department. However, the financial statements remain the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.

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