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**STATE OF NEW MEXICO
GENERAL SERVICES DEPARTMENT**

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

June 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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State of New Mexico
General Services Department

OFFICIAL ROSTER

June 30, 2018

Office of the Secretary

Ned Fuller, Acting Cabinet Secretary as of April 2018

Ed Burckle, Cabinet Secretary until April 2018

Division Directors

Zella Kay Cox	Administrative Services Division
Anna Silva	Acting Director – Facilities Management Division as of June 2018
Christopher Lee	Acting Director – Facilities Management Division until June 2018
Lawrence Maxwell	Purchasing Division
Robert Newlin	State Printing and Graphics Division
Lara White Davis	Risk Management Division
James Chavez	Transportation Services Division

INDEPENDENT AUDITORS' REPORT

Mr. Ned Fuller, Acting Cabinet Secretary
State of New Mexico General Services Department
and
Mr. Wayne Johnson
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, 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, 2018, 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 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.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Department, as of June 30, 2018, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparisons for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 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, 2018, 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 L, 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, 2018, 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, 2018. Our opinion is not modified with respect to this matter.

As discussed in Note M, the State of New Mexico, as a single employer, has implemented GASB Standard No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, (OPEB) in the June 30, 2018, 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, 2018. 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 required by 2.2.2. NMAC, and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed 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 1, 2018, 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 1, 2018

State of New Mexico
General Services Department

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2018

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, 2018. 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, 2018. 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.

State of New Mexico
General Services Department

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

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, 2018

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.

Financial Analysis of the Department as a Whole

Table A-1

The Department's Net Position

	2018	2017 (as restated)	Amount Change	Total % Change
ASSETS				
Current assets	\$ 147,063,584	\$ 158,601,985	\$ (11,538,401)	-7%
Capital assets, net	598,487,585	589,897,989	8,589,596	1%
Total assets	<u>\$ 745,551,169</u>	<u>\$ 748,499,974</u>	<u>\$ (2,948,805)</u>	0%
LIABILITIES				
Current liabilities	\$ 126,635,510	\$ 119,150,463	\$ 7,485,047	6%
Long-term liabilities	77,525,535	82,793,649	(5,268,114)	-6%
Total liabilities	<u>204,161,045</u>	<u>201,944,112</u>	<u>2,216,933</u>	1%
NET POSITION				
Net investment in capital assets	598,487,585	589,897,989	8,589,596	1%
Restricted	15,380,676	16,592,810	(1,212,134)	-7%
Unrestricted (Deficit)	(72,478,137)	(59,934,937)	(12,543,200)	21%
Total net position	<u>541,390,124</u>	<u>546,555,862</u>	<u>(5,165,738)</u>	-1%
Total liabilities and net position	<u>\$ 745,551,169</u>	<u>\$ 748,499,974</u>	<u>\$ (2,948,805)</u>	0%

State of New Mexico
General Services Department

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

Net Position: Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2018 and 2017, respectively. Total Department net position for fiscal year 2018 was \$541,390,124. 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, 2018, asset balance. Such reporting is required by GASB 10. The New Mexico Risk Management Advisory Board recommends maintaining the asset balances at a minimum of at least 50 percent of the actuarially estimated losses. Therefore, any fund amount that has less than 100 percent in assets to pay its estimated incurred losses, and other liabilities, will show a deficit net asset balance. A consideration when assessing fund balances is the potential derived from actuary estimation as distinct from actual cash balances. As a result of the recording of actuarially estimated potential losses from claims, the following risk funds have deficit fund balances:

Public Liability Fund	\$(19,840,919)
Workers' Compensation Retention	(22,636,159)
Group Insurance Premium Stabilization	(57,962,129)

Over the course of the past four fiscal years, the Department's Facilities Management Division (FMD) has been supplementing information maintained on all property owned and managed by FMD, both buildings and land. The process has included obtaining value for vacant land, which was the source of previous years' audit findings, obtaining documentation to substantiate value on vacant land, incorporating in FMD's and the Department's records of fixed assets all building and land holdings, particularly vacant land. 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 modified and repeated finding during the FY2018 financial audit. One of several options to address and resolve this finding because of FMD limited staffing is to hire experienced external contractors to complete the task of defining separate values between land and buildings.

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 (\$72,478,137) 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 decreased this year by approximately \$7.6 million. 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, 2018

Table A-2

Changes in the Department's Net Position

	2018	2017 (as restated)	Amount Change	Total % Change
REVENUES				
Program Revenues				
Charges for services and premiums	\$ 5,218,506	\$ 2,612,611	\$ 2,605,895	100%
Risk Management	424,545,381	447,566,324	(23,020,943)	-5%
Total program revenues	429,763,887	450,178,935	(20,415,048)	-5%
General revenues	53,062,770	19,169,121	33,893,649	177%
Total revenues	482,826,657	469,348,056	13,478,601	3%
EXPENSES				
Employee group benefits	362,033,668	345,460,591	16,573,077	5%
Risk management	64,874,966	63,443,100	1,431,866	2%
Transportation services	6,694,238	7,657,839	(963,601)	-13%
State printing and graphics	1,492,275	1,268,580	223,695	18%
Facilities management	14,665,321	12,887,483	1,777,838	14%
Capital projects	31,038,711	28,070,866	2,967,845	11%
Program support and other	7,193,216	6,161,123	1,032,093	17%
Total expenses	487,992,395	464,949,582	23,042,813	5%
Change in net position	(5,165,738)	4,398,474	(9,564,212)	-217%
Net position beginning, before restatement	548,208,696	542,157,388	6,051,308	1%
Prior period restatement	(1,652,834)	-	(1,652,834)	
Net position beginning, after restatement	546,555,862	542,157,388	4,398,474	1%
Net position, ending	\$ 541,390,124	\$ 546,555,862	\$ (5,165,738)	-1%

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

Changes in Net Position – The Department's change in net position for FY18 was a decrease of \$5,165,738 (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 89% of total revenues came from service fees and insurance premiums collected from all state agencies, participating local public bodies and their employees. Only 11% of the Department's revenues came from general revenue appropriations, taxes and other general revenues.

Governmental Activities – Total revenues of governmental activities, including net transfers and appropriations, were \$49,951,769, a decrease of 14% from the previous year. The total increase in the General Fund revenues was \$1,014,627 or 8% from the previous year. In fund 863, there was a decrease in revenues of \$5,915,612 or 80% from the previous year.

Business-type Activities – Total revenues of business-type activities, including net transfers, was \$426,970,587, an increase of 3% from the previous year. The total revenues (insurance assessments) of Risk Management Liability and Health Benefits Funds was an increase of 5% from the previous year. The Other Financing Sources Intra Agency was an increase of 23%. This increase was in the Risk Management Operating fund, which used fund balance to cover operating costs. The increases in revenues included printing services, which increased \$90,108 or 5% from the previous year. General fund for the Aviation program increased \$417,125 or 220% from the previous year.

Financial Analysis of the Department's Expenses

Employee group benefits expense was \$362,033,668, an increase of 5% from the prior year. The Health Benefits fund collected \$327,878,127 in revenue in FY18, and because of increased medical costs associated with a particularly virulent strain of the flu virus, expended \$362,033,688. Due to the date of the last payroll period crossing over the fiscal year end, not all of the annual contributions were allocated to Fund 752 resulting in a shortfall of approximately \$35 million dollars that adversely impacted fund balance. The health plan experienced increased costs, but not at the same rate experienced by the commercial sector. EBB has had major issues with providing members access to care and assistance outside of the traditional medical plan that led to the implementation of an expanded Employee Assistance Program (EAP). In FY16, the EAP program provided support in 7,444 visits to employees and their dependents. However, in FY17 the EAP program's utilization dropped significantly (>40%) which required revision of the program scope in FY18 (reducing scope from six visits to three visits and stripping out training hours). The PMPM cost of the reduced EAP scope is anticipated to save 47% from prior year program costs. In FY17, utilization of the Stay Well Health Center increased considerably. Net per visit cost to the Health Center is estimated to be \$266, which is commercially advantageous to the Plan as standard primary care outpatient visits plus prescriptions and labs typically cost more than \$800 per visit. A new Prescription Drug Benefit Manager (PBM) contract is subject to a pending RFP and a new contract is scheduled to be in force in FY20. The EBB hopes that the new PBM contract

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

will include additional cost controls and customer service benefits that help contain spiraling prescription drug costs. The Stay Well Wellness platform is being retooled in FY18 to reduce costs. Members will be encouraged to utilize existing programs offered by Presbyterian, Blue Cross Blue Shield, Delta Dental and Davis Vision as well as the Stay Well Health Center's services and coaching. The governor signed into law a number of bills that should positively impact the health benefits and risk programs. Chapter 48 (House Bill 260) allows pharmacists to substitute interchangeable biologic products, Chapter 16 (House Bill 122) restricts fees imposed by pharmacy benefits managers on local pharmacies, Chapter 123 (Senate Bill 82) prohibits non-compete language in certain healthcare provider contracts, Chapter 33 (House Bill 75) limits the use of restraint and seclusion in schools, and Chapter 32 (Senate Bill 155) clarifies when an injured worker is not entitled to certain disability benefits.

Risk Management Operating and Liability Funds expense was \$64,874,966, an increase of 2% from the previous year. In FY18, the number of claims against the Public Liability Fund was down, but the severity of the claims increased and the Public Property fund continues to struggle with exposure to large claims associated with aging infrastructure and catastrophic weather events. During Fiscal Year 2018, RMD's Alternative Dispute Resolution Bureau 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 FY18, the Bureau continued in its track to certify 36 new mediators, trained 113 State mediators in conflict, communication and change. 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 Division's Loss Prevention and Safety Bureau focused on losses, rate development and insurance renewals. The Workers' Compensation Bureau struggled with vacancies at all levels and had to reduce the number of training sessions provided for all insured entities. That Bureau will focus on recruitment and training of Staff in FY19 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 Legal Bureau continued its efforts to control defense costs associated with medical malpractice, whistleblower, and civil rights claims. Those costs remained essentially flat in FY18 even though more cases were litigated through trial. In FY18, the Division's travel costs were significantly reduced as the focus of the Loss Prevention and Control Bureau changed to require less time in the field conducting audits and more time in the office conducting focused analysis of insured agency risk trends. The other major initiative in FY18 is the replacement of our aging claims system, Risk Management Information System (RMIS). Significant work is needed to improve data integrity in the current system that will require that RMD hire a contractor to assist us with data sorting and establishing the technical requirements necessary for the RFP.

Transportation Services Program expense was \$6,550,874 a decrease of 13% 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. SCFA continues to

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

utilize technological tools to enhance its operations which includes an automated vehicle inspection process and automating the waiver process. Due to recent budget restraints, SCFA is not able to purchase new vehicles. There are no longer funds available to fund a vehicle replacement program to replace older higher mileage vehicles. SCFA was only able to purchase new vehicles three of the last eight years. All monies set aside for replacement vehicles were used to supplement vehicle operations. Remaining fund balances were swept. In spite of dealing with an aging fleet, SCFA refuses to compromise safety and is making every effort to ensure these vehicles are safe and cost effective. SASP's purpose is to acquire more usable and diverse property, thus creating a savings for taxpayers of anywhere from 80% to 85% 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. Acquiring and transporting property through the most cost effective means. TSD has implemented a standard operating procedure for the ASB which focuses on both pilot and aircraft safety. ASB 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 and various other agencies that rely on air services.

State Printing and Graphics Program expense was \$1,492,275, an increase of 18% from the previous year. Fund 80600 is an enterprise fund, and as an enterprise fund, the SP&G program relies entirely on customer revenue as a funding source. Increases in FY18 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 FY18 results were strong overall. Results included revenues exceeding expenses by \$189,184 resulting from an increase in sales.

Facilities Management Program expense was \$14,665,321, an increase of 14% from the previous year. The FY18 increase is due to the transfer of maintenance costs at the Department of Public Safety's Santa Fe campus to GSD. In FY18, legislation passed that provided \$692,800 from the Property Control Reserve Fund to address increased costs for property insurance premiums. The State's Department of Finance and Administration (DFA) Budget Division has mandated over the past several years that GSD maintain a flat budget in General Funded programs, which is the primary funding source for FMD operations. The demands of performing services throughout the properties under FMD's management have risen consistently each year. Due to inflation, increased service level demands, and a growing number of capital projects, FMD's operating budget has been insufficient to keep up with demands. In an effort to accommodate restricted operating budgets, FMD has to implement service reductions. The lack of operational dollars will result in FMD reducing its ability to meet its statutory requirements. The operations and maintenance of the Santa Fe buildings under FMD's jurisdiction will be severely hampered resulting in further deterioration of the facilities and greater costs incurred in future years. FMD also must maintain vacant buildings and land safeguarding these assets from vandalism and maintaining properties to meet city regulations. The lack of funds to address these vacant properties continues to result in additional liabilities to the State because of health and safety issues. In addition, the PRC approved a rate hike that increased utility expenses for Santa Fe owned buildings. Costs such as utilities, insurance premiums, DoIT fees, and building maintenance repairs continue to increase resulting in significant issues.

State of New Mexico
General Services Department

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

Capital Projects expense was \$31,038,711, an increase of 11% from the previous year. Fund 78500 FY18, legislation provided \$692,800 from the Property Control Reserve Fund to address increased costs for property insurance premiums. Fund 24900 had an increase of 76% from the previous year due to Laws of 2018, Senate Bill 193, chapter 65 for the acquisition of five buildings at 4501, 4665, 4725, 4775, and 4801 Indian School Road NE Albuquerque, NM for the CYFD Children Wellness Center. Fund 892, Severance Tax bond proceeds that fund projects authorized by the State Board of Finance, decreased by 53% in FY18 from the previous year. Positively affecting GSD, the governor signed into law two bills relating to capital improvements. Chapter 55 (House Bill 317) allows state contracts to be extended beyond four years for design and engineering services that support construction, and Chapter 92 (Senate Bill 339) increases state procurement limits for on-call architect and engineering services contracts from \$2 million to \$6 million and for on-call construction services contracts from \$2 million to \$10 million. The Legislature also considered bills relating to posting sole source contracts, reviewing exempt procurements, and enacting public private partnerships. Citing the lack of resources, the governor vetoed Senate Bill 227 that would have required GSD to coordinate a solar plan for state-owned buildings in Santa Fe. GSD spends approximately \$2 million from the general fund annually on heating and electricity.

Program Support and other expenses were \$7,193,216, an increase of 17% from the previous year. The biggest change in expenses from FY17 related to PS&EB costs. Due to the consolidation to transfer HR administration resources to the State Personnel Office, GSD lost three full-time positions. An additional reduction in PS&EB costs was associated with the temporary transfer of an employee from the Office of the Secretary to the Facilities Management Division, which absorbed those expenses. In fund 286, there was an increase of \$124,685 or 7% from the previous year. Enhanced monitoring of vendors participating in contracts awarded by the State resulted in collection of more statutorily mandated fees to be paid by those vendors than in the previous year.

Budget Comparisons

General Fund – For FY18, total actual revenues of \$13,281,760 varied from budgeted revenues by \$2,560. Total expenditures were \$13,229,377.

Capital Assets – The Department's net capital assets increased by \$5,616,187 in 2018 (see Note F). One tract of land that was disposed of in a sale in 2011 and land transferred to the Village of Los Lunas had not been previously identified, resulting in a reduction of the beginning balance of land of \$2,973,407.

Long-term Debt – The Department does not hold any long-term debt but does hold long-term liabilities consisting of claims payable of \$77,510,929 and compensated absences of \$14,606.

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:

State of New Mexico
General Services Department

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Investment in the State General Fund			
Investment Pool	\$ 18,868,122	\$ 119,403,656	\$ 138,271,778
Other cash	-	250	250
Receivables:			
Accounts/trade receivable	-	7,646,471	7,646,471
Allowance for doubtful accounts	-	(6,583,485)	(6,583,485)
Due from other component units of the State	7,725,000	-	7,725,000
Inventories	-	3,570	3,570
Total current assets	<u>26,593,122</u>	<u>120,470,462</u>	<u>147,063,584</u>
Non-Current Assets			
Capital assets	1,077,419,780	25,455,051	1,102,874,831
Less accumulated depreciation	<u>(524,107,559)</u>	<u>(20,447,723)</u>	<u>(544,555,282)</u>
	553,312,221	5,007,328	558,319,549
Land	<u>40,159,054</u>	<u>8,982</u>	<u>40,168,036</u>
Total non-current assets	<u>593,471,275</u>	<u>5,016,310</u>	<u>598,487,585</u>
Total assets	<u>\$ 620,064,397</u>	<u>\$ 125,486,772</u>	<u>\$ 745,551,169</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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current Liabilities			
Due to State General Fund Investment Pool	\$ 5,331,360	\$ 5,352,499	\$ 10,683,859
Claims payable	-	94,993,917	94,993,917
Accounts payable	5,254,304	13,665,758	18,920,062
Receipts held in suspense	-	270	270
Unearned revenue	-	758,677	758,677
Accrued payroll	305,450	306,703	612,153
Compensated absences	301,512	365,060	666,572
Total current liabilities	<u>11,192,626</u>	<u>115,442,884</u>	<u>126,635,510</u>
Long-Term Liabilities			
Claims payable	-	77,510,929	77,510,929
Compensated absences	3,915	10,691	14,606
Total liabilities	<u>11,196,541</u>	<u>192,964,504</u>	<u>204,161,045</u>
Net Position (Deficit)			
Net investment in capital assets	593,471,275	5,016,310	598,487,585
Restricted for capital projects	15,380,676	-	15,380,676
Unrestricted (Deficit)	15,905	(72,494,042)	(72,478,137)
Total net position (deficit)	<u>608,867,856</u>	<u>(67,477,732)</u>	<u>541,390,124</u>
Total liabilities and net position	<u>\$ 620,064,397</u>	<u>\$ 125,486,772</u>	<u>\$ 745,551,169</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, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	Net Revenue (Expenses) and Changes in Net Position		
		Charges for Services	Governmental Activities	Business-type Activities	Total
Governmental Activities					
State purchasing	\$ 2,776,929	\$ 3,578,705	\$ 801,776	\$ -	\$ 801,776
Facilities management and operating costs	14,665,321	1,637,241	(13,028,080)	-	(13,028,080)
Risk management	-	2,560	2,560	-	2,560
Depreciation expense	31,038,711	-	(31,038,711)	-	(31,038,711)
Total governmental activities	48,480,961	5,218,506	(43,262,455)	-	(43,262,455)
Business-Type Activities					
Program Support	3,222,657	8,178	-	(3,214,479)	(3,214,479)
State printing and graphics	1,492,275	1,743,328	-	251,053	251,053
Risk management operating	3,969,311	-	-	(3,969,311)	(3,969,311)
Employee group benefits	362,033,668	327,798,868	-	(34,234,800)	(34,234,800)
Transportation services	6,694,238	7,506,775	-	812,537	812,537
Risk management	60,905,655	87,488,232	-	26,582,577	26,582,577
Depreciation	1,193,630	-	-	(1,193,630)	(1,193,630)
Total business-type activities	439,511,434	424,545,381	-	(14,966,053)	(14,966,053)
Total	\$ 487,992,395	\$ 429,763,887	(43,262,455)	(14,966,053)	(58,228,508)
General Revenues					
Transfers in:					
Intra-agency transfers			1,765,525	8,723,900	10,489,425
Other grants - interagency			421,357	-	421,357
Appropriations			13,479,200	548,600	14,027,800
Other state agency transfers			36,950,977	503,755	37,454,732
Transfers out:					
Intra-agency transfers			(2,046,725)	(8,442,700)	(10,489,425)
Reversions - General Fund			(55,617)	-	(55,617)
Interest income			122,906	1,091,651	1,214,557
Other miscellaneous income (expense)			-	(59)	(59)
Total general revenues			50,637,623	2,425,147	53,062,770
Change in net position			7,375,168	(12,540,906)	(5,165,738)
Net position (deficit), beginning before restatement			604,466,095	(56,257,399)	548,208,696
Prior period restatement			(2,973,407)	1,320,573	(1,652,834)
Net position (deficit) beginning, after restatement			601,492,688	(54,936,826)	546,555,862
Net position (deficit), ending			\$ 608,867,856	\$ (67,477,732)	\$ 541,390,124

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

State of New Mexico
General Services Department

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2018

	Major Funds		Non-major Governmental Funds	Total Governmental Funds
	17400 General Fund	86300 Capital Buildings Repair Fund		
ASSETS				
Interest in the State General Fund Investment Pool	\$ 1,659,466	\$ 11,994,939	\$ 5,213,717	\$ 18,868,122
Other cash	-	-	-	-
Due from other component units of the State	-	-	7,725,000	7,725,000
Total assets	<u>1,659,466</u>	<u>11,994,939</u>	<u>12,938,717</u>	<u>26,593,122</u>
LIABILITIES				
Due to State General Fund Investment Pool	-	-	5,331,360	5,331,360
Accounts payable	1,080,161	1,270,893	2,903,250	5,254,304
Accrued payroll	257,973	-	47,477	305,450
Total liabilities	<u>1,338,134</u>	<u>1,270,893</u>	<u>8,282,087</u>	<u>10,891,114</u>
FUND BALANCES				
Restricted	-	10,724,046	4,656,630	15,380,676
Committed	321,332	-	-	321,332
Total fund balances	<u>321,332</u>	<u>10,724,046</u>	<u>4,656,630</u>	<u>15,702,008</u>
Total liabilities and fund balances	<u>\$ 1,659,466</u>	<u>\$ 11,994,939</u>	<u>\$ 12,938,717</u>	<u>\$ 26,593,122</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, 2018

Total fund balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 15,702,008
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:	1,117,578,834
Accumulated depreciation is:	<u>(524,107,559)</u>
Total capital assets	593,471,275
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>(305,427)</u>
Net position of governmental activities - (Statement of Net Position)	<u><u>\$ 608,867,856</u></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**

Year Ended June 30, 2018

	Major Funds			Total Governmental
	17400 General Fund	86300 Capital Buildings Repair Fund	Non-major Governmental Funds	
REVENUES				
Service fees and premiums	\$ -	\$ 1,401,803	\$ 2,176,902	\$ 3,578,705
Other grants - interagency	-	-	421,357	421,357
Interest income	-	109,570	13,337	122,907
Other miscellaneous revenue	2,560	-	1,637,241	1,639,801
	<u>2,560</u>	<u>-</u>	<u>1,637,241</u>	<u>1,639,801</u>
Total revenues	<u>2,560</u>	<u>1,511,373</u>	<u>4,248,837</u>	<u>5,762,770</u>
EXPENDITURES				
Current:				
Personnel	6,546,588	-	1,115,122	7,661,710
Contractual services	497,193	-	1,538,541	2,035,734
Other	5,974,396	8,049,138	27,440,366	41,463,900
	<u>13,018,177</u>	<u>8,049,138</u>	<u>30,094,029</u>	<u>51,161,344</u>
Total expenditures	<u>13,018,177</u>	<u>8,049,138</u>	<u>30,094,029</u>	<u>51,161,344</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(13,015,617)</u>	<u>(6,537,765)</u>	<u>(25,845,192)</u>	<u>(45,398,574)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Intra-agency transfer	-	-	1,765,525	1,765,525
General and special appropriations	13,279,200	-	200,000	13,479,200
Other state agency transfers	-	6,871,763	24,174,853	31,046,616
Transfers out:				
Intra-agency transfer	(211,200)	(1,321,506)	(514,019)	(2,046,725)
Reversions to state general fund	(49,822)	-	(5,795)	(55,617)
	<u>(261,022)</u>	<u>(1,321,506)</u>	<u>(519,814)</u>	<u>(2,102,347)</u>
Net other financing sources	<u>13,018,178</u>	<u>5,550,257</u>	<u>25,620,564</u>	<u>44,188,999</u>
NET CHANGE IN FUND BALANCES	2,561	(987,508)	(224,628)	(1,209,575)
FUND BALANCES, beginning of year	<u>318,771</u>	<u>11,711,554</u>	<u>4,881,258</u>	<u>16,911,583</u>
FUND BALANCES, end of year	<u>\$ 321,332</u>	<u>\$ 10,724,046</u>	<u>\$ 4,656,630</u>	<u>\$ 15,702,008</u>

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, 2018

Net Changes In Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ (1,209,575)
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Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The decrease in the liabilities for the fiscal year was: (26,046)

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	\$ 33,745,140	
Depreciation expense	<u>(31,038,711)</u>	
Excess of capital outlay and transfers over depreciation expense		2,706,429

In the Statement of Activities, transfers of fixed assets to and from other state agencies are recorded as other financing uses and sources, respectively. Net transfers of property in the current period was: 5,904,360

Change in Net Position of Governmental Activities (Statement of Activities)	<u>\$ 7,375,168</u>
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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, 2018

	17400 - General Fund - Total			Variance From Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Appropriations	\$ 13,279,200	\$ 13,279,200	\$ 13,279,200	\$ -
Other miscellaneous revenue	-	-	2,560	2,560
Total revenue	13,279,200	13,279,200	13,281,760	\$ 2,560
TOTAL REVENUES, OTHER AND FINANCING SOURCES AND FUND BALANCE BUDGETED	\$ 13,279,200	\$ 13,279,200		
EXPENDITURES AND OTHER FINANCING USES				
Personnel	\$ 7,318,800	\$ 6,561,800	6,546,588	\$ 15,212
Contractual services	270,800	499,200	497,193	2,007
Other	5,478,400	6,007,000	5,974,396	32,604
Intra-agency transfers out	211,200	211,200	211,200	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 13,279,200	\$ 13,279,200	\$ 13,229,377	\$ 49,823
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FUNDING SOURCES (USES)			\$ 52,383	
NON-BUDGETED RECONCILING ITEMS				
Reversions to state general fund			(49,822)	
NET CHANGE IN FUND BALANCE			2,561	
FUND BALANCE, beginning of year			318,771	
FUND BALANCE, end of year			\$ 321,332	

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, 2018

	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
ASSETS						
Current Assets						
Interest in the State General Fund Investment Pool	\$ 18,704,722	\$ 57,138,802	\$ 24,317,581	\$ -	\$ 19,242,551	\$ 119,403,656
Other cash	-	-	-	-	250	250
Receivables:						
Accounts/trade receivable	796,697	1,264,623	1,080,988	1,200,691	3,303,472	7,646,471
Allowance for doubtful accounts	(796,697)	(1,264,623)	(1,080,988)	(198,115)	(3,243,062)	(6,583,485)
Inventories	-	-	-	-	3,570	3,570
Total current assets	<u>18,704,722</u>	<u>57,138,802</u>	<u>24,317,581</u>	<u>1,002,576</u>	<u>19,306,781</u>	<u>120,470,462</u>
Non-Current Assets						
Capital assets	-	-	-	-	25,455,051	25,455,051
Less accumulated depreciation	-	-	-	-	(20,447,723)	(20,447,723)
	-	-	-	-	5,007,328	5,007,328
Land	-	-	-	-	8,982	8,982
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,016,310</u>	<u>5,016,310</u>
Total assets	<u>\$ 18,704,722</u>	<u>\$ 57,138,802</u>	<u>\$ 24,317,581</u>	<u>\$ 1,002,576</u>	<u>\$ 24,323,091</u>	<u>\$ 125,486,772</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, 2018

	35600	35700	35900	75200		
	Public Property Reserve Fund	Public Liability Fund	Workers' Compensation Retention Fund	Group Insurance Premium Stabilization Fund	Non-major Enterprise Funds	Total
LIABILITIES						
Current Liabilities						
Due to State General Fund						
Investment Pool	\$ -	\$ -	\$ -	\$ 5,352,499	\$ -	\$ 5,352,499
Claims payable	1,882,568	34,188,959	10,895,958	42,804,746	5,221,686	94,993,917
Accounts payable	33,919	1,523,280	170,275	10,048,513	1,889,771	13,665,758
Receipts held in suspense	-	-	-	270	-	270
Unearned revenue	-	-	-	758,677	-	758,677
Accrued payroll	-	-	-	-	306,703	306,703
Compensated absences	-	-	-	-	365,060	365,060
Total current liabilities	<u>1,916,487</u>	<u>35,712,239</u>	<u>11,066,233</u>	<u>58,964,705</u>	<u>7,783,220</u>	<u>115,442,884</u>
Long-Term Liabilities						
Claims payable	354,726	41,267,482	35,887,507	-	1,214	77,510,929
Compensated absences	-	-	-	-	10,691	10,691
Total liabilities	<u>2,271,213</u>	<u>76,979,721</u>	<u>46,953,740</u>	<u>58,964,705</u>	<u>7,795,125</u>	<u>192,964,504</u>
Net Position						
Invested in capital assets	-	-	-	-	5,016,310	5,016,310
Unrestricted	16,433,509	(19,840,919)	(22,636,159)	(57,962,129)	11,511,656	(72,494,042)
Total net position (deficit)	<u>16,433,509</u>	<u>(19,840,919)</u>	<u>(22,636,159)</u>	<u>(57,962,129)</u>	<u>16,527,966</u>	<u>(67,477,732)</u>
Total liabilities and net position	<u>\$ 18,704,722</u>	<u>\$ 57,138,802</u>	<u>\$ 24,317,581</u>	<u>\$ 1,002,576</u>	<u>\$ 24,323,091</u>	<u>\$ 125,486,772</u>

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, 2018

	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
OPERATING REVENUES						
Service fees and premiums	\$ 11,465,541	\$ 49,918,699	\$ 19,351,685	\$ 327,797,903	\$ 15,700,708	\$ 424,234,536
Interest income	138,450	505,138	230,309	79,259	138,495	1,091,651
Gain on sale of autos and equipment	-	-	-	-	267,191	267,191
Other miscellaneous revenue	-	-	-	965	42,689	43,654
Total operating revenues	11,603,991	50,423,837	19,581,994	327,878,127	16,149,083	425,637,032
OPERATING EXPENSES						
Program support	-	-	-	-	3,222,657	3,222,657
State printing and graphics	-	-	-	-	1,492,275	1,492,275
Risk management operating	-	-	-	-	3,969,311	3,969,311
Employee group benefits	-	-	-	362,033,668	-	362,033,668
Transportation services	-	-	-	-	6,694,238	6,694,238
Risk management	6,676,124	33,009,704	15,252,092	-	5,967,735	60,905,655
Depreciation	-	-	-	-	1,193,630	1,193,630
Total operating expenses	6,676,124	33,009,704	15,252,092	362,033,668	22,539,846	439,511,434
OPERATING INCOME/(LOSS)	4,927,867	17,414,133	4,329,902	(34,155,541)	(6,390,763)	(13,874,402)
NON-OPERATING REVENUES (EXPENSES)						
General appropriations	-	-	-	-	548,600	548,600
Transfers in:						
Intra-agency transfers	-	-	-	-	8,723,900	8,723,900
Other state agency transfers	-	-	-	-	503,755	503,755
Transfers out:						
Intra-agency transfers	-	(1,983,800)	(1,706,500)	(895,000)	(3,857,400)	(8,442,700)
Other state agency transfers	-	-	-	-	-	-
Total non-operating revenues (expenses)	-	(1,983,800)	(1,706,500)	(895,000)	5,918,855	1,333,555
CHANGE IN NET POSITION	4,927,867	15,430,333	2,623,402	(35,050,541)	(471,908)	(12,540,847)
NET POSITION (DEFICIT), beginning, before restatement	11,505,642	(35,271,252)	(25,259,561)	(24,232,161)	16,999,874	(56,257,458)
Prior period restatement	-	-	-	1,320,573 *	-	1,320,573
NET POSITION (DEFICIT), beginning, after restatement	11,505,642	(35,271,252)	(25,259,561)	(22,911,588)	16,999,874	(54,936,885)
NET POSITION (DEFICIT), ending	\$ 16,433,509	\$ (19,840,919)	\$ (22,636,159)	\$ (57,962,129)	\$ 16,527,966	\$ (67,477,732)

* See Note Q - Prior Period Restatements

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, 2018

	35600	35700	35900	75200		
	Public	Public	Workers'	Group	Other	
	Property	Liability	Compensation	Insurance	Enterprise	
	Reserve	Fund	Retention	Premium	Funds	
	Fund	Fund	Fund	Stabilization	Fund	Total
OPERATING ACTIVITIES						
Premiums/service fees received	\$ 11,467,487	\$ 49,918,699	\$ 19,351,685	\$ 325,364,919	\$ 16,323,766	\$ 422,426,556
Other income	138,450	505,138	230,309	80,224	368,071	1,322,192
Cash paid to suppliers	(7,248,642)	(40,623,290)	(16,550,476)	(347,952,888)	(12,967,687)	(425,342,983)
Cash paid to Employees	-	-	-	-	(8,400,088)	(8,400,088)
Net cash provided (used) by operating activities	<u>4,357,295</u>	<u>9,800,547</u>	<u>3,031,518</u>	<u>(22,507,745)</u>	<u>(4,675,938)</u>	<u>(9,994,323)</u>
FINANCING ACTIVITIES						
Appropriation from/reversion to State General Fund	-	-	-	-	548,600	548,600
Transfers In (Out)	-	(1,983,800)	(1,706,500)	(895,000)	5,195,346	610,046
Purchases of capital assets	-	-	-	-	(997,536)	(997,536)
Net cash provided (used) by Non-capital financing activities	<u>-</u>	<u>(1,983,800)</u>	<u>(1,706,500)</u>	<u>(895,000)</u>	<u>4,746,410</u>	<u>161,110</u>
NET INCREASE (DECREASE) IN CASH	4,357,295	7,816,747	1,325,018	(23,402,745)	70,472	(9,833,213)
Interest in State General Fund Investment Pool and other cash, beginning of year	<u>14,347,427</u>	<u>49,322,055</u>	<u>22,992,563</u>	<u>23,402,745</u>	<u>19,172,329</u>	<u>129,237,119</u>
Interest in State General Fund Investment Pool and other cash, end 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>

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, 2018

	35600 Public Property Reserve Fund	35700 Public Liability Fund	35900 Workers' Compensation Retention Fund	75200 Group Insurance Premium Stabilization Fund	Other Enterprise Funds	Total
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 4,927,867	\$ 17,414,133	\$ 4,329,902	\$ (34,155,541)	\$ (6,390,763)	\$ (13,874,402)
Adjustments						
Depreciation	-	-	-	-	1,193,630	1,193,630
Changes in assets and liabilities						
Accounts receivable and due from other agencies and funds	1,946	-	-	(442,233)	623,058	182,771
Unearned revenue	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Claims payable	(600,104)	(7,688,074)	(1,265,440)	1,990,751	(81,787)	(7,644,654)
Accounts payable and due to other agencies and funds	27,586	74,488	(32,944)	10,350,640	(27,654)	10,392,116
Accrued expenses	-	-	-	(251,362)	(10,923)	(262,285)
Accrued compensated absences	-	-	-	-	18,501	18,501
Net cash provided (used) by operating activities	<u>\$ 4,357,295</u>	<u>\$ 9,800,547</u>	<u>\$ 3,031,518</u>	<u>\$ (22,507,745)</u>	<u>\$ (4,675,938)</u>	<u>\$ (9,994,323)</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, 2018

ASSETS

Investment in the State General Fund Investment Pool \$ 1,416,978

Total assets \$ 1,416,978

LIABILITIES

Deposits held in custody for others \$ 1,415,877

Other 1,101

Total liabilities \$ 1,416,978

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

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

The Department had no component units of its own during the year ended June 30, 2018.

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, 2018

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, 2018

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.

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,

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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 exists through the annual budget approval.

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

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

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

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.

Laws of 2005 – 97000 – A capital projects fund used to account for the acquisition, improvement, alteration or reconstruction of long-term assets.

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, 2018

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:

State Unemployment Compensation Reserve – 35300 accounts for the administration of all contributions collected and payments made to beneficiaries pursuant to the Unemployment Compensation Law.

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.

State Transportation Pool – 36500 provides transportation for all state agencies in the Santa Fe and Albuquerque, New Mexico areas.

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. Encumbrances related to single year appropriations

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

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 encumbrances can no longer be charged to that budget. The legal level of budgetary control is at the appropriation unit level.

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

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, 2018

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, 2018

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. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation. See Note P 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, 2018

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".

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2018.

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, 2018.

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.

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE C – STATE GENERAL FUND INVESTMENT POOL – CONTINUED

The following assertions have been represented by the State Controller:

1. As of June 30, 2018, 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

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, 2018, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool	\$129,004,897*
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*Includes cash overdrafts of \$5,331,360 and \$5,352,499 in Funds 24900 and 75200, respectively, and cash balances of \$1,416,978 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, 2018.

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE D – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL – CONTINUED

The fair values of the investments maintained at the New Mexico State Treasurer's Office are as follows at June 30, 2018:

Investment	Balance June 30, 2018
New Mexico State Treasurer's Office General Fund Investment Pool (Primary Government) *	\$127,588,169
Agency Fund Total	1,416,978
Total	\$129,005,147

*Includes cash overdrafts of \$5,331,360 and \$5,352,499 in Funds 24900 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.

NOTE E – INTERAGENCY RECEIVABLES AND PAYABLES

Due from other component units of the State as of June 30, 2018, are as follows:

Due from Other Component Units of the State	Agency Number	Amount	Due From Agency/Purpose	Fund Number	Amount
New Mexico Finance Authority	38500	\$ 7,725,000	Transfer for CYFD facilities	24900	\$ 7,725,000
Total all funds		\$ 7,725,000			\$ 7,725,000

No amounts were due to other component units of the State as of June 30, 2018.

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE E – INTERAGENCY RECEIVABLES AND PAYABLES – CONTINUED

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

NOTE F – CAPITAL ASSETS AND LAND

Governmental-Type Activities	Balance June 30, 2017	Restatement	Additions	Adjustments and			Balance June 30, 2018
				Transfers	Deletions	Removals	
Depreciable assets							
Building and improvements	\$ 969,036,821	\$ -	\$ 10,325,003	\$ 52,746,284	\$ (597,869)	\$ (76,276)	\$ 1,031,433,963
Machinery and equipment	14,564,751	-	184,066	528,790	(298,757)	(345,025)	14,633,825
Land improvements	10,352,993	-	513,839	786,796	-	-	11,653,628
Total	<u>993,954,565</u>	<u>-</u>	<u>11,022,908</u>	<u>54,061,870</u>	<u>(896,626)</u>	<u>(421,301)</u>	<u>1,057,721,416</u>
Non-depreciable assets:							
Land	39,232,461	(2,973,407) ***	3,900,000	-	-	-	40,159,054
Construction in progress	49,033,642	-	18,822,232	(48,157,510)	-	-	19,698,364
Total	<u>88,266,103</u>	<u>(2,973,407)</u>	<u>22,722,232</u>	<u>(48,157,510)</u>	<u>-</u>	<u>-</u>	<u>59,857,418</u>
Accumulated depreciation							
Building and improvements	(488,961,190)	-	(28,938,531) *	-	597,869	76,276	(517,225,576)
Machinery and equipment	(3,840,251)	-	(1,658,045) *	-	298,757	345,025	(4,854,514)
Land improvements	(1,585,334)	-	(442,135) *	-	-	-	(2,027,469)
Total accumulated depreciation	<u>(494,386,775)</u>	<u>-</u>	<u>(31,038,711)</u>	<u>-</u>	<u>896,626</u>	<u>421,301</u>	<u>(524,107,559)</u>
Net total	<u>\$ 587,833,893</u>	<u>\$ (2,973,407)</u>	<u>\$ 2,706,429</u>	<u>\$ 5,904,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,471,275</u>

Depreciation expense of \$31,038,711 was charged to the Capital Projects function.

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE F – 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, 2017	Additions	Adjustments/ Deletions	Removals	Balance June 30, 2018
Depreciable assets					
Aircraft, autos and trucks	\$ 25,445,928	\$ 839,292	\$ (2,843,277)	\$ (213,734)	\$ 23,228,209
Building and improvements	1,798	-	-	(1,798)	-
Furniture and fixtures	62,267	-	-	(21,680)	40,587
Machinery and equipment	1,201,718	46,239	-	(103,313)	1,144,644
Information technology	932,027	286,914	(78,580)	(98,750)	1,041,611
Total	<u>27,643,738</u>	<u>1,172,445</u>	<u>(2,921,857)</u>	<u>(439,275)</u>	<u>25,455,051</u>
Accumulated depreciation					
Aircraft, autos and trucks	(20,588,898)	(1,114,228) **	2,843,277	213,734	(18,646,115)
Building and improvements	(2,187)	(359) **	-	1,798	(748)
Furniture and fixtures	(51,810)	(1,240) **	-	21,680	(31,370)
Machinery and equipment	(1,093,480)	(12,254) **	-	103,313	(1,002,421)
Information technology	(878,852)	(65,547) **	78,580	98,750	(767,069)
Total accumulated depreciation	<u>(22,615,227)</u>	<u>(1,193,628)</u>	<u>2,921,857</u>	<u>439,275</u>	<u>(20,447,723)</u>
Non-depreciable assets					
Land	8,982	-	-	-	8,982
Net total	<u>\$ 5,037,493</u>	<u>\$ (21,183)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,016,310</u>

Assets denoted as removed were assets with an original cost of less than \$5,000 that were removed in the current year pursuant to the FY18 OSA rule update, 2.2.2.10.W.

* Includes \$508,554 in depreciation recorded to accelerate removed and disposed of assets to fully depreciated per instructions of the DFA.

** Includes \$43,273 in depreciation recorded to accelerate removed and disposed of assets to fully depreciated per instructions of the DFA.

*** See Note Q, Prior Period Restatements.

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE G – LEASES (ENTERPRISE FUNDS)

Operating leases – Lease expenditures/expenses for the year ended June 30, 2018 totaled \$3,232,859. 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, 2018:

Years ending June 30:

2019	\$ 3,043,307
2020	2,773,394
2021	526,812
2022	<u>51,572</u>
Total	<u>\$ 6,395,085</u>

NOTE H – INSURANCE CLAIMS PAYABLE (ENTERPRISE FUNDS)

The State of New Mexico manages its risks internally and sets aside assets for claim settlement through Enterprise Funds within the Risk Management Division (RMD) of the General Services Department. The RMD services all claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and unemployment compensation. The Department has coverage for general liability and civil rights claims through the Public Liability Fund administered by the State of New Mexico's Risk Management Division. The dollar amount "limits" of the insurance coverage are the damages caps set forth in the Tort Claims Act, NMSA § 41-4-19, which may be amended from time to time by the legislature. All funds, agencies and authorities of the State participate in Risk Management. Risk Management allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority based on claims history and exposure of each participant. The charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

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

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE H – INSURANCE CLAIMS PAYABLE (ENTERPRISE FUNDS) – CONTINUED

Insurance claims payable of \$172,504,846 were reported by the Department as of June 30, 2018. 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, 2018, 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, 2017	Incurred (net of Actuarial Provision)	Payments	Balance June 30, 2018	Current Amount Due
35300 State Unemployment	\$ 4,345,703	\$ 4,731,323	\$ (4,798,361)	\$ 4,278,665	\$ 4,278,665
35400 Local Public Body	956,055	1,041,044	(1,055,793)	941,306	941,306
35600 Public Property Reserve	2,837,398	2,149,068	(2,749,172)	2,237,294	1,882,568
35700 Public Liability	83,144,515	14,069,809	(21,757,883)	75,456,441	34,188,959
35800 Surety Bond	2,929	5,010	(5,010)	2,929	1,715
35900 Workers' Compensation	48,048,905	12,845,333	(14,110,773)	46,783,465	10,895,958
75200 Group Insurance Premium	40,813,995	344,408,320	(342,417,569)	42,804,746	42,804,746
Net total	<u>\$ 180,149,500</u>	<u>\$ 379,249,907</u>	<u>\$ (386,894,561)</u>	<u>\$ 172,504,846</u>	<u>\$ 94,993,917</u>

NOTE I – 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, 2017	Increase	Adjustments/ (Decrease)	Balance June 30, 2018	Amounts Due Within One Year
<u>\$ 279,381</u>	<u>\$ 555,811</u>	<u>\$ (529,765)</u>	<u>\$ 305,427</u>	<u>\$ 301,512</u>

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE I – COMPENSATED ABSENCES – CONTINUED

Business Type

Balance, June 30, 2017	Increase	Adjustments/ (Decrease)	Balance June 30, 2018	Amounts Due Within One Year
\$ 357,248	\$ 638,664	\$ (620,161)	\$ 375,751	\$ 365,060

NOTE J – OPERATING TRANSFERS

Transfers between fund for the year ended June 30, 2018, are as follows:

Fund Description	Fund Number	Transfer In	Transfer Out	Net
Governmental Funds				
General Fund	17400	\$ -	\$ (211,200)	\$ (211,200)
Purchasing Division Fees	28600	-	(70,000)	(70,000)
Capital Buildings Repair	86300	-	(1,321,506)	(1,321,506)
Laws of 2005	97000	-	(45,000)	(45,000)
STB Projects	89200	-	(369,019)	(369,019)
Subtotal, Major Governmental Funds		-	(2,016,725)	(2,016,725)
Administrative Cost	12500	765,525	-	765,525
Laws of 2015	24900	1,000,000	(30,000)	970,000
Subtotal, Non-major Governmental Funds		1,765,525	(30,000)	1,735,525
Total Governmental Funds		1,765,525	(2,046,725)	(281,200)
Enterprise Funds				
Public Liability	35700	-	(1,983,800)	(1,983,800)
Workers' Compensations Retention	35900	-	(1,706,500)	(1,706,500)
Group Insurance Premium Stabilization	75200	-	(895,000)	(895,000)
Subtotal, Major Enterprise Funds		-	(4,585,300)	(4,585,300)
Program Support	19700	3,638,600	-	3,638,600
Risk Management Operating	35200	5,085,300	(2,888,000)	2,197,300
LPB Unemployment	35400	-	(50,000)	(50,000)
Surety Bond	35800	-	(450,000)	(450,000)
State Transportation	36500	-	(381,700)	(381,700)
Surplus Property Bureau	36000	-	(33,900)	(33,900)
State Aircraft Bureau	41700	-	(11,600)	(11,600)
State Printing	80600	-	(42,200)	(42,200)
Subtotal, Non-major Enterprise Funds		8,723,900	(3,857,400)	4,866,500
Total Enterprise Funds		\$ 8,723,900	\$ (8,442,700)	\$ 281,200
Grand Total		\$ 10,489,425	\$ (10,489,425)	\$ -

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE J – OPERATING TRANSFERS – CONTINUED

Transfers from (to) other component units of the State for the year ended June 30, 2018, are as follows:

Government Funds						
State Agency	Agency Number	24900 Laws 2015	86300 Capital Buildings Repair Fund	89200 STB Projects	97000 Laws of 2005	Governmental Funds Subtotal
Legislative Council Service	11100	\$ -	\$ (311,487)	\$ -	\$ -	\$ (311,487)
New Mexico Supreme Court	21600	-	(123,000)	-	-	(123,000)
State Investment Council	33700	-	7,306,251	-	-	7,306,251
DFA - Board of Fin. Bond Funds	34103	-	-	14,235,682	-	14,235,682
General Services Department	35000	7,725,000	-	-	-	7,725,000
Human Services Department	63000	16,420	-	-	-	16,420
Department of Veterans Service	67000	-	-	-	2,047,750	2,047,750
Department of Public Safety	79000	150,000	-	-	-	150,000
Total governmental:		<u>\$ 7,891,420</u>	<u>\$ 6,871,764</u>	<u>\$ 14,235,682</u>	<u>\$ 2,047,750</u>	31,046,616
Children, Youth & Families Department	79000					1,000,000
Department of Public Safety	69000					<u>4,904,361</u>
Total government wide:						<u>\$ 36,950,977</u>
Enterprise Funds						
State Agency	Agency Number					36500 State Transportation Pool
Division of Vocational Rehab	64400					\$ 36,250
NM Environment Department	66700					95,318
Regulation & Licensing Dept	42000					224,909
Children, Youth & Family Dept	69000					<u>147,278</u>
Total enterprise funds:						<u>\$ 503,755</u>

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE K – REVERSIONS

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

<u>Fund Number</u>	<u>Description</u>	<u>Year of Appropriation</u>		
17400	General Fund	2018	\$	49,822
97000	Laws of 2005	2018		5,795

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. \$55,617 is payable at June 30, 2018, and due by September 30, 2018. Transfers were recorded as a reduction in SGFIP as of June 30, 2018.

NOTE L – 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.

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, 2018.

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, 2018

**NOTE L – 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, 2018, 2017 and 2016 were \$1,799,245, \$1,863,565 and \$2,002,315, respectively, which equal the amount of the required contributions for each fiscal year. The expense included in the Department's basic financial statements are equal to the contributions made.

NOTE M – 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, 2018.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE M – 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, 2018, 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, 2018, 2017 and 2016 were \$211,776, \$219,372 and \$235,702, respectively, which equal the requirement contributions for each year. The expense included in the Department's basic financial statements are equal to the contributions made.

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE N – 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, 2018, 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 O – NET POSITION DEFICITS

The following funds had net position deficits at June 30, 2018:

<u>Enterprise Funds</u>			
35700	Public Liability	357	\$ (19,840,919)
35900	Workers' Compensation Retention	359	(22,636,159)
75200	Group Insurance Premium Stabilization	752	(57,962,129)

The Public Liability, Workers' Compensation Retention, and Group Insurance Premium Stabilization funds are Risk Management funds that include claims liabilities (see Note H, Insurance Claims Payable) based on future actuarial estimated losses from claims incurred that the affected funds would need to pay using June 30, 2018 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, 2018

NOTE P – FUND BALANCE

In the governmental fund financial statements, fund balances are classified as of June 30, 2018:

		<u>Restricted</u>	<u>Committed</u>
17400	General Fund Maintenance Costs	\$ -	\$ 321,332
86300	Capitol Building Repair Fund State Building Repair	10,724,046	-
12500	Administrative Costs Capital Projects	762,172	-
28600	Purchasing Division Fees Procurement Services	829,517	-
28700	Public Building Repair State Building Repair	148,178	-
78500	Property Control Reserve Capital Projects	864,402	-
24900	Laws of 2015 Capital Projects	2,206,142	-
64100	Laws of 2006 Capital Projects	69,693	-
89200	STB Capital Projects	(249,078)	-
97000	Laws of 2015 Capital Projects	<u>25,604</u>	<u>-</u>
		<u>\$ 15,380,676</u>	<u>\$ 321,332</u>

State of New Mexico
General Services Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE Q – PRIOR PERIOD RESTATEMENTS

Management identified a tract of land with a recorded cost of \$408,407 that had been sold in 2011 as part of a sale of a group of tracts of land that had not been appropriately removed from the books. Additionally, land was reverted to another agency with a value of \$2,565,000 in 2017 which was not appropriately captured. The land was removed in 2018 as a prior period restatement, as detailed below:

	As Previously Reported June 30, 2017	As Restated, June 30, 2017	Prior Period Restatement
Governmental Activities:			
Capital assets	\$ 1,042,988,219	\$ 1,042,988,219	\$ -
Accumulated depreciation	<u>(494,386,775)</u>	<u>(494,386,775)</u>	-
Capital assets, net	548,601,444	548,601,444	-
 Land	 <u>39,232,461</u>	 <u>36,259,054</u>	 <u>(2,973,407)</u>
Capital assets, net	<u>587,833,905</u>	<u>584,860,498</u>	<u>(2,973,407)</u>
Net Position:			
Net investment in capital assets	587,833,905	584,860,498	(2,973,407)
Restricted for capital projects	16,592,810	16,592,810	-
Unrestricted	<u>39,380</u>	<u>39,380</u>	-
	<u>\$ 604,466,095</u>	<u>\$ 601,492,688</u>	<u>\$ (2,973,407)</u>

Additionally, management identified expenditures of \$1,320,573 had been made in 2017 out of Fund 75200: Group Insurance Premium Stabilization that should have been remitted as a fiduciary transfer from Fund 56100: The Insurance Carrier Premiums. Accordingly, beginning net position for business-type activities of \$56,287,399 has been increased by \$1,320,573 to a deficit balance of \$54,936,826. Additionally, the deficit net position as previously presented for Fund 75200: Group Insurance Premium Stabilization Fund of \$24,232,161 has been increased by \$1,320,573 to a deficit balance of \$56,665,243.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE R – 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 (FY 20). 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.

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, 2018

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, 2018

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
ASSETS			
Interest in State General Fund Investment Pool	\$ 1,877,471	\$ 3,336,246	\$ 5,213,717
Due from other component units of the State	-	7,725,000	7,725,000
	<u>1,877,471</u>	<u>11,061,246</u>	<u>12,938,717</u>
Total assets	<u>\$ 1,877,471</u>	<u>\$ 11,061,246</u>	<u>\$ 12,938,717</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to State General Fund Investment Pool	\$ -	\$ 5,331,360	\$ 5,331,360
Accounts payable	90,127	2,813,123	2,903,250
Accrued payroll	47,477	-	47,477
	<u>137,604</u>	<u>8,144,483</u>	<u>8,282,087</u>
Total liabilities	<u>137,604</u>	<u>8,144,483</u>	<u>8,282,087</u>
Fund Balance			
Restricted	<u>1,739,867</u>	<u>2,916,763</u>	<u>4,656,630</u>
Total fund balances	<u>1,739,867</u>	<u>2,916,763</u>	<u>4,656,630</u>
Total liabilities and fund balances	<u>\$ 1,877,471</u>	<u>\$ 11,061,246</u>	<u>\$ 12,938,717</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, 2018

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
REVENUES			
Service fees and premiums	\$ 2,176,902	\$ -	\$ 2,176,902
Other grants - interagency	-	421,357	421,357
Interest income	-	13,337	13,337
Other miscellaneous revenue	109	1,637,132	1,637,241
	<u>2,177,011</u>	<u>2,071,826</u>	<u>4,248,837</u>
EXPENDITURES			
Current:			
Personnel	1,115,122	-	1,115,122
Contractual services	1,522,121	16,420	1,538,541
Other Costs	186,191	27,254,175	27,440,366
	<u>2,823,434</u>	<u>27,270,595</u>	<u>30,094,029</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES			
	<u>(646,423)</u>	<u>(25,198,769)</u>	<u>(25,845,192)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in:			
Intra-Agency transfer	765,525	1,000,000	1,765,525
General and special appropriations	-	200,000	200,000
Reversions to State General Fund	-	-	-
Other state agency transfers, net	-	24,174,853	24,174,853
Transfers out:			
Intra-Agency transfer	(70,000)	(444,019)	(514,019)
Reversions to State General Fund	-	(5,795)	(5,795)
Net other financing sources	<u>695,525</u>	<u>24,925,039</u>	<u>25,620,564</u>
NET CHANGE IN FUND BALANCES	49,102	(273,730)	(224,628)
FUND BALANCES, beginning of year	<u>1,690,765</u>	<u>3,190,493</u>	<u>4,881,258</u>
FUND BALANCES, end of year	<u>\$ 1,739,867</u>	<u>\$ 2,916,763</u>	<u>\$ 4,656,630</u>

State of New Mexico
General Services Department

SPECIAL REVENUE FUNDS DESCRIPTION

June 30, 2018

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, 2018

	<u>12500</u>	<u>28600</u>	<u>28700</u>	
	Administrative Costs Fund	Purchasing Division Fees Fund	Public Buildings Repair Fund	Total
ASSETS				
Interest in State General Fund Investment Pool	\$ 842,624	\$ 886,669	\$ 148,178	\$ 1,877,471
Total assets	<u>\$ 842,624</u>	<u>\$ 886,669</u>	<u>\$ 148,178</u>	<u>\$ 1,877,471</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 80,452	\$ 9,675	\$ -	\$ 90,127
Accrued payroll	-	47,477	-	47,477
Total liabilities	<u>80,452</u>	<u>57,152</u>	<u>-</u>	<u>137,604</u>
Fund Balance				
Restricted	<u>762,172</u>	<u>829,517</u>	<u>148,178</u>	<u>1,739,867</u>
Total fund balances	<u>762,172</u>	<u>829,517</u>	<u>148,178</u>	<u>1,739,867</u>
Total liabilities and fund balances	<u>\$ 842,624</u>	<u>\$ 886,669</u>	<u>\$ 148,178</u>	<u>\$ 1,877,471</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, 2018

	12500 Administrative Costs Fund	28600 Purchasing Division Fees Fund	28700 Public Buildings Repair Fund	Total
REVENUES				
Service fees and premiums	\$ -	\$ 2,055,824	\$ 121,078	\$ 2,176,902
Other miscellaneous revenue	109	-	-	109
Total revenues	109	2,055,824	121,078	2,177,011
EXPENDITURES				
Current:				
Personnel	-	1,115,122	-	1,115,122
Contractual services	731,258	790,863	-	1,522,121
Other costs	49,385	136,806	-	186,191
Total expenditures	780,643	2,042,791	-	2,823,434
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(780,534)	13,033	121,078	(646,423)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Intra-Agency transfer	765,525	-	-	765,525
Other state agency transfers, net	-	-	-	-
Transfers out:				
Intra-Agency transfer	-	(70,000)	-	(70,000)
Net other financing sources (uses)	765,525	(70,000)	-	695,525
NET CHANGE IN FUND BALANCES	(15,009)	(56,967)	121,078	49,102
FUND BALANCES, beginning of year	777,181	886,484	27,100	1,690,765
FUND BALANCES, end of year	\$ 762,172	\$ 829,517	\$ 148,178	\$ 1,739,867

CAPITAL PROJECTS FUNDS DESCRIPTIONS

June 30, 2018

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, 2018

	78500 Property Control Reserve Fund	97000 Laws of 2005 Fund	64100 Laws of 2006 Fund	24900 Laws of 2015 Fund	89200 STB Projects Fund	Total
ASSETS						
Interest in State General Fund Investment Pool	\$ 864,402	\$ 1,323,300	\$ 69,693	\$ -	\$ 1,078,851	\$ 3,336,246
Due from other component units of the State	-	-	-	7,725,000	-	7,725,000
Total assets	<u>\$ 864,402</u>	<u>\$ 1,323,300</u>	<u>\$ 69,693</u>	<u>\$ 7,725,000</u>	<u>\$ 1,078,851</u>	<u>\$ 11,061,246</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to State General Fund Investment Pool	\$ -	\$ -	\$ -	\$ 5,331,360	\$ -	\$ 5,331,360
Accounts payable	-	1,297,696	-	187,498	1,327,929	2,813,123
Total liabilities	-	1,297,696	-	5,518,858	1,327,929	8,144,483
Fund Balance						
Restricted (deficit)	864,402	25,604	69,693	2,206,142	(249,078)	2,916,763
Total fund balances	<u>864,402</u>	<u>25,604</u>	<u>69,693</u>	<u>2,206,142</u>	<u>(249,078)</u>	<u>2,916,763</u>
Total liabilities and fund balances	<u>\$ 864,402</u>	<u>\$ 1,323,300</u>	<u>\$ 69,693</u>	<u>\$ 7,725,000</u>	<u>\$ 1,078,851</u>	<u>\$ 11,061,246</u>

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, 2018

	78500 Property Control Reserve Fund	97000 Laws of 2005 Fund	64100 Laws of 2006 Fund	24900 Laws of 2015 Fund	89200 STB Projects Fund	Total
REVENUES						
Other grants - interagency	\$ -	\$ -	\$ -	\$ 421,357	\$ -	\$ 421,357
Interest income	13,337	-	-	-	-	13,337
Other miscellaneous revenue	-	1,637,132	-	-	-	1,637,132
Total revenues	13,337	1,637,132	-	421,357	-	2,071,826
EXPENDITURES						
Current expenditures:						
Personnel	-	-	-	-	-	-
Contractual services	-	-	-	16,420	-	16,420
Other costs	692,800	3,614,720	-	8,830,914	14,115,741	27,254,175
Total expenditures	692,800	3,614,720	-	8,847,334	14,115,741	27,270,595
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(679,463)	(1,977,588)	-	(8,425,977)	(14,115,741)	(25,198,769)
OTHER FINANCING SOURCES (USES)						
Transfers in:						
Intra-agency transfer	-	-	-	1,000,000	-	1,000,000
General and special appropriations	-	-	-	200,000	-	200,000
Reversions to state general fund	-	-	-	-	-	-
Other state agency transfers, net	-	2,047,750	-	7,891,421	14,235,682	24,174,853
Transfers out:						
Intra-agency transfer	-	(45,000)	-	(30,000)	(369,019)	(444,019)
Reversions to state general fund	-	(5,795)	-	-	-	(5,795)
Net other financing sources	-	1,996,955	-	9,061,421	13,866,663	24,925,039
NET CHANGE IN FUND BALANCES	(679,463)	19,367	-	635,444	(249,078)	(273,730)
FUND BALANCES, beginning of year	1,543,865	6,237	69,693	1,570,698	-	3,190,493
FUND BALANCES, end of year	\$ 864,402	\$ 25,604	\$ 69,693	\$ 2,206,142	\$ (249,078)	\$ 2,916,763

State of New Mexico
General Services Department

ENTERPRISE FUNDS DESCRIPTIONS

Year Ended June 30, 2018

Administrative Services Division and Office of the Secretary

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

Transportation Services Division

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

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

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

Communications Division

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

Risk Management Division

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

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

ENTERPRISE FUNDS DESCRIPTIONS – CONTINUED

Year Ended June 30, 2018

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

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

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

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

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

State of New Mexico
General Services Department

COMBINING STATEMENT OF NET POSITION – NON-MAJOR ENTERPRISE FUNDS

June 30, 2018

	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
ASSETS										
Current Assets										
Interest in State General Fund Investment Pool	\$ 847,899	\$ 134,214	\$ 1,574,548	\$ 147,461	\$ 407,940	\$ 1,137,370	\$ 8,417,126	\$ 6,525,955	\$ 50,038	\$ 19,242,551
Other cash	-	250	-	-	-	-	-	-	-	250
Receivables:										
Accounts/trade receivables	5,168	50,609	38,428	1,974	66,690	499	2,712,545	174,590	252,969	3,303,472
Allowance for doubtful accounts	(5,168)	(25,649)	(32,916)	(1,974)	(36,752)	(499)	(2,712,545)	(174,590)	(252,969)	(3,243,062)
Inventories	3,570	-	-	-	-	-	-	-	-	3,570
Total current assets	851,469	159,424	1,580,060	147,461	437,878	1,137,370	8,417,126	6,525,955	50,038	19,306,781
Non-Current Assets										
Capital assets	573,359	144,329	20,767,155	2,468,000	1,462,329	39,879	-	-	-	25,455,051
Accumulated depreciation	(286,006)	(128,329)	(17,680,040)	(946,067)	(1,373,314)	(33,967)	-	-	-	(20,447,723)
	287,353	16,000	3,087,115	1,521,933	89,015	5,912	-	-	-	5,007,328
Land	8,982	-	-	-	-	-	-	-	-	8,982
Total non-current assets	296,335	16,000	3,087,115	1,521,933	89,015	5,912	-	-	-	5,016,310
Total assets	\$ 1,147,804	\$ 175,424	\$ 4,667,175	\$ 1,669,394	\$ 526,893	\$ 1,143,282	\$ 8,417,126	\$ 6,525,955	\$ 50,038	\$ 24,323,091

State of New Mexico
General Services Department

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

June 30, 2018

	19700	36000	36500	41700	80600	35200	35300	35400	35800	
	Administrative	Surplus	State	State		Risk	State			
	Services	Property	Transportation	Aircraft	State	Management	Unemployment	LPB		
	Division	Bureau	Pool	Pool	Printing	Operating	Compensation	Unemployment	Surety	
	Fund	Fund	Fund	Fund	Fund	Account	Reserve	Compensation	Bond	Total
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
LIABILITIES AND NET ASSETS										
Liabilities										
Current Liabilities										
Claims payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,278,665	\$ 941,306	\$ 1,715	\$ 5,221,686
Accounts payable	216,936	9,296	435,113	973	129,160	64,524	847,551	186,218	-	1,889,771
Accrued payroll	93,844	16,270	47,304	11,164	18,743	119,378	-	-	-	306,703
Due to other component units of the State	-	-	-	-	-	-	-	-	-	-
Compensated absences	129,938	16,010	66,049	27,160	23,054	102,849	-	-	-	365,060
Total current liabilities	440,718	41,576	548,466	39,297	170,957	286,751	5,126,216	1,127,524	1,715	7,783,220
Long-Term Liabilities										
Claims payable	-	-	-	-	-	-	-	-	1,214	1,214
Compensated absences	564	-	1,379	8,818	-	(70)	-	-	-	10,691
Total long-term liabilities	564	-	1,379	8,818	-	(70)	-	-	1,214	11,905
Total liabilities	441,282	41,576	549,845	48,115	170,957	286,681	5,126,216	1,127,524	2,929	7,795,125
Net Position										
Investment in capital assets	296,335	16,000	3,087,115	1,521,933	89,015	5,912	-	-	-	5,016,310
Unrestricted	410,187	117,848	1,030,215	99,346	266,921	850,689	3,290,910	5,398,431	47,109	11,511,656
Total net position	706,522	133,848	4,117,330	1,621,279	355,936	856,601	3,290,910	5,398,431	47,109	16,527,966
Total liabilities and net position	\$ 1,147,804	\$ 175,424	\$ 4,667,175	\$ 1,669,394	\$ 526,893	\$ 1,143,282	\$ 8,417,126	\$ 6,525,955	\$ 50,038	\$ 24,323,091

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, 2018

	19700	36000	36500	41700	80600	35200	35300	35400	35800	
	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	Total
OPERATING REVENUE										
Service fees and premiums	\$ -	\$ 358,732	\$ 6,781,031	\$ 65,310	\$ 1,743,328	\$ -	\$ 5,598,334	\$ 1,138,973	\$ 15,000	\$ 15,700,708
Interest income	-	-	-	-	-	-	76,792	58,191	3,512	138,495
Gain on sale of autos and equipment	-	160,623	106,568	-	-	-	-	-	-	267,191
Other miscellaneous revenue	8,178	-	34,049	462	-	-	-	-	-	42,689
Total operating revenues	8,178	519,355	6,921,648	65,772	1,743,328	-	5,675,126	1,197,164	18,512	16,149,083
OPERATING EXPENSES										
Program support	3,222,657	-	-	-	-	-	-	-	-	3,222,657
State printing and graphics	-	-	-	-	1,492,275	-	-	-	-	1,492,275
Risk management operating	-	-	-	-	-	3,969,311	-	-	-	3,969,311
Transportation services	-	633,938	5,533,227	527,073	-	-	-	-	-	6,694,238
Risk management	-	-	-	-	-	-	4,857,782	1,089,944	20,009	5,967,735
Depreciation	43,082	4,108	1,017,647	98,720	19,659	10,414	-	-	-	1,193,630
Total operating expenses	3,265,739	638,046	6,550,874	625,793	1,511,934	3,979,725	4,857,782	1,089,944	20,009	22,539,846
OPERATING INCOME/(LOSS)	(3,257,561)	(118,691)	370,774	(560,021)	231,394	(3,979,725)	817,344	107,220	(1,497)	(6,390,763)
NON-OPERATING REVENUES (EXPENSES)										
General appropriations	-	-	-	548,600	-	-	-	-	-	548,600
Transfers in:										
Intra-agency transfers	3,638,600	-	-	-	-	5,085,300	-	-	-	8,723,900
Other state agency transfers	-	-	503,755	-	-	-	-	-	-	503,755
Transfers out:										
Intra-agency transfers	-	(33,900)	(381,700)	(11,600)	(42,200)	(2,888,000)	-	(50,000)	(450,000)	(3,857,400)
Other state agency transfers	-	-	-	-	-	-	-	-	-	-
Total non-operating revenues (expenses)	3,638,600	(33,900)	122,055	537,000	(42,200)	2,197,300	-	(50,000)	(450,000)	5,918,855
CHANGE IN NET POSITION	381,039	(152,591)	492,829	(23,021)	189,194	(1,782,425)	817,344	57,220	(451,497)	(471,908)
NET POSITION (DEFICIT), beginning	325,483	286,439	3,624,501	1,644,300	166,742	2,639,026	2,473,566	5,341,211	498,606	16,999,874
NET POSITION (DEFICIT), ending	\$ 706,522	\$ 133,848	\$ 4,117,330	\$ 1,621,279	\$ 355,936	\$ 856,601	\$ 3,290,910	\$ 5,398,431	\$ 47,109	\$ 16,527,966

State of New Mexico
General Services Department

COMBINING STATEMENT OF CASH FLOWS – NON-MAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2018

	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	
OPERATING ACTIVITIES										
Premiums/service fees received	\$ 7,037	\$ 354,067	\$ 7,362,407	\$ 84,239	\$ 1,763,211	\$ 498	\$ 5,598,334	\$ 1,138,973	\$ 15,000	\$ 16,323,766
Other income	8,178	160,623	140,618	461	-	-	-	58,191	-	368,071
Cash paid to suppliers	(865,975)	(154,498)	(4,087,058)	(269,889)	(990,506)	(327,672)	(5,046,767)	(1,205,313)	(20,009)	(12,967,687)
Cash paid to Employees	(2,306,908)	(479,414)	(1,339,227)	(295,843)	(473,813)	(3,585,187)	76,792	-	3,512	(8,400,088)
Net cash provided (used) by operating activities	(3,157,668)	(119,222)	2,076,740	(481,032)	298,892	(3,912,361)	628,359	(8,149)	(1,497)	(4,675,938)
NON-CAPITAL FINANCING ACTIVITIES										
Appropriation from/reversion to State General Fund	-	-	-	548,600	-	-	-	-	-	548,600
Transfers	3,638,600	(33,900)	(102,854)	(11,600)	(42,200)	2,197,300	-	-	(450,000)	5,195,346
Purchases of capital assets	(286,913)	-	(614,384)	-	(46,239)	-	-	(50,000)	-	(997,536)
Net cash provided (used) by Non-capital financing activities	3,351,687	(33,900)	(717,238)	537,000	(88,439)	2,197,300	-	(50,000)	(450,000)	4,746,410
NET INCREASE (DECREASE) IN CASH	194,019	(153,122)	1,359,502	55,968	210,453	(1,715,061)	628,359	(58,149)	(451,497)	70,472
State General Fund Investment Pool and other cash, beginning of year	653,880	287,586	215,046	91,493	197,487	2,852,431	7,788,767	6,584,104	501,535	19,172,329
State General Fund Investment Pool and other cash, end 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 of New Mexico
General Services Department

**COMBINING STATEMENT OF CASH FLOWS – NON-MAJOR ENTERPRISE FUNDS –
CONTINUED**

For the Year Ended June 30, 2018

	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			
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH FROM OPERATING ACTIVITIES										
Operating income (loss)	\$ (3,257,561)	\$ (118,691)	\$ 370,774	\$ (560,021)	\$ 231,394	\$ (3,979,725)	\$ 817,344	\$ 107,220	\$ (1,497)	\$ (6,390,763)
Adjustments										
Depreciation	43,082	4,108	1,017,647	98,720	19,659	10,414	-	-	-	1,193,630
Changes in assets and liabilities										
Accounts receivable and due from other agencies and funds	7,037	(4,665)	581,376	18,929	19,882	499	-	-	-	623,058
Other assets	-	-	-	-	-	-	-	-	-	-
Claims payable	-	-	-	-	-	-	(67,038)	(14,749)	-	(81,787)
Accounts payable and due to other agencies and funds	64,674	2,117	103,109	(49,661)	24,510	50,164	(121,947)	(100,620)	-	(27,654)
Accrued expenses	(25,141)	(795)	605	855	24	13,529	-	-	-	(10,923)
Accrued compensated absences	10,241	(1,296)	3,229	10,146	3,423	(7,242)	-	-	-	18,501
Net cash provided (used) by operating activities	<u>\$ (3,157,668)</u>	<u>\$ (119,222)</u>	<u>\$ 2,076,740</u>	<u>\$ (481,032)</u>	<u>\$ 298,892</u>	<u>\$ (3,912,361)</u>	<u>\$ 628,359</u>	<u>\$ (8,149)</u>	<u>\$ (1,497)</u>	<u>\$ (4,675,938)</u>

State of New Mexico
General Services Department

FIDUCIARY FUNDS DESCRIPTION

For the Year Ended June 30, 2018

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, 2018

	75100 Bond Securities	56100 Insurance Carrier Premiums	11490 Government Residence Preservation	Total
ASSETS				
Interest in State General Fund Investment Pool	\$ -	\$ 1,397,652	\$ 19,326	\$ 1,416,978
Total assets	<u>\$ -</u>	<u>\$ 1,397,652</u>	<u>\$ 19,326</u>	<u>\$ 1,416,978</u>
LIABILITIES				
Deposits held for others	\$ -	\$ 1,397,652	\$ 18,225	\$ 1,415,877
Other	-	-	1,101	1,101
Total liabilities	<u>\$ -</u>	<u>\$ 1,397,652</u>	<u>\$ 19,326</u>	<u>\$ 1,416,978</u>

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, 2018

	<u>Balance as of June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2018</u>
75100 Bond Securities				
ASSETS				
Interest in the State General Fund Investment Pool	\$ 150	\$ -	\$ (150)	\$ -
Total assets	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ (150)</u>	<u>\$ -</u>
LIABILITIES				
Deposits held in custody for others	\$ 150	\$ -	\$ (150)	\$ -
Total liabilities	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ (150)</u>	<u>\$ -</u>
 56100 Insurance Carrier Premiums				
ASSETS				
Interest in the State General Fund Investment Pool	\$ 2,541,092	\$ 4,390,849	\$ (5,534,289)	\$ 1,397,652
Due from other funds	-	-	-	-
Total assets	<u>\$ 2,541,092</u>	<u>\$ 4,390,849</u>	<u>\$ (5,534,289)</u>	<u>\$ 1,397,652</u>
LIABILITIES				
Deposits held in custody for others	\$ 2,541,092	\$ (2,694,926)	\$ 1,551,486	\$ 1,397,652
Total liabilities	<u>\$ 2,541,092</u>	<u>\$ (2,694,926)</u>	<u>\$ 1,551,486</u>	<u>\$ 1,397,652</u>

State of New Mexico
General Services Department

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

For the Year Ended June 30, 2018

11490 Gov Residence Preservation	Balance as of June 30, 2017	Additions	Deletions	Balance as of June 30, 2018
ASSETS				
Interest in the State General Fund Investment Pool	\$ 19,211	\$ 17,686	\$ (17,571)	\$ 19,326
Total assets	<u>\$ 19,211</u>	<u>\$ 17,686</u>	<u>\$ (17,571)</u>	<u>\$ 19,326</u>
LIABILITIES				
Accounts payable	\$ 260	\$ 841	\$ -	\$ 1,101
Deposits held in custody for others	18,951	16,330	(17,056)	18,225
Total liabilities	<u>\$ 19,211</u>	<u>\$ 17,171</u>	<u>\$ (17,056)</u>	<u>\$ 19,326</u>
 Total All Agency Funds				
ASSETS				
Interest in the State General Fund Investment Pool	\$ 2,560,453	\$ 4,408,535	\$ (5,552,010)	\$ 1,416,978
Due from other funds	-	-	-	-
Total assets	<u>\$ 2,560,453</u>	<u>\$ 4,408,535</u>	<u>\$ (5,552,010)</u>	<u>\$ 1,416,978</u>
LIABILITIES				
Deposits held in custody for others	\$ 2,560,193	\$ (2,678,596)	\$ 1,534,280	\$ 1,415,877
Other	260	841	-	1,101
Total liabilities	<u>\$ 2,560,453</u>	<u>\$ (2,677,755)</u>	<u>\$ 1,534,280</u>	<u>\$ 1,416,978</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, 2018

Project Description	Authority/Chapter	Laws	Appropriation Period	Original Appropriation	Expended to Date	Outstanding Encumbrances	Unencumbered Balance
<u>General Obligation Bonds (GOB)</u>	Chapter 82, Section 10D (GOB17)	Laws of 2016	FY17 - FY21	\$ 7,000,000	\$ -	\$ 70,000	\$ 6,930,000
<u>Severance Tax Bonds (STB)</u>	Chapter 92, Section 5 (STB08A-1)	Laws of 2008	FY09 - FY12	\$ 6,500,000	\$ 6,396,887	\$ 65,000	\$ 38,113 *
	Chapter 4, Section 4 (STB08SA)	Laws of 2010	FY11 - FY14	2,400,000	2,394,694	4,711	595 *
	Chapter 5, Section 5 (STB11A-1)	Laws of 2011	FY12 - FY16	2,900,000	2,876,640	-	23,360 *
	Chapter 5, Section 5 (STB11A-1)	Laws of 2011	FY12 - FY16	3,000,000	2,295,071	-	704,929 *
	Chapter 64, Section 5 (STB12A)	Laws of 2012	FY13 - FY16	3,400,000	3,364,175	-	35,825 *
	Chapter 64, Section 5 (STB12A)	Laws of 2012	FY13 - FY16	700,000	622,162	7,000	70,838 *
	Chapter 64, Section 5 (STB12A)	Laws of 2012	FY13 - FY16	4,700,000	4,514,857	47,000	138,143 *
	Chapter 147, Section 9 (STB13A)	Laws of 2015	FY16 - FY17	1,500,000	127,963	-	1,372,037 *
	Chapter 226, Section 9 (STB13A)	Laws of 2013	FY14 - FY17	4,000,000	2,473,667	-	1,526,333 *
	Chapter 226, Section 9 (STB13A)	Laws of 2013	FY14 - FY17	1,500,000	1,430,265	-	69,735 *
	Chapter 226, Section 9 (STB13A)	Laws of 2013	FY14 - FY17	3,500,000	3,337,675	35,000	127,325 *
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	500,000	71,062	-	428,938
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	1,400,000	1,140,384	14,000	245,616
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	1,000,000	487,212	-	512,788
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	400,000	230,926	-	169,074
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	600,000	282,887	6,000	311,113
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	1,200,000	1,063,975	12,000	124,025
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	1,628,238	1,434,151	16,282	177,805
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	500,000	-	-	500,000
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	5,500,000	5,054,403	-	445,597
	Chapter 3, Section 6 (STB15A)	Laws of 2015	FY16 - FY19	665,000	651,125	-	13,875
	Chapter 3, Section 6 (STB15SA)	Laws of 2015	FY16 - FY19	14,371,762	-	143,718	14,228,044
	Chapter 147, Section 8 (STB15SA)	Laws of 2015	FY16 - FY18	1,500,000	1,437,386	-	62,614
	Chapter 3, Section 6 (STB15SC)	Laws of 2015	FY16 - FY19	400,000	85,357	-	314,643
	Chapter 3, Section 6 (STB15SC)	Laws of 2015	FY16 - FY19	400,000	24,722	-	375,278
	Chapter 3, Section 6 (STB15SC)	Laws of 2015	FY16 - FY19	227,500	53,436	-	174,064
	Chapter 3, Section 6 (STB15SC)	Laws of 2015	FY16 - FY19	2,000,000	1,721,622	20,000	258,378
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	280,000	253,377	2,800	23,823
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	750,000	37,144	7,500	705,356
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	190,000	138,922	1,900	49,178
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	1,500,000	-	15,000	1,485,000
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY18	85,000	41,311	-	43,689
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	400,000	230,313	-	169,687
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	5,000,000	841,502	50,000	4,108,498

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, 2018

Project Description	Authority/Chapter	Laws	Appropriation Period	Original Appropriation	Expended to Date	Outstanding Encumbrances	Unencumbered Balance
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	1,500,000	789,814	-	710,186
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	500,000	-	5,000	495,000
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	7,000,000	4,546,999	-	2,453,001
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	2,000,000	1,735,010	20,000	244,990
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	4,000,000	1,498,946	-	2,501,054
	Chapter 81, Section 7 (STB16A)	Laws of 2016	FY17 - FY20	85,000	-	-	85,000
	Chapter 81, Section 16 (STB16A)	Laws of 2016	FY17 - FY20	224,341	98,719	-	125,622
	Chapter 81, Section 7 (STB16D)	Laws of 2016	FY17 - FY18	500,000	-	-	500,000
	Chapter 81, Section 15 (STB17A)	Laws of 2016	FY17 - FY20	1,000,000	-	-	1,000,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	500,000	-	-	500,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	1,500,000	-	-	1,500,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	400,000	-	-	400,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	1,000,000	-	-	1,000,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	5,100,000	-	-	5,100,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	270,000	-	-	270,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	400,000	-	-	400,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	2,000,000	-	-	2,000,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	4,645,000	-	-	4,645,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	1,500,000	-	-	1,500,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	1,000,000	-	-	1,000,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	1,500,000	-	-	1,500,000
	Chapter 80, Section 8 (STB18A)	Laws of 2018	FY19 - FY22	500,000	-	-	500,000
	Total Severance Tax Bonds			<u>\$111,721,841</u>	<u>\$ 53,784,762</u>	<u>\$ 472,911</u>	<u>\$ 57,464,168</u>
	Total Capital Appropriations			<u>\$118,721,841</u>	<u>\$ 53,784,762</u>	<u>\$ 542,911</u>	<u>\$ 64,394,168</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. Ned Fuller, Secretary
State of New Mexico General Services Department
and
Mr. Wayne Johnson
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund of the State of New Mexico General Services Department (the Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 1, 2018.

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 2018-001 in the accompanying schedule of findings and responses, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2018-002.

General Services Department's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 1, 2018

State of New Mexico
General Services Department

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2018

FINANCIAL STATEMENTS

Type of auditors' report issued: Modified

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

2018-001 (Original Findings 2013-001 and 2017-001) Land Reconciliation and Restatement (Material Weakness) – Modified and Repeated

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

2016-001 Land Reconciliation (Material Weakness) – Repeated and Modified, combined with finding 2018-001

FINANCIAL STATEMENT FINDINGS

2018-002 Life Insurance Remittances (Other Control Deficiency)

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

None.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

Year Ended June 30, 2018

2018-001 (Original Findings 2013-001 and 2017-001) Land Reconciliation and Restatement, and Construction in Process (Material Weakness) – Modified and Repeated

CONDITION

During our test work over capital assets, we noted 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 noted 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 one tract was not removed from the books in prior years with a book value of \$408,407. Additionally, land with a value of \$2,565,000 was legally reverted by the Department in 2017 which was not appropriately captured in SunSystems. These conditions led to the necessary restatement of beginning fund balances for the year ended June 30, 2018 by a net amount of \$2,973,407.

Additionally, we noted 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, we could not find evidence of complete records of title, appraisals, closing statements or purchase agreement, 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.

Additionally, we noted various construction projects that were not placed in service in a timely manner, ranging from fiscal year 2010 to present. Certain projects were also tracked by appropriation code and not by depreciable asset, which may result in a misallocation of costs. The correct date of service could also not be determined for certain projects placed in service during 2018 as a result of these findings. Accordingly, the correct life to date depreciation amounts could not be determined.

Management progress on findings 2013-001 and 2017-001:

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 FY2017 financial audit. The only option to address and resolve this finding because of FMD limited staffing is to hire experienced external contractors to complete the task of defining separate values between land and buildings.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

Year Ended June 30, 2018

2018-001 (Original Findings 2013-001 and 2017-001) Land Reconciliation and Restatement, and Construction in Process (Material Weakness) – Modified and Repeated – Continued

GSD continues to work diligently to implement recommendations of the external auditors as well as maintain industry best practices and standards. Generally accepted accounting principles (GAAP) indicate the appropriate accounting method for these transactions would be to record initially the land at cost as of the acquisition date with no depreciation calculation going forward. Most land acquisition occurred many years in the past. As a result, determining the value of the land in retrospect is extremely difficult because of the absence of documentation. The single greatest challenge of the department, associated in addressing this finding, is the accurate historic valuations of land separate from buildings.

GSD currently has two separate applications for tracking land and building inventories. The Administrative Services Division (ASD) uses a COTS application (Sun Systems) for fixed asset reporting and depreciation. This system is cumbersome and difficult to work with, so ASD through the Department of Information and Technology (DoIT) and its C2 funding process for IT projects will be requesting support to move forward with transitioning to the SHARE Asset Management module (AM) that has been implemented in three of the State's largest agencies. If approved, the conversion will enable ASD to focus on streamlining the current business process related to fixed assets. Once the segregated values for land and buildings have been obtained, that information could be entered into AM, accurate depreciation calculations can be made, and the records in AM will be current and correct. The second application, AssetWorks' AiM, is currently used by FMD as a projects management system that contains information about land and buildings under FMD's control. ASD makes every effort to ensure that the land and building inventories contained in AiM coincide with the financial information in SHARE and the fixed asset information in SunSystems. Using the AM will enable ASD to match records more accurately and timely once the segregation of land and building values have been entered into AiM.

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, 2018

2018-001 (Original Findings 2013-001 and 2017-001) Land Reconciliation and Restatement, and Construction in Process (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 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 their 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 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, 2018

2018-001 (Original Findings 2013-001 and 2017-001) Land Reconciliation and Restatement, and Construction in Process (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

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, which forms an integral part of providing quality services to the State.

FMD is responsible for asset management of more than 6.8 million square feet of space in over 750 buildings with an estimated replacement value of nearly \$1.5 billion. The division also leases 2.7 million square feet of privately owned space for state agencies with payable rent of \$48 million dollars annually.

Major Issues and Challenges

The reason for this finding is that land balances are misstated in both GSD's capital asset software and county clerk records. To resolve the finding, the auditors recommend the Department continue to perform a thorough reconciliation of its land capital assets to identify all properties owned, as well as the appropriate value of the respective land properties. The division's inability to adequately ascertain accurate property listings creates problems in several areas. In order to accomplish the required reconciliation, FMD must first obtain a clear record and understanding of exactly what land is owned by the State and managed by GSD. There are typically two types of conflicts arising from the lack of surveys and older surveys. The Department is currently involved in both. The first is where the Department encroaches on land it does not own. An example is a claim by DOT that GSD built a parking lot on property they own. DOT now intends to alter that lot. A dispute over who will pay for the alteration is unresolved at this time. The second type of dispute arises when GSD believes property it owns has been encroached upon. An example: we have recently discovered that land managed by GSD, a lot next to the Youth, Diagnostic and Detention Center (YDDC) in Albuquerque, is being used by an Albuquerque construction company to park its heavy equipment with no recompense to GSD for its use. Furthermore, Section 15-3B-4(4) NMSA 1978 states that FMD shall: have custody of all maps, deeds, plats, plans, specifications, contracts, books and other papers connected with state buildings under its jurisdiction. Section 15-3B-4(5), NMSA 1978, further states: secure copies of all documents of title to all real property under its jurisdiction held in the name of the state or for the use of the state, and index those documents so that the status of real property held by the state under its jurisdiction can be readily ascertained.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

Year Ended June 30, 2018

2018-001 (Original Findings 2013-001 and 2017-001) Land Reconciliation and Restatement, and Construction in Process (Material Weakness) – Modified and Repeated – Continued

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN – CONTINUED

Major Issues and Challenges – Continued

The State's Department of Finance and Administration (DFA) Budget Division has mandated over the past several years that GSD maintain a flat budget in General Funded programs, which is the primary funding source for FMD operations. The demands of performing services throughout the properties under FMD's management have risen consistently each year. Due to inflation, increased service level demands, and a growing number of capital projects, FMD's operating budget has been insufficient to keep up with demands. In an effort to accommodate restricted operating budgets, FMD has been forced to implement service reductions. Laws of 2015, Chapter 101, Section 5, Item 18, FMD received approval to provide assessment and valuation of land managed by FMD were adopted into the next year Laws 2016, 2nd Special Session, Chapter 4, Section 003-A-048 which were swept from the public building repair fund. Unfortunately, the funds appropriated specifically to FMD to address audit findings were swept by the Legislature in Laws of 2016, eliminating the opportunity to implement and complete the corrective action plan to address the finding.

Management's Corrective Action Plan

In Fiscal Years 2019 and 2020, GSD will request the funding necessary to hire professional contractors to begin the process to (1) Identify ALL pieces of land property belonging to the State of New Mexico. 2) Determine the actual size and dimensions of those land properties. 3) Resolve any disputes of boundaries, ownership or easement. 4) Acquire all documents necessary to demonstrate title and ownership. The funding will pay for much needed surveys to verify accuracy and completeness, title searches, clerical work, possible legal help (should legal disputes arise), deed recording and if needed, Phase 1 environmental assessments. It will provide resources to administer the professional services contracts for those surveys.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

Year Ended June 30, 2018

2018-002 Life Insurance Remittances (Other Control Deficiency)

CONDITION

During our audit, we noted that \$1,320,512 was paid out of fund 75200: Group Insurance Premium Stabilization Fund during 2017 that should have been remitted from the fiduciary fund 56100: Insurance Carrier Premiums Funded. This error was discovered and corrected by management in 2018. This resulted in a restatement of beginning fund balance of \$1,320,512.

CRITERIA

In accordance with the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) report which defines internal control for organizations, control activities and monitoring components organizations should establish control activities over relevant processes.

Control activities are the actions established by the policies and procedures to help ensure that Management directives to mitigate risks to the achievement of objectives are carried out. Control activities should be performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews.

CAUSE

Broad internal controls in the financial management policies were designed to be in compliance with guidance in COSO. Minnesota Life Insurance Company was set up as a vendor in 2017 with incorrect parameters, resulting in remittances to this company being paid out of fund 75200: Group Insurance Premium Stabilization Fund and recorded as expenditures. This error resulted in \$1,320,512 to this vendor being incorrectly recorded as expenditures, rather as a fiduciary transfer from fund 56100: Insurance Carrier Premiums Fund.

EFFECT

We determined that the implementation of properly designed financial management and internal control policies were not followed properly. Beginning fund balance in Fund 75200: Group Insurance Premium Stabilization fund was understated by \$1,320,512, and expenditures for the same fund were overstated by \$1,320,512. Additionally, fiduciary transfers were understated by \$1,320,512 for the year ended June 30, 2017.

RECOMMENDATION

We recommend management continue to evaluate established vendors and monitor processes that ensure that transfers of funds to outside parties are recorded correctly.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The error resulted from Minnesota Life Insurance Company being incorrectly setup to remit from the wrong fund in 2017. This error was discovered and corrected by management in 2018 prior to any audit procedures being performed. The Risk Management Division Director has developed and implemented internal procedures to ensure future vendors are set up correctly and continues to reeducate staff on regulations and issues identified through auditing and monitoring efforts. All current vendors payments were reviewed during 2018 to ensure similar errors have not occurred.

State of New Mexico
General Services Department

EXIT CONFERENCE

Year Ended June 30, 2018

An exit conference was held on October 26, 2018, in a closed session, with the following in attendance:

State of New Mexico General Services Department:

Ned Fuller – Acting Cabinet Secretary
Michael Lujan – Interim CFO and Director of Administrative Services Division
Rebecca Abbo – Internal Auditor, Acting Deputy Cabinet Secretary
Anna Silva – Acting Director, Facilities Management Division
Naomi Valasquez – ASD/General Ledger Accountant

Atkinson & Co., Ltd:

Clarke Cagle, CPA, CCIFP, CGFM, Shareholder
Sarah Brack, CPA, CGFM, CGMA, Manager
Brett Bauer, CPA, Manager

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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