

STATE OF NEW MEXICO COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

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INTRODUCTORY SECTION



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

Susana Martinez
Governor

Dorothy E. Rodriguez
Cabinet Secretary

Ronald C. Spilman
State Controller

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

In accordance with Chapter 6-5-4.1 of the New Mexico Statutes Annotated 1978 (NMSA 1978), the Financial Control Division of the Department of Finance and Administration transmits the State of New Mexico's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018.

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

CliftonLarsonAllen LLP (CLA), an independent accounting firm, has audited the basic financial statements contained in this report. Their audit was conducted in accordance with the generally accepted government auditing standards and their auditor's report precedes the basic financial statements. The goal of an independent audit is to provide reasonable assurance that the State of New Mexico's basic financial statements for the fiscal year ended June 30, 2018 are free of material misstatement. Independent audit procedures include examining, on a test basis, supporting amounts and disclosures, assessing the accounting principles used, review of any significant estimates made by management, and evaluating the overall basic financial statement presentation. An audit also includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate under the circumstances, but not for expressing an opinion on the effectiveness of the State's internal controls over financial reporting. Accordingly, the independent auditor expressed no opinion on the internal controls over financial reporting.

Under statute (12.6.3 NMSA 1978), every state agency must be audited annually. To avoid duplication of effort, the CAFR audit relies and builds upon agency audits. Additionally, while this year's CAFR was released two months earlier than last year, the quickest issuance yet, it is still months later than it should be. The existing group audit process also affects timeliness, as CAFR development may only commence after completion of the underlying agency audits, some that were not complete until late January. Legislation to perform a single statewide financial audit was introduced during the 2018 legislative session and while it did not make it completely through the process, it did initiate needed dialog to affect a positive change in the future. Ongoing discussions are taking place within the Department of Finance and Administration (DFA) and the State Auditor's Office (SAO) to look for ways to streamline and shorten the overall process.

Improvements in controls and processes over the last six years now allow for the production of a reliable and auditable CAFR and the benefits of these enhancements are perennial. At the end of the fiscal year 2018 CAFR audit, both DFA and the SAO offices will make a joint recommendation on changes to improve the timeliness of the CAFR.

PROFILE OF STATE OF NEW MEXICO

New Mexico, became the forty-seventh state of the United States of America when it entered the union on January 6, 1912. Its borders encompass 121,589 square miles of the Great Plains, Rocky Mountains, and the Rio Grande River with elevations ranging from 2,842 to 13,161 feet above sea level. Nicknamed the Land of Enchantment, the state's landscape ranges from wide, rose-colored deserts to broken mesas and high, snow-capped peaks. The Sangre de Cristo Mountains, the southernmost part of the Rocky Mountains, run north to south along the east side of the Rio Grande. The state is home to the White Sands National Monument, which contains the largest gypsum dune field in the world. The State's major economic sectors include agriculture, mining, energy production, federal technology laboratories and tourism. The estimated population of the state was 2,093,346 as of July 2018.

Structure – The State Constitution divides the powers of government among three equal and independent branches: Legislative, Executive, and Judicial, shown in the organizational chart on page xiii. The powers and duties of each branch of government are outlined in the Constitution of the State of New Mexico, which can be amended only by a majority vote of the State's citizens. The State of New Mexico CAFR includes the primary government (i.e., legislative agencies, departments and agencies, commissions, the Governor and Cabinet, boards of the executive branch, various offices relating to the judicial branch, the education institutions created by the *Constitution of the State of New Mexico, Article XII, Section 11*, and discrete component units of the State of New Mexico.

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

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

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

PENSION AND OPEB OBLIGATIONS

The State implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in Fiscal Year 2015. The State implemented GASB Statement No. 75, Accounting and Financial Reporting for Other Post Employment Benefits (OPEB) in Fiscal Year 2018. The purpose of the new statement was to improve the accounting and financial reporting of public employee pensions and other post employment benefits by state and local governments and enhance the usefulness of pension and OPEB information. This change was limited to financial reporting and does not require any changes to the way actual employer plan contributions are determined. Employer contributions to the pension plans continue to be calculated per the requirements of the governing State statutes. GASB Statement No. 68 requires participating employers to recognize their proportionate share of the collective net pension liability. GASB Statement No. 75 requires participating employers to recognize their proportionate share of the collective net OPEB liability. The State's share of the net pension liability, net of deferred items and based on a measurement date of June 30, 2018, which is required to be recorded on the financial statements, is \$4.8 billion for the primary government, an increase of \$0.58 billion. The State's share of the net OPEB liability, net of deferred items and based on a measurement date of June 30, 2018, which is required to be recorded on the financial statements, is \$1.8 billion for the primary government.

ECONOMIC CONDITIONS AND OUTLOOK

The U.S. economy grew at a steady rate in 2018. The Real Gross Domestic Product (GDP) for the nation increased at an annual rate of 2.6 percent and added 2.6 million new jobs in 2018. The unemployment rate increased from a fifty-year low of 3.6 percent in November to 3.9 percent in December of 2018. As of December 2018, wage growth increased by 3.2 percent for the nation.

New Mexico's economy affected by the upturn in the extractives industry and employment gains in mining and energy-related sectors, experienced Real GDP growth of 1.4 percent in fiscal year 2018. After rebounding sharply, Southeast NM has continued to grow, setting new record levels for rig count, oil production, and taxable gross receipts.

General Fund revenues reflected this strength, and were 10.0 percent higher; this was after a 5.5 percent increase in the prior fiscal year. Oil and natural gas tax revenues increased by 46 percent in the fiscal year 2018 as average oil prices were 23 percent higher while volumes were 31 percent higher approaching 560 thousand barrels a day. Natural gas production grew by 10 percent and prices rose by 7 percent. New Mexico's general sales tax revenue, which includes gross receipts tax and compensating tax, increased 18 percent in the fiscal year 2018. General sales tax revenue is the largest source of collections and accounts for approximately 2.4 billion or 40 percent of annual revenues. During this time-period, mineral taxes, rents and royalties, and oil and natural-gas related GRT accounted for 23.2 percent of annual revenues.

Income tax revenues increased 12 percent in the fiscal year 2018. Personal income tax, a more significant and stable revenue source for the state, comprising about one-fourth of General Fund revenue increased 10 percent, while corporate income tax receipts increased by 53 percent.

New Mexico employment continued to expand during 2018. From December 2017 to December 2018, nonagricultural payroll employment grew by 19.9 thousand jobs. As of December 2018, the unemployment rate for the state was at 5.0 percent.

LONG-TERM FINANCING

The State of New Mexico's Constitution and laws authorize the State to issue general obligation bonds, severance tax bonds and revenue bonds to finance or refinance the cost of State capital projects. General obligation bonds are secured by the full faith and credit of the State and payable from legally restricted revenues (collection of property taxes levied by local governments receiving the funding for capital projects). General obligation bonds issued in FY18 totaled \$300 million. Payment of severance tax bonds is provided through the collection of severance taxes levied on the mining and production of various natural resources. Severance tax bonds issued in FY18 totaled \$192 million. The State pledges income derived from the related acquired or constructed asset to pay debt service for revenue bonds. The State continues to maintain a strong creditworthiness rating from Moody's Investors Services and Standard and Poor's Corporation.

ACKNOWLEDGMENTS

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

Sincerely,



Olivia Padilla-Jackson
Cabinet Secretary

STATE OF NEW MEXICO

SELECTED STATE OFFICIALS

June 30, 2018

Executive

Susana Martinez, Governor

John A. Sanchez, Lieutenant Governor

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

Judicial

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

Legislative - Senate

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

STATE OF NEW MEXICO

SELECTED STATE OFFICIALS

June 30, 2018

Legislative – House of Representatives

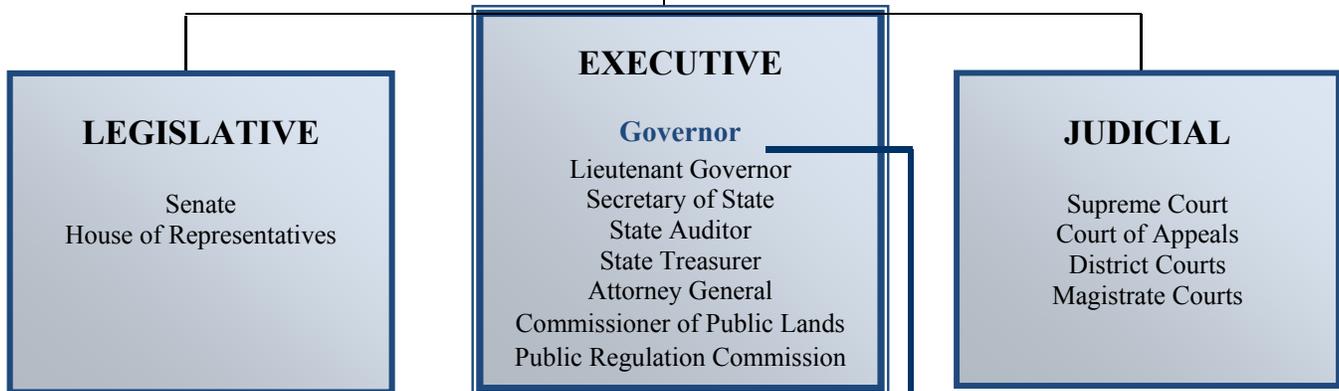
Brian Egolf, Jr. Speaker of the House	Sheryl Williams Stapleton Majority Floor Leader	Nate Gentry Minority Floor Leader	Doreen Y. Gallegos Majority Whip
Rod Montoya Minority Whip			

STATE OF NEW MEXICO

ORGANIZATIONAL CHART

June 30, 2018

Citizens of New Mexico



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

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STATE OF NEW MEXICO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL SECTION MANAGEMENT'S DISCUSSION AND ANALYSIS



TENT ROCKS – COCHITI PUEBLO
SOURCE – FINE ART AMERICA



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Olivia Padilla-Jackson, Secretary of the New Mexico Department of
Finance and Administration,
Mr. Mark Melhoff, Acting State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Mexico (State), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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



The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
 Ms. Olivia Padilla-Jackson, Secretary of the New Mexico Department of
 Finance and Administration,
 Mr. Mark Melhoff, Acting State Controller of the New Mexico Department
 of Finance and Administration, and
 Mr. Brian Colón, New Mexico State Auditor

Percentage Audited by Other Auditors

<u>Government-Wide</u>	<u>Total Assets</u>	<u>Total Revenues</u>
Governmental activities	70%	66%
Business-type activities	99%	98%
Aggregate discretely presented component units	96%	50%
<u>Fund Statements</u>		
Major governmental fund - General Fund	45%	43%
Major governmental fund - Debt Service Fund	89%	60%
Major governmental fund - Capital Projects Fund	10%	20%
Major governmental fund - Severance Tax Permanent Fund	100%	100%
Major governmental fund - Land Grant Permanent Fund	100%	100%
Major enterprise fund - Educational Institutions Fund	100%	100%
Aggregate remaining fund information	40%	81%

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

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

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

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

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
 Ms. Olivia Padilla-Jackson, Secretary of the New Mexico Department of
 Finance and Administration,
 Mr. Mark Melhoff, Acting State Controller of the New Mexico Department
 of Finance and Administration, and
 Mr. Brian Colón, New Mexico State Auditor

Summary of Opinions

Modified Opinion Section

<u>Opinion Unit</u>	<u>Type of Opinion</u>	<u>Bases for Qualifications</u>
Governmental activities	Qualified	D1, D2, D3
Business-type activities	Qualified	D1, D3
Major governmental fund - General Fund	Qualified	D1, D2
Major governmental fund - Debt Service Fund	Qualified	D1
Major governmental fund - Capital Projects Fund	Qualified	D1
Major enterprise fund - Educational Institutions Fund	Qualified	D1
Aggregate remaining fund information	Qualified	D1, D2

Unmodified Opinion Section

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

Bases for Qualified Opinions

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

- D1. The State is unable to provide sufficient appropriate audit evidence to support the accuracy, classification, completeness, existence, and occurrence of the interfund activity and balances between the Educational Institutions Fund and the other funds of the State. In addition, the State has not identified all of the necessary consolidation and elimination entries for the interfund/internal activity and related balances.
- D2. The component auditors of several components of the State were unable to obtain sufficient audit evidence to support the completeness, existence, accuracy, and valuation of various financial statement items. As a result, they issued qualified opinions as reported in their separate opinions of the component financial statements. These qualified opinions are summarized below with the impacted balances:
 - New Mexico General Services Department - Financial Statement Area Impacted and Balance: Land & CIP - \$60M.
 - New Mexico Department of Homeland Security and Emergency Management - Financial Statement Area Impacted and Balance: Federal Accounts Receivable and Payable - \$14M and \$4M, respectively.

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Olivia Padilla-Jackson, Secretary of the New Mexico Department of
Finance and Administration,
Mr. Mark Melhoff, Acting State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

- New Mexico Office of the Superintendent of Insurance - Financial Statement Area Impacted and Balance: Patient Compensation Fund, reported as a fiduciary fund of the aggregate remaining fund information - Assets - \$60M and Additions - \$39M.

D3. The State reports internal service funds to account for the following activities of the State: fleet operations, risk management, printing and records, communication services, and information processing. These funds report "charges for services" in the amount of \$484M, which predominantly represents charges to the governmental and business-type funds of the State. The State has not eliminated the "effect" of the internal service fund activity in the statement of activities.

Qualified Opinions

In our opinion, based on our audits and the reports of the other auditors, except for the matters described in the "*Bases for Qualified Opinions*" paragraphs above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major governmental fund – general fund, major governmental fund – debt service fund, major governmental fund – capital projects fund, major enterprise fund – educational institutions fund, and the aggregate remaining fund information of the State, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the opinion units identified in the "Unmodified Opinion Section" schedule in the "Summary of Opinions" of the State, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles

As discussed in Note 9 to the financial statements, the State restated beginning balances resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Correction of Errors

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

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Olivia Padilla-Jackson, Secretary of the New Mexico Department of
Finance and Administration,
Mr. Mark Melhoff, Acting State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 8-26), Budgetary Comparison Schedule – General Fund and Notes to Budgetary Reporting (pages 213-220), Schedules of Changes in Net Pension Liability (pages 221-225), Schedule of Changes in Net OPEB Liability (page 226); Schedules of Net Pension Liability (pages 227-231), Schedules of Net OPEB Liability (page 232-235), Schedules of Employer Contributions - Pension (pages 236-245), Schedules of Employer Contributions – OPEB (pages 246-248), Schedules of Investment Returns - Pension (pages 249-250), Schedule of Investment Returns – OPEB (pages 251-253), Schedule of Actuarial Methods and Assumptions – All Retirement Systems (page 254), Schedule of Actuarial Methods and Assumptions – New Mexico Retiree Health Care Authority (page 255), Schedule of the State of New Mexico's Proportionate Share of the Net Pension Liability (pages 257-262), Schedule of the State of New Mexico's Proportionate Share of the Net OPEB Liability (pages 263-264), and Schedule of the State's Contributions (pages 266-273) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the 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.

Supplementary and Other Information

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

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Olivia Padilla-Jackson, Secretary of the New Mexico Department of
Finance and Administration,
Mr. Mark Melhoff, Acting State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 23, 2019 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the State's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 23, 2019

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) is required supplementary information to the State of New Mexico's financial statements. It describes and analyzes the financial performance and position of the state, and also provides an overview of the State's activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section. The subsequent information is highly summarized, and in order to gain a comprehensive understanding of the State's financial condition it should be reviewed in its entirety. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-wide

Net Position of the Primary Government

- ✚ The primary government (governmental activities and business-type activities) ended fiscal year 2018 with a net position of \$28.4 billion, an increase of \$424 million, or 1.51 percent, from the previous year.
- ✚ The net position is comprised of \$7.6 billion in capital assets, net of related debt, \$27.1 billion in restricted, and a deficit \$6.3 billion in unrestricted, excluding component units.
- ✚ As a result of operating activities, the primary government's total net position increased by \$424 million, or 1.51 percent, in fiscal year 2018 when compared to the previous year's ending net position. The net position of governmental activities increased \$1.0 billion, or 4.03 percent, from previous year's ending net position.
- ✚ Program revenues for the primary government were fractionally higher up around 4.35 percent on a year to year basis. Taxes and other general revenues were up by 2.1 percent from previous year. Expenses of \$18.8 billion, increased by \$379 million, with the majority of the increase being in Health and Human Services, and General Control functions.
- ✚ The net position of the business-type activities decreased by \$619 million or 28.85 percent, from the previous year's ending net position. The business-type activities from the prior fiscal year saw a decrease in total revenue by \$190 million and an increase in expenses by \$224 million. Program revenue decreased by \$162 million while transfers increased by \$110 million.

Long-term Debt

- ✚ The State's long-term bonded debt increased a net of \$164 million for both governmental and business-type activities, due to the payment on the prior year bonds was lower than the issuance of new bonds. New bond issuance was \$959 million for governmental activities; composed of \$300 million for general obligation bonds and \$192 million for severance tax bonds, and \$467 million for revenue bonds. New bond issuance for business type activities was \$79 million in revenue bonds. See Note 8 for more detailed information on long-term liabilities. More detailed information regarding the government-wide, fund level, and long-term debt activities can be found in the capital asset and debt administration section of this management's discussion and analysis (MD&A).

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

Fund Level

Governmental Funds

- ✚ As of June 30, 2018, the State's combined governmental funds reported a ending fund balance of \$26.8 billion, an increase of \$3 billion, or 12.49 percent, from fiscal year 2017 year's ending net position, (see the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances).
- ✚ Year to Year there was an increase in revenue of \$499 million, primarily the result of higher investment and rental and royalty income and strengthened General and Selective Tax Revenues. Year to Year, expenditures decreased by \$105 million. Operationally, expenditure decrease in the areas of Health and Human Services, Education and Highway and Transportation being the primary drivers.
- ✚ The unassigned fund balance as of the end of fiscal year 2018 was \$892 million.

Proprietary Funds

- ✚ The proprietary funds reported net position of \$1.5 billion as of June 30, 2018, a decrease of \$619 million, or 28.85 percent, from fiscal year 2017 ending net position. The majority of the decrease is attributable to Educational Institutions implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This report also includes statistical data.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

Reporting on the State as a Whole

Government-wide Statements

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

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

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

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

Governmental Activities

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

Business-type Activities

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

Component Units

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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

Reporting on the State's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

Reconciliation between Government-wide and Fund Statements

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information (RSI)

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

Other Supplementary Information

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

ADJUSTMENTS TO BEGINNING NET POSITION AND FUND BALANCES

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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

- ✚ Total Assets and Deferred Outflows of the State as of June 30, 2018, were \$44.1 billion, an increase of \$2.9 billion or 7.08 percent from prior fiscal year. The majority of the increase is due to investment value gains and increased receivables.
 - For governmental activities, total assets and deferred outflows were \$37.1 billion, an increase of \$1.9 billion, or 5.51 percent.
 - For business-type activities, total assets and deferred outflows were \$7 billion, an increase of \$976 million or 16.3 percent.

- ✚ Total Liabilities and Deferred Inflows as of June 30, 2018 were \$15.7 billion, an increase of \$2.5 billion or 18.9 percent from prior fiscal year. The increase reflects implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
 - Total liabilities and deferred inflows for governmental activities were \$10.2 billion, up \$896 million, or 9.6 percent.
 - For business-type activities, total liabilities and deferred inflows were \$5.4 billion, an increase of \$1.6 billion or 41.53 percent.

- ✚ The State's total net position of \$28.4 billion was \$424 million or 1.51 percent higher in fiscal year 2018 compared to the prior year. Of the State's net position, \$7.6 billion was invested in capital assets, net of related debt, while \$27.1 billion was restricted by state statute or other legal requirements and was not available to finance day-to-day operations of the state. Unrestricted net position was a \$6.3 billion deficit.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

State of New Mexico Net Position as of June 30, 2018 (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 29,312,433	\$ 26,890,740	\$ 3,291,377	\$ 3,100,190	\$ 32,603,810	\$ 29,990,930
Capital Assets	7,170,922	7,275,606	2,554,238	2,552,237	9,725,161	9,827,844
Total Assets	<u>\$ 36,483,355</u>	<u>\$ 34,166,346</u>	<u>\$ 5,845,615</u>	<u>\$ 5,652,427</u>	<u>42,328,969</u>	<u>39,818,774</u>
Deferred Outflow of Resources	<u>668,585</u>	<u>1,033,965</u>	<u>1,117,334</u>	<u>334,827</u>	<u>1,785,919</u>	<u>1,368,792</u>
Current Liabilities	2,954,532	3,283,095	561,044	559,414	3,515,576	3,842,509
Long-term Liabilities	6,764,206	6,017,544	4,740,571	3,228,485	11,504,777	9,246,029
Total Liabilities	<u>9,718,738</u>	<u>9,300,639</u>	<u>5,301,615</u>	<u>3,787,899</u>	<u>15,020,353</u>	<u>13,088,538</u>
Deferred Inflows of Resources	<u>516,465</u>	<u>38,164</u>	<u>133,637</u>	<u>52,345</u>	<u>650,102</u>	<u>90,509</u>
Net Position:						
Net Investment in Capital Assets	5,866,806	5,904,225	1,755,991	1,742,100	7,622,797	7,646,325
Restricted	25,740,851	23,268,593	1,319,357	1,251,369	27,060,208	24,519,962
Unrestricted	(4,690,920)	(3,311,310)	(1,547,651)	(846,459)	(6,238,571)	(4,157,769)
Total Net Position	<u>\$ 26,916,737</u>	<u>\$ 25,861,508</u>	<u>\$ 1,527,697</u>	<u>\$ 2,147,010</u>	<u>\$ 28,444,435</u>	<u>\$ 28,008,518</u>
Percentage change in total net position from prior year	<u>4.1 %</u>		<u>(28.8) %</u>		<u>1.6 %</u>	

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

Changes in Net Position

The State's net position as of June 30, 2018, was \$28.4 billion which was \$436 million greater than the 2017 net position restated. The State earned program revenues of \$12.1 billion, collected tax revenue of \$6.5 billion, and received \$2.5 billion of general revenues. Total revenues for 2018 were \$21 billion, an increase of \$686 million, or 3.4 percent, from fiscal year 2017. Increased revenue was primarily attributable to the \$716 million increase in taxes and \$429 million in charges for services account for the remainder. The expenses of the State were \$18.8 billion, an increase of \$386 million from fiscal year 2017. Further analysis of results of changes in the State's financial condition follows in the analysis of the State's funds. Net program revenues exceeded net program expenses by \$2.1 billion, whereas in fiscal year 2017 this amount was \$1.8 billion. The tax collections of the State provided additional funding, which when added to program revenues, supported payment for governmental services.

The following schedule and charts summarize the State's total revenues, expenses, and changes in net position for fiscal year 2018:

STATE OF NEW MEXICO

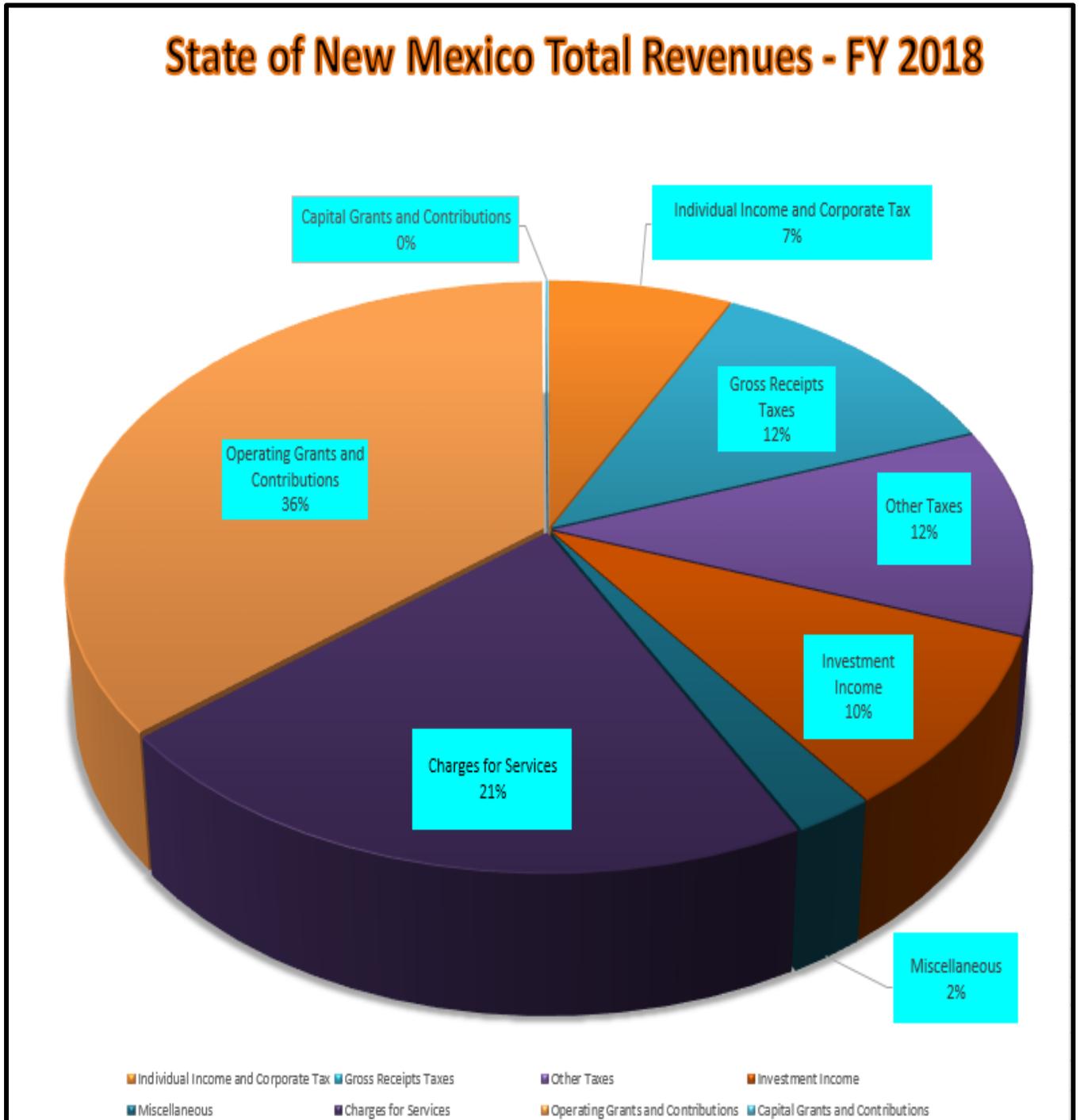
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

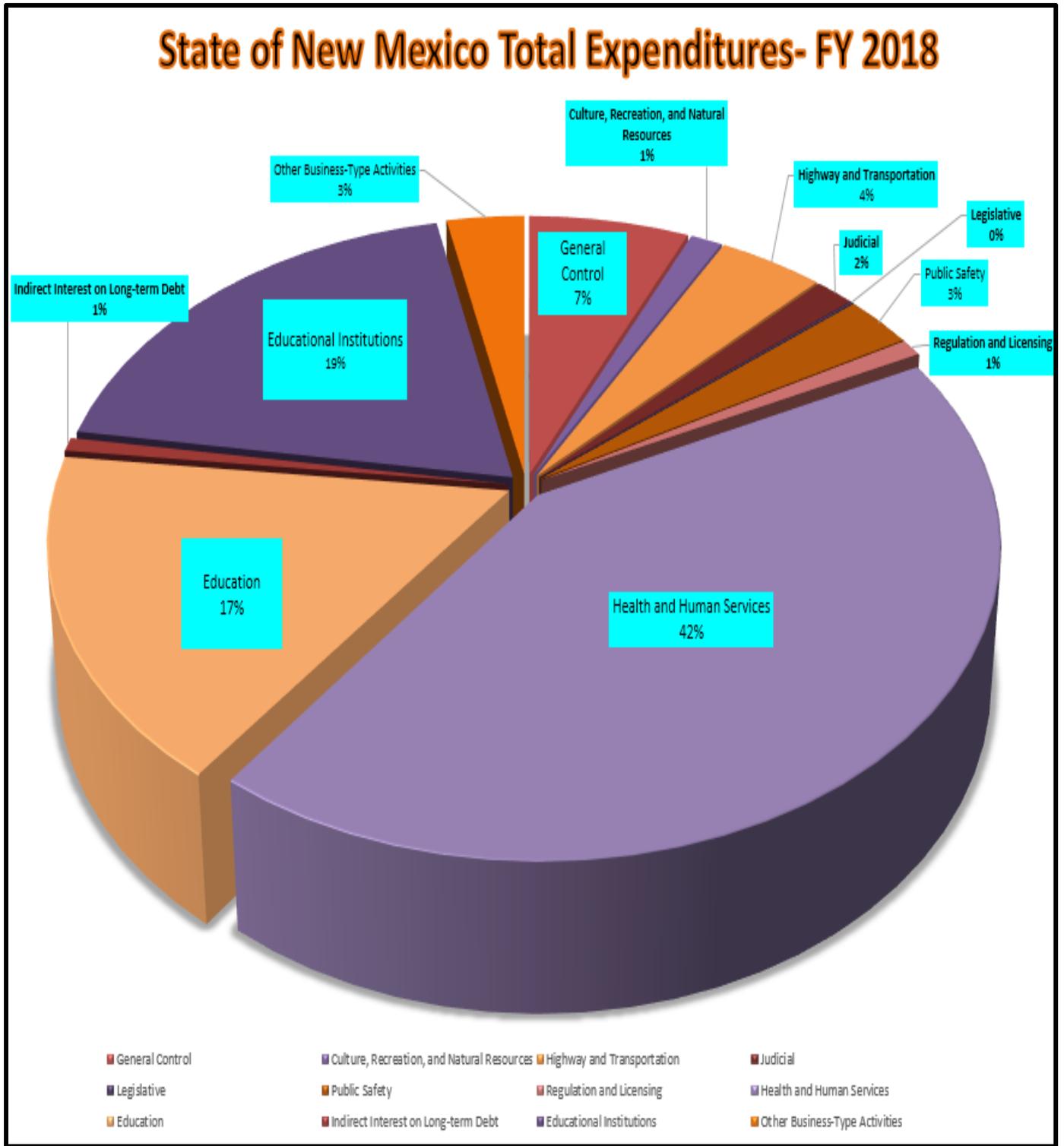
State of New Mexico Changes in Net Position							
For the Fiscal Year Ended June 30, 2018 (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2017 to 2018
	2018	2017	2018	2017	2018	2017	
Revenues							
General Revenues:							
Taxes	\$ 6,289,836	\$ 5,536,312	\$ 167,975	\$ 205,143	\$ 6,457,811	\$ 5,741,455	12.5 %
Other General Revenues	2,184,419	2,726,091	302,202	277,682	2,486,621	3,003,773	(17.2) %
Program Revenues:							
Charges for Services	2,392,591	1,984,065	2,093,262	2,072,459	4,485,852	4,056,525	10.6 %
Operating Grants and Contributions	6,850,440	6,595,050	697,032	896,071	7,547,473	7,491,121	0.8 %
Capital Grants and Contributions	-	-	12,437	11,607	12,437	11,607	7.2 %
Total Revenues	17,717,286	16,841,518	3,272,908	3,462,962	20,990,194	20,304,480	3.4 %
Expenses							
General Control	1,244,170	1,211,027	-	-	1,244,170	1,211,027	2.7 %
Culture, Recreation, and Natural Resources	247,368	247,510	-	-	247,368	247,510	(0.1) %
Highway and Transportation	805,736	824,522	-	-	805,736	824,522	(2.3) %
Judicial	306,806	304,097	-	-	306,806	304,097	0.9 %
Legislative	24,068	26,834	-	-	24,068	26,834	(10.3) %
Public Safety	534,228	552,421	-	-	534,228	552,421	(3.3) %
Regulation and Licensing	175,084	124,269	-	-	175,084	124,269	40.9 %
Health and Human Services	7,982,533	7,756,544	-	-	7,982,533	7,756,544	2.9 %
Education	3,167,364	3,286,148	-	-	3,167,364	3,286,148	(3.6) %
Indirect Interest on Long-term Debt	123,439	115,594	-	-	123,439	115,594	6.8 %
Special Items	-	-	-	-	-	-	-
Educational Institutions	-	-	3,645,245	3,383,288	3,645,245	3,383,288	7.7 %
Public Schools Insurance	-	-	354,996	383,282	354,996	383,282	(7.4) %
Environmental Loans	-	-	1,526	1,949	1,526	1,949	100.0 %
Miners' Collax Medical Center	-	-	34,807	33,180	34,807	33,180	4.9 %
Unemployment Insurance	-	-	166,040	178,334	166,040	178,334	(6.9) %
State Fair	-	-	16,357	16,124	16,357	16,124	1.4 %
Other Business-type Activities	-	-	20,536	18,869	20,536	18,869	8.8 %
Total Expenses	14,610,796	14,448,966	4,239,507	4,015,026	18,850,302	18,463,992	2.1 %
Excess Before Transfers	3,106,490	2,392,552	(966,599)	(552,064)	2,139,892	1,840,488	
Transfers	(727,311)	(616,992)	727,311	616,992	-	-	
Change in Net Position	2,379,179	1,775,560	(239,288)	64,928	2,139,892	1,840,488	16.3 %
Net Position - Beginning, as Restated	24,537,558	24,085,948	1,766,984	2,082,082	26,304,542	26,168,030	
Net Position - Ending	\$ 26,916,737	\$ 25,861,508	\$ 1,527,697	\$ 2,147,010	\$ 28,444,435	\$ 28,008,518	1.6 %

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018



STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

Governmental Activities

Governmental activities program revenue was \$9.3 billion, consisting of operating grants and contributions of \$6.9 billion and \$2.4 billion in service charges. Program revenues increased \$664 million from the prior fiscal year the result of a \$255 million increase in operating grants and contributions, along with a \$409 million increase in charges for services. Governmental activities expenses increased by \$162 million year to year bring the total to \$14.6 billion. All governmental activities in the government-wide statement of activities had expenses which exceeded program revenues. The health and human services function and education function account for three-quarters of governmental activities expenses and net cost. The operating grants and contributions increased due to additional federal funding for the health and human services and education functions.

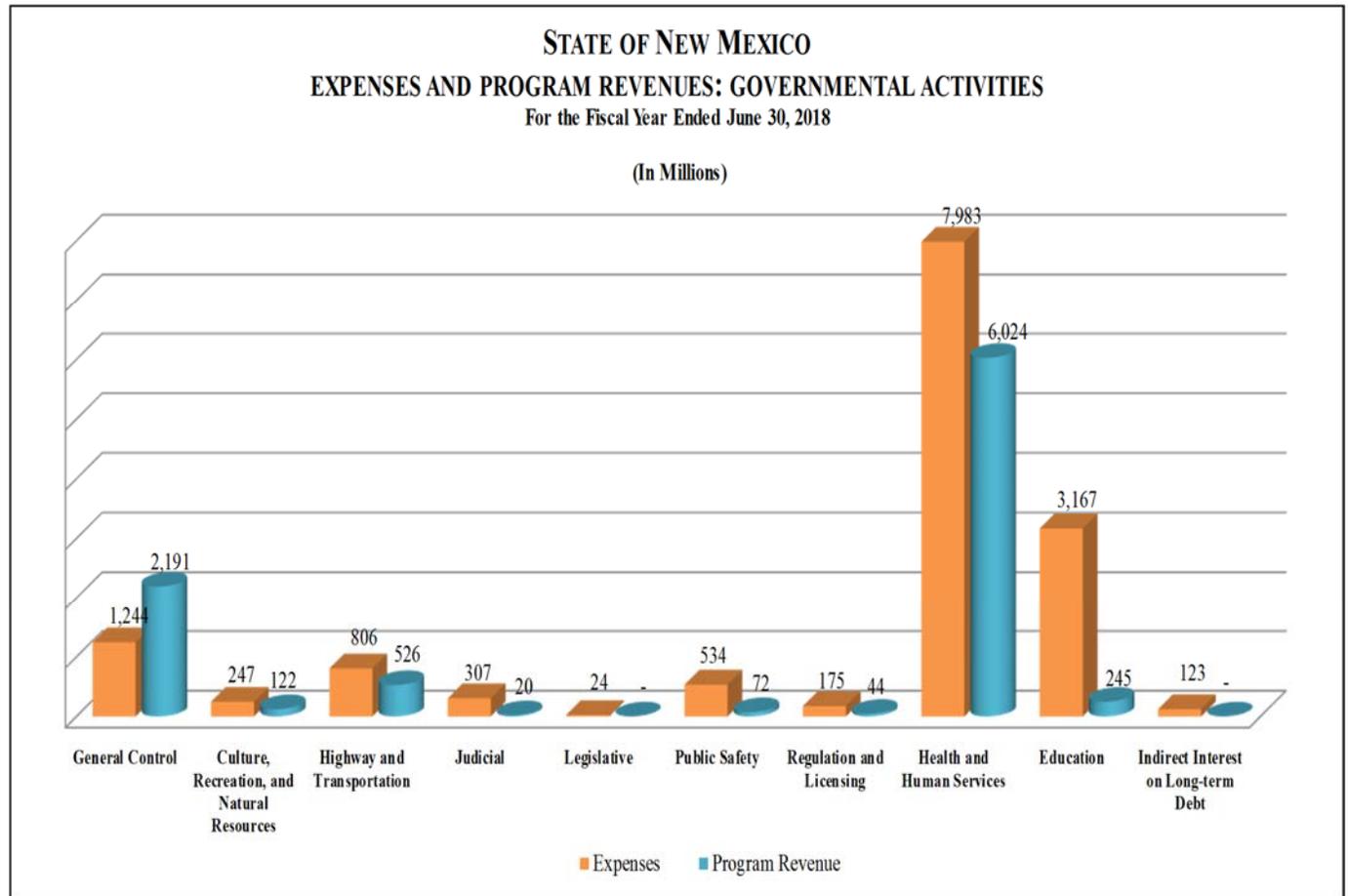
The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2018, state taxes and other general revenues covered 42.6 percent of expenses. The remaining 57.4 percent of the total expenses, was covered by charges for services and grants and contributions.

State of New Mexico						
Net Program Costs as of June 30, 2018						
<i>(Expressed in Thousands)</i>						
	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
	2018	2018	2018	2017	2018	2017
General Control	\$ 1,244,170	\$ (2,190,538)	\$ (946,368)	\$ (541,992)	176.1 %	144.8 %
Culture, Recreation, and Natural Resources	247,368	(121,911)	125,456	130,625	49.3 %	47.2 %
Highway and Transportation	805,736	(525,711)	280,024	319,473	65.2 %	61.3 %
Judicial	306,806	(20,129)	286,677	284,828	6.6 %	6.3 %
Legislative	24,068	0	24,068	26,834	- %	- %
Public Safety	534,228	(71,532)	462,696	460,222	13.4 %	16.7 %
Regulation and Licensing	175,084	(44,288)	130,796	86,477	25.3 %	30.4 %
Health and Human Services	7,982,533	(6,024,087)	1,958,446	2,002,983	75.5 %	74.2 %
Education	3,167,364	(244,835)	2,922,529	2,984,806	7.7 %	9.2 %
Indirect Interest on Long-term Debt	123,439	-	123,439	115,594	- %	- %
	\$ 14,610,795	\$ (9,243,031)	\$ 5,367,763	\$ 5,869,850	63.3 %	59.4 %

STATE OF NEW MEXICO

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018



Business-type Activities

Business-type activities generated program revenues of \$2.8 billion, including charges for services of \$2.1 billion, operating grants and contributions of \$697 million and \$12 million in capital grants and contributions. This was \$177 million less than the prior year, attributable to the education function. The total expenses for business-type activities were \$4.2 billion, an increase of \$224 million from the prior year. The largest change occurred in the education function, where expenses increase by \$262 million versus prior year, offsetting this by \$41 million was a decrease in public schools insurance and unemployment insurance. Net expenses exceeded program revenues from the primary government’s business-type activities by \$967 million, an increase of \$415 million from the prior year.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2018, the State's governmental funds reported combined ending fund balances of \$26.8 billion. The State reported \$25.8 billion, or 96 percent, as restricted, including \$17.9 billion related to the Land Grant Permanent Fund, \$5.3 billion associated with the Severance Tax Fund and \$1 billion attributable to the Capital Projects Fund, all established by state laws. Note 1.G.14 contains more details about the fund balance classifications at June 30, 2018. Committed, assigned, nonspendable and unassigned totaled \$1 billion, or 4 percent.

State of New Mexico
Fund Balances as of June 30, 2018
(Expressed in Thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Severance Tax</u>	<u>Land Grant</u>	<u>Totals Governmental Funds</u>
Nonspendable	\$ 61,378	\$ -	\$ -	\$ -	\$ -	\$ 61,378
Restricted	1,159,544	423,798	1,014,509	5,280,599	17,902,572	25,781,022
Committed	38,294	3	511	-	-	38,808
Assigned	11,572	-	-	-	-	11,572
Unassigned	<u>882,313</u>	<u>-</u>	<u>(2,821)</u>	<u>-</u>	<u>-</u>	<u>879,492</u>
Total	<u>\$ 2,153,101</u>	<u>\$ 423,801</u>	<u>\$ 1,012,198</u>	<u>\$ 5,280,599</u>	<u>\$ 17,902,572</u>	<u>\$ 26,772,272</u>

Percent Change from Prior Year

12.5 %

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

Governmental Funds

General Fund

General Fund balance at June 30, 2018 totaled \$2.2 billion. Net change in General Fund balance, was an increase \$852 million. The General Fund ended the fiscal year 2018 with unassigned fund balance of \$882 million.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

Budgetary Highlights – General Fund

The initial fiscal year 2018 budget was adopted by the Legislature during the 2017 Regular Session. The General Fund original budgeted revenues for fiscal year 2018 were 4.8 percent higher than the fiscal year 2017 final budget basis revenues. During the year, federal revenue was \$892 million less than the final approved budget. After budget amendments, the actual expenditures in the General Fund were \$1.5 million below the final budgeted amounts. This was mainly the result of agency-mandated measures to reduce expenditures. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

Severance Tax Fund

Fund balance at June 30, 2018, totaled \$5.3 billion, an increase of \$350 million, or 7.1 percent, related increase in investment earnings.

Land Grant Fund

Fund balance at June 30, 2018, totaled \$17.9 billion, an increase \$1.4 billion, or 8.55 percent, reflective of increased investment earnings compared to the portfolio in the prior year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Exclusive of Internal Service Funds, the State's proprietary funds reported Net Position of \$1.5 billion, a decrease of \$619 million from the prior year net position.

Educational Institutions

Net Position at June 30, 2018, totaled \$636 million. Current period activity decreased the Net Position of the State's educational institutions by \$664 million, or 51 percent. For the fiscal year 2018 the State transferred \$762 million to the State's educational institutions, an increase of \$36 million, or 5 percent from fiscal year 2017.

DISCRETE COMPONENT UNITS

These are operations for which the State has financial accountability or the nature and significance of their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. All of the State's discrete component units are presented in the financial statements.

The State's discretely presented major component units are:

-  New Mexico Finance Authority
-  New Mexico Mortgage Finance Authority

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

-  New Mexico Lottery Authority
-  University of New Mexico Foundation, Inc.
-  New Mexico State University Foundation, Inc.

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

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Asset Activity

As of June 30, 2018, the State's investment in capital assets, net of accumulated depreciation, for governmental activities totaled \$7.2 billion and \$2.6 billion for its business-type activities. The state's capital assets include land, buildings, improvements, machinery and equipment, mineral rights, roads, highways and bridges. The change in the State's investment in capital assets for the current fiscal year was a modest decrease of 1.04 percent in total, for governmental activities decrease of 1.44 percent and increase of .08 percent for business-type activities.

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

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

Long-term Debt Activity

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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

The State had the following bond ratings at June 30, 2018:

State of New Mexico Bond Ratings at June 30, 2018

Bonds	Moody's	Standard & Poor's
General Obligation Bonds	Aa2/Stable	AA/Stable
Severance Tax Bonds	Aa2/Stable	AA-/Stable
Supplemental Severance Tax Bonds	Aa3/Stable	A+/Stable
State Transportation Revenue Bonds Senior Lien	Aa1/Stable	AA+/Stable
State Transportation Revenue Bonds Subordinate Lien	Aa2/Stable	AA/Stable

Severance Tax Bonds issuances during the year totaled \$192 million while Revenue Bonds totaling \$546 million were issued during the same period. General Obligation Bonds issued by the state in fiscal year 2018 were \$300 million.

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

State of New Mexico Net Outstanding Bonded Debt as of June 30, 2018 (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017 to 2018
General Obligation Bonds, Net	\$ 411,525	\$ 260,760	\$ -	\$ -	\$ 350,925	\$ 260,760	34.6 %
Severance Tax Bonds, Net	943,670	876,115	-	-	814,370	876,115	(7.0) %
Revenue Bonds, Net	1,276,703	1,367,542	909,046	869,404	2,029,252	2,236,946	(9.3) %
Bond Premium, Discount, Net	304,222	237,638	46,147	43,961	297,347	281,599	5.6 %
Total Bonds Payable	\$ 2,936,120	\$ 2,742,055	\$ 955,193	\$ 913,364	\$ 3,491,894	\$ 3,655,419	(4.5) %

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

ECONOMIC CONDITIONS AND OUTLOOK

The U.S. economy grew at a steady rate in 2018. The Real Gross Domestic Product (GDP) for the nation increased at an annual rate of 2.6 percent and added 2.6 million new jobs in 2018. The unemployment rate increased from a fifty-year low of 3.6 percent in November to 3.9 percent in December of 2018. As of December 2018, wage growth increased by 3.2 percent for the nation.

New Mexico's economy affected by the upturn in the extractives industry and employment gains in mining and energy-related sectors, experienced Real GDP growth of 1.4 percent in fiscal year 2018. After rebounding sharply, Southeast NM has continued to grow, setting new record levels for rig count, oil production, and taxable gross receipts.

General Fund revenues reflected this strength, and were 10.0 percent higher; this was after a 5.5 percent increase in the prior fiscal year. Oil and natural gas tax revenues increased by 46 percent in the fiscal year 2018 as average oil prices were 23 percent higher while volumes were 31 percent higher approaching 560 thousand barrels a day. Natural gas production grew by 10 percent and prices rose by 7 percent. New Mexico's general sales tax revenue, which includes gross receipts tax and compensating tax, increased 18 percent in the fiscal year 2018. General sales tax revenue is the largest source of collections and accounts for approximately 2.4 billion or 40 percent of annual revenues. During this time-period, mineral taxes, rents and royalties, and oil and natural-gas related GRT accounted for 23.2 percent of annual revenues.

Income tax revenues increased 12 percent in the fiscal year 2018. Personal income tax, a more significant and stable revenue source for the state, comprising about one-fourth of General Fund revenue increased 10 percent, while corporate income tax receipts increased by 53 percent.

New Mexico employment continued to expand during 2018. From December 2017 to December 2018, nonagricultural payroll employment grew by 19.9 thousand jobs. As of December 2018, the unemployment rate for the state was at 5.0 percent.

First-half Fiscal Year 2019:

The State of New Mexico's Constitution and laws authorize the State to issue general obligation bonds, severance tax bonds and revenue bonds to finance or refinance the cost of State capital projects. General obligation bonds are secured by the full faith and credit of the State and payable from legally restricted revenues (collection of property taxes levied by local governments receiving the funding for capital projects). General obligation bonds issued in FY18 totaled \$300 million. Payment of severance tax bonds is provided through the collection of severance taxes levied on the mining and production of various natural resources. Severance tax bonds issued in FY18 totaled \$192 million. The State pledges income derived from the related acquired or constructed asset to pay debt service for revenue bonds. The State continues to maintain a strong creditworthiness rating from Moody's Investors Services and Standard and Poor's Corporation.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

CONTACT THE STATE'S FINANCIAL MANAGEMENT

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

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

STATE OF NEW MEXICO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS



CHACO CANYON
SOURCE - WWW.SCIENTIFICAMERICA.COM

STATE OF NEW MEXICO

STATEMENT OF NET POSITION

June 30, 2018

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 911,956	\$ 964,934	\$ 1,876,890	\$ 176,750
Cash and Cash Equivalents - Restricted	5,587	32,546	38,133	258,455
Investment in State General Fund Investment Pool	3,602,783	188,355	3,791,138	-
Investment in Local Government Investment Pool	-	132,256	132,256	14,060
Internal Balances	29	(40)	(11)	-
Due From Component Units	4,011	10,751	14,762	-
Due From Primary Government	-	-	-	83
Receivables, Net	1,877,676	424,431	2,302,107	37,444
Due From Other Parties	-	-	-	-
Loans Receivable, Net	20,965	10,505	31,470	148,595
Investments	5	467,361	467,366	29,203
Due from Broker	336,199	-	336,199	-
Prepaid Expenses	11,638	5,000	16,638	794
Inventories	34,734	30,622	65,356	397
Other Current Assets	6	20,029	20,035	3,991
Total Current Assets	6,805,589	2,286,750	9,092,339	669,772
Noncurrent Assets:				
Unrestricted Cash and Cash Equivalents	-	47,446	47,446	-
Restricted Cash and Cash Equivalents	545	97,804	98,349	65,886
Restricted Investments	-	19,358	19,358	1,312,317
Loans Receivable, Net	5,716	198,598	204,314	1,650,683
Receivables, Net	21,280	-	21,280	-
Due From Component Units	-	3,869	3,869	-
Investments	22,461,405	619,088	23,080,493	268,359
Derivative Instruments - Interest Rate Swaps	-	522	522	-
Net Pension Assets	17,898	-	17,898	-
Other Noncurrent Assets	-	17,942	17,942	85,044
Nondepreciable Capital Assets	1,110,838	253,588	1,364,426	31,513
Other Capital Assets, Net	6,060,084	2,300,650	8,360,734	82,449
Total Noncurrent Assets	29,677,766	3,558,865	33,236,631	3,496,251
Total Assets	36,483,355	5,845,615	42,328,970	4,166,023
DEFERRED OUTFLOWS OF RESOURCES				
Interest Rate Swaps	-	5,779	5,779	-
Deferred Charge on Refunding	81,590	5,572	87,162	1,277
Deferred Outflows - OPEB	20,333	14,804	35,137	1,384
Deferred Outflows - Pension	566,662	1,091,179	1,657,841	108,951
Total Deferred Outflows of Resources	668,585	1,117,334	1,785,919	111,612

STATE OF NEW MEXICO

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2018

(In Thousands)

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 449,775	\$ 217,098	\$ 666,873	\$ 18,177
Accrued Liabilities	514,915	30,373	545,288	21,729
Accrued Interest	229	21	250	-
Unearned Revenue	22,135	81,866	104,001	2,029
Due to Primary Government	-	-	-	13,784
Due to Component Units	15,472	101	15,573	-
Due To Broker	596,514	-	596,514	-
Intergovernmental Payables	94,478	-	94,478	-
Other Obligations	193,572	-	193,572	21,505
Funds Held for Others	375,324	14,672	389,996	11,080
Bonds Payable - Current Portion:	356,203	43,217	399,420	118,192
Other Liabilities - Current Portion	335,915	173,696	509,611	367,906
Total Current Liabilities	<u>2,954,532</u>	<u>561,044</u>	<u>3,515,576</u>	<u>574,402</u>
Noncurrent Liabilities:				
Bonds Payable, Net of Current Portion:	2,579,918	911,977	3,491,895	2,004,000
Due to Primary Government	-	-	-	3,869
Net Pension Liability	2,859,175	3,259,324	6,118,499	263,329
Net OPEB Liability	1,078,882	437,267	1,516,149	73,177
Other Liabilities, Net of Current Portion	246,231	132,003	378,234	150,404
Total Noncurrent Liabilities	<u>6,764,206</u>	<u>4,740,571</u>	<u>11,504,777</u>	<u>2,494,779</u>
Total Liabilities	<u>9,718,738</u>	<u>5,301,615</u>	<u>15,020,353</u>	<u>3,069,181</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow - Pension	257,915	86,840	344,755	7,436
Deferred Inflow - OPEB	245,552	45,904	291,456	38,001
Deferred Inflow - other	12,998	893	13,891	6,066
	<u>516,465</u>	<u>133,637</u>	<u>650,102</u>	<u>51,503</u>
NET POSITION				
Net Investment in Capital Assets	5,866,806	1,755,991	7,622,797	40,424
Restricted for:				
Nonexpendable:				
Financial Aid	-	151,874	151,874	-
Endowment	-	89,383	89,383	-
Other Purposes	-	12,978	12,978	384,754
Expendable:				
Debt Service	-	65,279	65,279	57,842
Capital Projects	-	41,066	41,066	-
Scholarships	-	28,454	28,454	-
Loan Programs	-	15,145	15,145	-
Other Purposes	25,740,851	915,178	26,656,029	651,697
Unrestricted Net Position	<u>(4,690,920)</u>	<u>(1,547,651)</u>	<u>(6,238,571)</u>	<u>22,234</u>
Total Net Position	<u>\$ 26,916,737</u>	<u>\$ 1,527,697</u>	<u>\$ 28,444,434</u>	<u>\$ 1,156,951</u>

STATE OF NEW MEXICO

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental Activities:								
General Control	\$ 1,244,170	\$ 1,958,862	\$ 231,676	\$ -	\$ 946,368	\$ -	\$ 946,368	\$ -
Culture, Recreation, and Natural Resources	247,368	70,071	51,840	-	(125,457)	-	(125,457)	-
Highway and Transportation	805,736	111,792	413,919	-	(280,025)	-	(280,025)	-
Judicial	306,806	17,706	2,423	-	(286,677)	-	(286,677)	-
Legislative	24,068	-	-	-	(24,068)	-	(24,068)	-
Public Safety	534,228	12,641	58,891	-	(462,696)	-	(462,696)	-
Regulation and Licensing	175,084	41,178	3,110	-	(130,796)	-	(130,796)	-
Health and Human Services	7,982,533	173,479	5,850,608	-	(1,958,446)	-	(1,958,446)	-
Education	3,167,364	6,862	237,973	-	(2,922,529)	-	(2,922,529)	-
Interest on Long-term Debt	123,439	-	-	-	(123,439)	-	(123,439)	-
Total Governmental Activities	14,610,796	2,392,591	6,850,440	-	(5,367,765)	-	(5,367,765)	-
Business-type Activities:								
Educational Institutions	3,645,245	1,665,364	677,632	12,437	-	(1,289,812)	(1,289,812)	-
Public Schools Insurance	354,996	373,489	-	-	-	18,493	18,493	-
Environmental Loans	1,526	-	6,474	-	-	4,948	4,948	-
Miners' Colfax Medical Center	34,807	22,031	8,381	-	-	(4,395)	(4,395)	-
Unemployment Insurance	166,040	243	4,545	-	-	(161,252)	(161,252)	-
State Fair - EXPO	16,357	11,469	-	-	-	(4,888)	(4,888)	-
Other Business-type Activities	20,536	20,666	-	-	-	130	130	-
Total Business-type Activities	4,239,507	2,093,262	697,032	12,437	-	(1,436,776)	(1,436,776)	-
Total Primary Government	\$ 18,850,303	\$ 4,485,853	\$ 7,547,472	\$ 12,437	(5,367,765)	(1,436,776)	(6,804,541)	-
Discretely Presented Component Units								
New Mexico Finance Authority	\$ 99,292	\$ 58,193	\$ 14,138	\$ -	-	-	-	(26,961)
New Mexico Mortgage Finance Authority	40,569	13,844	14,279	-	-	-	-	(12,446)
Other Major Component Units	120,252	135,815	45,104	-	-	-	-	60,667
Nonmajor Component Units	231,581	7,554	43,741	-	-	-	-	(180,286)
Total Component Unit Activities	\$ 491,694	\$ 215,406	\$ 117,262	\$ -	-	-	-	(159,026)
General Revenues:								
Taxes:								
Individual Income					1,581,590	-	1,581,590	-
Corporate Income					(67,093)	-	(67,093)	-
Gross Receipts Taxes					2,541,586	-	2,541,586	-
Business Privilege					2,212,070	-	2,212,070	-
Unemployment Insurance					14,529	167,975	182,504	-
Other Taxes					7,154	-	7,154	-
Payment to the State of New Mexico					-	-	-	(104,976)
Payment From State of New Mexico					-	-	-	202,583
Operating Investment Income					1,949,723	14,276	1,963,999	-
Non Operating Investment Income and Other					155	27,865	28,020	41,580
Miscellaneous					234,541	260,062	494,603	33,778
Transfers, Net					(727,311)	727,311	-	-
Total Net General Revenues and Transfers					7,746,944	1,197,489	8,944,433	172,965
Change in Net Position					2,379,179	(239,287)	2,139,892	13,939
Net Position - Beginning, as Restated - See Note 9.C.					24,537,558	1,766,984	26,304,542	1,143,012
Net Position - Ending					\$ 26,916,737	\$ 1,527,697	\$ 28,444,434	\$ 1,156,951

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STATE OF NEW MEXICO

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

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

Debt Service Fund

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

Capital Projects Fund

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

Severance Tax Fund

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

Land Grant Fund

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

STATE OF NEW MEXICO

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2013
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 18,171	\$ 39,921	\$ 20,101
Investment in the Local Government Investment Pool	-	-	-
Investment in the State General Fund Investment Pool	1,942,984	273,814	972,211
Prepaid Expenses	11,625	-	-
Due From Other Funds	1,371,161	140,185	4,651
Due from Other Parties	4,011	-	-
Receivables, Net	1,850,646	1,412	3,464
Investments	239,237	-	84,328.00
Inventories	34,731	-	-
Other Assets	6	-	-
Total Assets	<u>5,472,572</u>	<u>455,332</u>	<u>1,084,755</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges - Water Projects	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,472,572</u>	<u>\$ 455,332</u>	<u>\$ 1,084,755</u>
LIABILITIES			
Accounts Payable	\$ 382,626	\$ 459	\$ 48,459
Accrued Liabilities	68,881	-	832
Due To Other Funds	1,624,416	31,071	3,739
Due to Brokers	8,098	-	-
Intergovernmental Payables	95,223	-	14,725
Funds Held For Others	373,858	-	0
Other Obligations	639,450	1	4,361
Unearned Revenue	21,618	-	-
Total Liabilities	<u>3,214,170</u>	<u>31,531</u>	<u>72,116</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	105,301	-	440
	<u>105,301</u>	<u>-</u>	<u>440</u>
FUND BALANCES			
Nonspendable	61,378	-	-
Restricted	1,159,544	423,798	1,014,509
Committed	38,294	3	511
Assigned	11,572	-	-
Unassigned (Deficit)	882,313	-	(2,821)
Total Fund Balances	<u>2,153,101</u>	<u>423,801</u>	<u>1,012,199</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,472,572</u>	<u>\$ 455,332</u>	<u>\$ 1,084,755</u>

See accountant's report

STATE OF NEW MEXICO

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2018
(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 186,259	\$ 653,636	\$ 918,088
Investment in the Local Government Investment Pool	-	-	-
Investment in the State General Fund Investment Pool	118,332	142,625	3,449,966
Prepaid Expenses	-	-	11,625
Due From Other Funds	9	143,266	1,659,272
Due from Other Parties	-	-	4,011
Receivables, Net	84,796	304,818	2,245,136
Investments	5,019,358	17,118,488	22,461,411
Inventories	-	-	34,731
Other Assets	-	-	6
Total Assets	<u>5,408,754</u>	<u>18,362,833</u>	<u>30,784,246</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges - Water Projects	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,408,754</u>	<u>\$ 18,362,833</u>	<u>\$ 30,784,246</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 431,544
Accrued Liabilities	-	-	69,713
Due To Other Funds	-	-	1,659,226
Due to Brokers	128,155	460,261	596,514
Intergovernmental Payables	-	-	109,948
Funds Held For Others	-	-	373,858
Other Obligations	-	-	643,812
Unearned Revenue	-	-	21,618
Total Liabilities	<u>128,155</u>	<u>460,261</u>	<u>3,906,233</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	-	-	105,741
	<u>-</u>	<u>-</u>	<u>105,741</u>
FUND BALANCES			
Nonspendable	-	-	61,378
Restricted	5,280,599	17,902,572	25,768,646
Committed	-	-	38,808
Assigned	-	-	11,572
Unassigned (Deficit)	-	-	891,868
Total Fund Balances	<u>5,280,599</u>	<u>17,902,572</u>	<u>26,772,272</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,408,754</u>	<u>\$ 18,362,833</u>	<u>\$ 30,784,246</u>

STATE OF NEW MEXICO

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

June 30, 2018
(In Thousands)

Total Fund Balances - Governmental Funds \$ 26,772,272

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds: (See Note 6)

Land and Other Nondepreciable Assets (less \$1,575 ISF)	\$ 1,109,263	
Buildings, Equipment, Infrastructure and Other Depreciable Assets (not including \$ 171,370 in Internal Service Fund balances)	16,766,820	
Accumulated Depreciation (less \$118,336 ISF)	<u>(10,759,740)</u>	7,116,343

Assets (receivables) not available to provide current resources are offset with deferred inflows of resources in the fund statements. The reduction of the deferred inflows and recognition of revenue increases net position in the Statement of Net Position. 105,741

The deferred loss on bond refunding issues is not recognized in the governmental funds, but is recognized in the government-wide statements. 81,590

The net pension asset for the pension fund which has a positive net position is not reported in the funds statements 17,898

The pension and OPEB related deferred outflows of resources are not recognized in the government-wide statements, and neither are the deferred outflows of resources. less \$9,280 and (\$8,167) for ISF

	577,715	
	<u>(495,300)</u>	82,415

The deferred gain on refunding is not recognized in the governmental funds, but is recognized the government-wide statements (12,998)

Internal service funds (ISF) are used by management to charge for certain activities, such as insurance, information technology, fleet operations, printing, and telecommunications. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. (32,105)

Accrued interest payable is not recognized in the governmental funds statements (229)

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the fund financial statements:

Net pension liability (less \$46,300 for ISF)	\$ (2,812,875)	
Net OPEB liability (Less \$18,443 for ISF)	(1,060,439)	
Bonds payable, including bond premium and loans payable to component unit	(2,936,121)	
Capital leases, compensated absences, notes payable, contingent liabilities, and other liabilities	<u>(408,513)</u>	(7,217,948)

Unreconciled Difference 3,758

Total Net Position - Governmental Activities \$ 26,916,737

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

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STATE OF NEW MEXICO

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

For the Year Ended June 30, 2018
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes:			
General and Selective Taxes	\$ 4,138,230	\$ 605,529	5,912
Income Taxes	1,652,066	-	-
Total Taxes	5,790,296	605,529	5,912
Other Revenues:			
Federal Revenue	6,831,724	-	16,630
Investment Income (Loss)	28,474	19,146	(2,001)
Rentals and Royalties	711,243	-	1,402
Charges for Services	169,427	3,594	66
Licenses, Fees, and Permits	317,170	2,123	-
Assessments	12,803	-	-
Miscellaneous and Other	254,876	222	2,295
Total Revenues	14,116,013	630,614	24,304
EXPENDITURES			
Current:			
Culture, Recreation, and Natural Resources	204,883	63	23,729
Education	3,131,092	-	35,394
General Control	498,671	1,047	50,584
Health and Human Services	7,923,630	-	52,088
Highway and Transportation	408,202	1,422	11,001
Judicial	300,049	25	513
Legislative	23,992	-	-
Public Safety	514,414	-	698
Regulation and Licensing	157,909	-	11,233
Capital Outlay	329,804	443	75,091
Debt Service:			
Principal	96,630	11,899	274,020
Interest and Other Charges	55,099	78,573	56,510
Total Expenditures	13,644,375	93,472	590,861
Excess Revenues Over (Under)			
Expenditures	471,638	537,142	(566,557)
OTHER FINANCING SOURCES (USES)			
Bonds Issued	\$ -	\$ -	\$ 539,370
Bond Premium	-	69,235	84,893
Refunding Bonds Issued	6	420,090	-
Proceeds from the Sale of Capital Assets	1,751	-	-
Transfers In	7,579,482	178,482	729,867
Transfers to Higher Ed	(632,304)	-	(68,661)
Transfers from Higher Ed	40,628	-	-
Transfers Out	(6,608,956)	(694,363)	(422,845)
Payment to Refunding Bond Escrow Agent	-	(420,000)	(30,865)
Total Other Financing Sources (Uses)	380,607	(446,556)	831,759
Net Change in Fund Balances	852,245	90,586	265,202
Fund Balances - Beginning, as Restated - See Note 9.C.	1,300,856	333,215	746,997
Fund Balances - Ending	\$ 2,153,101	\$ 423,801	1,012,199

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2018
(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
REVENUES			
Taxes:			
General and Selective Taxes	\$ -	\$ -	\$ 4,749,671
Income Taxes	-	-	1,652,066
Total Taxes	-	-	6,401,737
Other Revenues:			
Federal Revenue	-	-	6,848,354
Investment Income (Loss)	455,022	1,447,613	1,948,254
Rentals and Royalties	-	690,506	1,403,151
Charges for Services	-	-	173,087
Licenses, Fees, and Permits	-	-	319,293
Assessments	-	-	12,803
Miscellaneous and Other	-	-	257,393
Total Revenues	455,022	2,138,119	17,364,072
EXPENDITURES			
Current:			
Culture, Recreation, and Natural Resources	-	-	228,675
Education	-	-	3,166,486
General Control	-	-	550,302
Health and Human Services	-	-	7,975,718
Highway and Transportation	-	-	420,625
Judicial	-	-	300,587
Legislative	-	-	23,992
Public Safety	-	-	515,112
Regulation and Licensing	-	-	169,142
Capital Outlay	-	-	405,338
Debt Service:			
Principal	-	-	382,549
Interest and Other Charges	-	-	190,182
Total Expenditures	-	-	14,328,708
Excess Revenues Over (Under)			
Expenditures	455,022	2,138,119	3,035,364
OTHER FINANCING SOURCES (USES)			
Bonds Issued	\$ -	\$ -	\$ 539,370
Bond Premium	-	-	154,128
Refunding Bonds Issued	-	-	420,096
Proceeds from the Sale of Capital Assets	-	-	1,751
Transfers In	117,027	-	8,604,858
Transfers to Higher Ed	-	(60,913)	(761,878)
Transfers from Higher Ed	-	-	40,628
Transfers Out	(222,450)	(666,356)	(8,614,970)
Payment to Refunding Bond Escrow Agent	-	-	(450,865)
Total Other Financing Sources (Uses)	(105,423)	(727,269)	(66,882)
Net Change in Fund Balances	349,599	1,410,850	2,968,482
Fund Balances - Beginning, as Restated - See Note 9.C.	4,931,000	16,491,722	23,803,790
Fund Balances - Ending	\$ 5,280,599	\$ 17,902,572	\$ 26,772,272

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

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2018

(In Thousands)

Net Change in Fund Balances - Total Governmental Funds	\$ 2,968,482
The change in Net Position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	\$ 501,091
Depreciation expense (less \$8,182 ISF)	<u>(513,439)</u>
Excess of capital outlay over depreciation expense	(12,348)
Loss on disposal assets	(95,753)
Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.	90,448
Internal service funds are used by management to charge for certain activities, such as fleet operations, risk management, printing and records, communications services, and information processing. The net revenue (expense) of the internal service funds is reported with governmental activities.	(6,993)
Bond proceeds, notes, and capital leases provide current financial resources to governmental activities by issuing debt, which increases long-term liabilities in the Statement of Net Position. Repayments of the bond, notes, and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position:	
Payment of Bond, Note, and Capital Lease Principal	\$ 382,549
Payment to bond refunding agent	450,865
Bond and Note Proceeds, Net	<u>(959,466)</u>
Governmental funds report the effect of bond premium and discount items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	\$ (154,128)
	<u>50,899</u>
The deferred loss on refunding bond issues is capitalized and the amortization is reported in the Statement of Activities.	\$ 41,911
	<u>(7,358)</u>
Pension expense and OPEB expense of governmental funds is recognized in the Statement of Activities but not in the funds statements.	(199,307)
Expenditures are recognized in the governmental funds when paid or due for items normally paid with available financial resources; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net change of the following balances:	
Compensated Absences Expense	\$ (3,681)
Pollution Remediation Obligation	15,172
Accrued Interest on Bonds Payable	18
Native American Water Rights Liability	(15,831)
Contingent Liability	(179,525)
Hedging Derivatives (Less Termination costs \$67,179)	16,911
Capital Leases	1,435
Other	<u>(5,121)</u>
	<u>(170,622)</u>
Change in Net Position of Governmental Activities	\$ 2,379,179

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

STATE OF NEW MEXICO

PROPRIETARY FUND FINANCIAL STATEMENTS

Educational Institutions Fund

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

Non-major Enterprise Funds

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

Internal Service Fund

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

STATE OF NEW MEXICO

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2018
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 508,992	\$ 455,943	\$ 964,935	\$ -
Cash and Cash Equivalents - Restricted	32,546	-	32,546	-
Investment in the State General Fund Investment Pool	-	188,384	188,384	153,772
Investment in the Local Government Investment Pool	43,529	88,727	132,256	-
Due From Other Funds	-	-	-	-
Due From Component Unit	10,751	-	10,751	-
Receivables, Net	363,472	71,463	434,935	16,568
Investments	467,361	-	467,361	-
Inventories	28,774	1,848	30,622	4
Other Current Assets	24,652	377	25,029	13
Total Current Assets	1,480,077	806,742	2,286,819	170,357
Noncurrent Assets:				
Unrestricted Cash and Cash Equivalents	47,446	-	47,446	-
Restricted Cash and Cash Equivalents	97,804	-	97,804	-
Loans Receivable	21,181	177,417	198,598	-
Investments	590,852	28,236	619,088	-
Restricted Investments	19,358	-	19,358	-
Due From Component Units	3,869	-	3,869	-
Derivative Instruments - Interest Rate Swaps	522	-	522	-
Other Noncurrent Assets	17,942	-	17,942	-
Nondepreciable Capital Assets	251,821	1,767	253,588	1,575
Capital Assets, Net	2,235,442	65,208	2,300,650	53,004
Total Noncurrent Assets	3,286,237	272,628	3,558,865	54,579
Total Assets	4,766,314	1,079,370	5,845,684	224,936
DEFERRED OUTFLOWS OF RESOURCES				
Interest Rate Swaps	5,779	-	5,779	-
Deferred Charge on Refunding	5,572	-	5,572	-
Deferred Outflows - OPEB	14,534	270	14,804	347
Deferred Outflows - Pension	1,084,263	6,916	1,091,179	8,933
Total Deferred Outflows of Resources	1,110,148	7,186	1,117,334	9,280

STATE OF NEW MEXICO

STATEMENT OF NET POSITION PROPRIETARY FUNDS (CONTINUED)

June 30, 2018
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 214,407	\$ 2,696	\$ 217,103	\$ 18,227
Deficiency in SGFIP	-	29	29	-
Accrued Liabilities	23,746	6,647	30,393	786
Unearned Revenue	68,989	12,877	81,866	759
Due to Other Funds	-	40	40	6
Due to Component Unit	83	17	100	-
Funds Held for Others	14,283	390	14,673	-
Payable to External Parties	42,212	1,005	43,217	-
Other Liabilities	137,901	35,793	173,694	96,112
Total Current Liabilities	501,621	59,494	561,115	115,890
Noncurrent Liabilities:				
Bonds Payable	902,952	9,025	911,977	-
Net Pension Liability	3,223,474	35,850	3,259,324	46,300
Net OPEB Liability	422,989	14,278	437,267	18,443
Other Liabilities	61,634	70,369	132,003	77,521
Total Noncurrent Liabilities	4,611,049	129,522	4,740,571	142,264
Total Liabilities	5,112,670	189,016	5,301,686	258,154
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow - Pension	83,766	3,074	86,840	3,969
Deferred Inflow - OPEB	42,654	3,250	45,904	4,198
Deferred Inflow - Other	893	-	893	-
Total Deferred Inflows of Resources	127,313	6,324	133,637	8,167
NET POSITION				
Net Investment in Capital Assets	1,699,088	56,903	1,755,991	54,587
Restricted:				
Nonexpendable:				
Scholarships and Student Loans	151,874	-	151,874	-
Endowment	89,383	-	89,383	-
Other Purposes	12,978	-	12,978	-
Expendable:				
Debt Service	65,279	-	65,279	-
Capital Projects	41,066	-	41,066	-
Scholarships	28,454	-	28,454	-
Loans	15,145	-	15,145	-
Other Purposes	27,239	887,939	915,178	49,020
Unrestricted (Deficit)	(1,494,027)	(53,626)	(1,547,653)	(135,712)
Total Net Position	\$ 636,479	\$ 891,216	\$ 1,527,695	\$ (32,105)

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

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2018

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Charges for Services	\$ 1,388,125	\$ 427,898	\$ 1,816,023	\$ 484,354
Unemployment Insurance	-	167,975	167,975	-
Federal Revenue	373,007	18,813	391,820	-
State, Local, and Private Grants and Contracts	132,197	-	132,197	-
Loans and Other Income	-	14,277	14,277	1,092
Student Tuition and Fees, Net	277,239	-	277,239	-
Patient Services/Clinical Operations	-	-	-	-
Other Operating Revenues	89,191	6,913	96,105	274
Total Operating Revenues	2,259,759	635,876	2,895,636	485,720
OPERATING EXPENSES				
Benefits, Claims, and Premiums	-	170,333	170,333	-
Education and General	2,842,473	406,767	3,249,240	488,783
Insurance Losses	-	-	-	-
Depreciation and Amortization	171,969	4,858	176,827	8,182
Other Operating Expenses	597,418	12,304	609,722	221
Total Operating Expenses	3,611,860	594,262	4,206,122	497,186
Operating Income (Loss)	(1,352,101)	41,614	(1,310,486)	(11,466)
NONOPERATING REVENUES (EXPENSES)				
Private Grants and Gifts	45,850	-	45,850	-
State Permanent Fund Income	-	-	-	-
Government Grants and Contracts	258,775	587	259,362	-
Interest and Investment Income	24,876	2,989	27,865	155
Interest and Other Expenses on Capital				
Interest-related Debt	(33,385)	-	(33,385)	-
Gain (Loss) on Sale of Capital Assets	(1,749)	4	(1,745)	267
Other Revenue (Expense)	32,386	1,119	33,505	-
Total Nonoperating Revenues (Expenses)	326,753	4,699	331,452	422
Income (Loss) Before Transfers and Other Revenues (Expenses)	(1,025,348)	46,313	(979,034)	(11,044)
CAPITAL CONTRIBUTIONS AND ENDOWMENTS				
Capital Grants and Gifts	5,305	-	5,305	-
Permanent Fund/Endowment Contributions	7,131	-	7,131	-
Total Capital Contributions and Endowments	12,436	-	12,436	-
TRANSFERS				
Transfers In	762,117	14,340	776,457	12,493
Transfers Out	(40,628)	(8,518)	(49,146)	(8,442)
Total Transfers	721,489	5,822	727,311	4,051
Change in Net Position	(291,423)	52,135	(239,288)	(6,993)
Net Position - Beginning, as Restated - See Note 9.C.	927,902	839,081	1,766,983	(25,112)
Net Position - Ending	\$ 636,479	\$ 891,216	\$ 1,527,695	\$ (32,105)

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STATE OF NEW MEXICO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2018
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from:				
Fees for Service	\$ 285,213	\$ 410,591	\$ 695,804	\$ 481,038
Sale of Products	425,275	11,132	436,407	-
Gifts, Grants, and Contracts	209,686	12,132	221,818	-
Loan and Note Repayments	-	(269,939)	(269,939)	-
Unemployment Insurance	-	175,140	175,140	-
Other Sources	1,382,582	18,378	1,400,960	(16,306)
Cash Payments to or for:				
Suppliers	(1,052,441)	(83,814)	(1,136,255)	(401,312)
Employees	(1,936,984)	(26,977)	(1,963,961)	(79,138)
Unemployment Benefits	-	(164,406)	(164,406)	-
Student Loans and Loan Losses	(49,138)	-	(49,138)	-
Other Payments	(92,636)	(46,183)	(138,819)	-
Net Cash Provided (Used) by Operating Activities	(828,443)	36,054	(792,389)	(15,718)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	762,117	14,340	776,457	12,493
Transfers Out	(40,628)	(8,518)	(49,146)	(8,442)
Gifts for Other Than Capital Purposes	14,308	-	14,308	-
Intergovernmental Receipts	281,815	1,100	282,915	-
Other	-	824	824	-
Net Cash Provided (Used) by Noncapital Financing Activities	1,017,612	7,746	1,025,358	4,051
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(179,082)	(940)	(180,022)	(11,881)
Capital Gifts, Grants, and Contracts	-	587	587	-
Capital Debt Service Payments - Principal	(65,851)	(1,076)	(66,927)	-
Capital Debt Service Payments - Interest	(32,493)	-	(32,493)	-
Capital Contributions and Debt Proceeds	166,945	-	166,945	-
Proceeds from Sale of Capital Assets	93	-	93	107
Other	(2,310)	-	(2,310)	8,946
Net Cash Provided (Used) by Capital and Related Financing Activities	(112,698)	(1,429)	(114,127)	(2,828)

STATE OF NEW MEXICO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2018

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of Interest and Dividends of Investments	\$ 19,571	\$ 1,193	\$ 20,764	\$ 155
Purchase of Investments	(271,271)	-	(271,271)	-
Receipts of Rent	-	260	260	-
Proceeds from Sale and Maturity of Investments	205,168	-	205,168	-
Net Cash Provided (Used) by Investing Activities	(46,532)	1,453	(45,079)	155
Net Increase (Decrease) in Cash	29,939	43,824	73,763	(14,340)
Cash and Cash Equivalents at Beginning of Year	656,853	689,230	1,346,083	168,112
Cash and Cash Equivalents at End of Year	\$ 686,792	\$ 733,054	\$ 1,419,846	\$ 153,772
Cash and Cash Equivalents				
Unrestricted	\$ 556,440	\$ 455,943	\$ 1,012,383	\$ -
Restricted	130,352	-	130,352	-
Investment in the Local Government Investment Pool	-	88,727	88,727	-
Investment in the State General Fund Investment Pool	-	188,384	188,384	153,772
Total Cash and Cash Equivalents	\$ 686,792	\$ 733,054	\$ 1,419,846	\$ 153,772
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (1,352,101)	\$ 41,614	\$ (1,310,487)	\$ (11,466)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	171,969	4,858	176,827	8,181
Bad Debt Expense	118,946	4,901	123,847	-
Realized (Gain) Loss on Disposal of Assets	15	-	15	-
Unrealized (Gain) Loss on Investments	15	-	15	-
Change in Net Pension Liability	881,801	3,119	884,920	5,888
Change in Net OPEB Liability	(1,362)	298	(1,064)	385
Change in Deferred Outflow of Resources	(514,970)	-	(514,970)	-
Change in Deferred Inflow of Resources	30,244	-	30,244	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
Short-term Investments	-	-	-	-
Receivables/Due From Other Funds	(108,923)	(9,730)	(118,653)	(1,562)
Notes/Loans	2,339	(10,644)	(8,305)	-
Inventories	10	273	283	5
Prepaid Items/Other Assets	(505)	50	(455)	161
Insurance Claims Payable	-	-	-	(7,644)
Accounts Payable/Accrued Liabilities/Due To Other Funds	(57,849)	1,250	(56,599)	(9,666)
Loss Adjustments	(730)	-	(730)	-
Unearned Revenue	2,658	65	2,723	-
Net Cash Provided (Used) by Operating Activities	\$ (828,443)	\$ 36,054	\$ (792,389)	\$ (15,718)

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

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STATE OF NEW MEXICO

FIDUCIARY FUNDS FINANCIAL STATEMENTS

Pension and Other Employee Benefits Trust Funds

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

External Investment Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

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

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

STATE OF NEW MEXICO

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

June 30, 2018

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 995,365	\$ 28,767	\$ 5,839	\$ 20,312
Investment in State General Fund Investment Pool	52,753	-	29,802	57,805
Investment in Local Government Investment Pool	102	-	-	3,340
Investments:				
U.S. Government and Agency Securities	1,011,404	-	-	-
International Securities	2,757,202	-	-	-
Corporate Equity Securities	8,238,459	-	-	-
Corporate and Municipal Bonds	3,394,272	-	-	-
Partnerships and Other Investments	13,576,000	-	-	-
Securities Lending Collateral Investments	367,258	-	-	-
Long Term Investments	-	639,988	3,108,136	1,364
Receivables:				
Brokers	706,385	4,330	815	-
Accrued Interest and Other	15,256	-	2,447	-
Participant Loans	12,295	-	-	99
Other Receivables	130,601	1,533	3,807	349,946
Capital Assets, Net	14,567	-	-	-
Total Assets	<u>31,271,919</u>	<u>674,618</u>	<u>3,150,846</u>	<u>\$ 432,866</u>
LIABILITIES				
Accounts Payable	17,928	-	1,126	750
Accrued Liabilities	587	-	6,089	89
Due to Brokers	1,221,781	7,406	1,414	-
Intergovernmental Payables	-	-	-	386,196
Unearned Revenue	393	-	-	-
Deposits Held in Trust	2,005	-	-	27,540
Due to Component Units	-	-	-	13,846
Other Liabilities	391,153	35	2,075	4,445
Other Obligations	23	-	91,199	-
Total Liabilities	<u>1,633,870</u>	<u>7,441</u>	<u>101,903</u>	<u>\$ 432,866</u>
NET POSITION				
Restricted for:				
Pension Benefits	28,373,494	-	-	-
Other Postemployment Benefits	657,655	-	-	-
Defined Contribution	606,900	-	-	-
External Investment Pool Participants	-	667,177	-	-
Other Purposes	-	-	3,048,943	-
Net Position	<u>\$ 29,638,049</u>	<u>\$ 667,177</u>	<u>\$ 3,048,943</u>	

STATE OF NEW MEXICO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Year Ended June 30, 2018

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employee Contributions	\$ 740,382	\$ -	\$ -
Employer Contributions	843,971	-	-
Member Contributions	40,032	-	1,842,875
Other	8	-	224,771
Total Contributions	<u>1,624,393</u>	<u>-</u>	<u>2,067,646</u>
Pool Participant Deposits	<u>-</u>	<u>544,713</u>	<u>-</u>
Investment Income (Loss):			
Net Increase (Decrease) in Fair Value of Investments	1,716,438	7,308	55,550
Interest and Dividends	444,579	12,080	75,545
	<u>2,161,017</u>	<u>19,388</u>	<u>131,095</u>
Less Investment Expense	146,654	-	-
Net Investment Income	<u>2,014,363</u>	<u>19,388</u>	<u>131,095</u>
Other Additions			
Other Operating Revenues	60,864	-	38,152
Total Other Additions	<u>60,864</u>	<u>-</u>	<u>38,152</u>
Total Additions	<u>3,699,620</u>	<u>564,101</u>	<u>2,236,893</u>
DEDUCTIONS			
Benefits and Claims	2,268,090	-	-
Distributions	-	638,854	1,925,938
Refunds	88,623	-	223,211
General and Administrative Expenses	347,429	351	41,243
Other Operating Expenses	1,471	-	19,638
Total Deductions	<u>2,705,613</u>	<u>639,205</u>	<u>2,210,030</u>
Special Item	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	994,007	(75,104)	26,863
Net Position - Beginning, as Restated	28,644,042	742,281	3,022,080
Net Position - Ending	<u>\$ 29,638,049</u>	<u>\$ 667,177</u>	<u>\$ 3,048,943</u>

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STATE OF NEW MEXICO

COMPONENT UNIT FINANCIAL STATEMENTS

June 30, 2018

New Mexico Finance Authority

The New Mexico Finance Authority coordinates the planning and financing of state and local public projects, provides for long-term planning and assessment of state and local capital needs, and improves cooperation among the executive and legislative branches of state government and local governments in financing public projects.

New Mexico Mortgage Finance Authority

The New Mexico Mortgage Finance Authority assists in the financing of housing for persons of low and moderate income in the State.

New Mexico Lottery Authority

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

University of New Mexico Foundation

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

New Mexico State University Foundation

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

Non-major Component Units

There were seventeen non-major component units at June 30, 2018. Their financial information is presented in total. They are as follows: UNM Alumni Association; UNM Lobo Club; UNM Anderson School of Management Foundation; New Mexico Institute of Mining and Technology Research Foundation; New Mexico Highlands University (NMHU) Foundation; NMHU Stable Isotopes Corporation; Western New Mexico University Foundation; Eastern New Mexico University (ENMU) Foundation; ENMU Roswell Foundation; ENMU Ruidoso Foundation; Northern New Mexico College Foundation; New Mexico Military Institute Foundation; New Mexico School for the Visually Impaired Foundation; Cumbres & Toltec Scenic Railroad Commission; New Mexico Renewable Transmission Authority; the New Mexico Small Business Investment Corporation and New Mexico State-chartered Charter Schools.

STATE OF NEW MEXICO

COMBINING STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2018
(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	University of New Mexico Foundation	New Mexico State University Foundation	Nonmajor Component Units	Total
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$ 23,272	\$ 60,839	\$ 4,931	\$ 4,294	\$ 14,989	\$ 68,425	\$ 176,750
Investment in Local Government							
Investment Pool	-	5,870	-	-	-	8,190	14,060
Restricted Cash and Cash Equivalents	237,743	-	3,348	4,954	-	12,410	258,455
Investments	-	-	-	-	332	28,871	29,203
Due From Primary Government	-	-	-	-	-	83	83
Due From Other Components	-	-	-	-	-	-	-
Receivables, Net	10,417	3,435	1,252	745	12,641	8,954	37,444
Loans Receivable, Current	148,575	-	-	-	-	20	148,595
Prepaid Expenses	20	-	230	-	-	544	794
Other Assets	-	3,695	-	296	-	-	3,991
Inventory	-	-	106	-	-	291	397
Total Current Assets	420,027	73,839	9,867	10,289	27,962	127,788	669,772
Noncurrent Assets:							
Restricted Cash and Cash Equivalents	-	65,314	-	-	-	572	65,886
Restricted Investments	361,759	687,694	-	223,907	-	38,957	1,312,317
Loans Receivable, Net	1,399,561	230,712	-	1,225	-	19,184	1,650,682
Due From Primary Government	-	-	-	-	-	-	-
Investments	-	49,339	-	3,735	136,747	78,538	268,359
Other Noncurrent Assets	-	7,280	-	25,614	49,066	3,084	85,044
Nondepreciable Capital Assets	519	512	744	-	-	29,738	31,513
Other Capital Assets, Net	180	711	2,580	19	106	78,853	82,449
Total Noncurrent Assets	1,762,019	1,041,562	3,324	254,500	185,919	248,926	3,496,250
Total Assets	2,182,046	1,115,401	13,191	264,789	213,881	376,714	4,166,022
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Charge on Refunding	794	483	-	-	-	-	1,277
Deferred Outflows - OPEB	-	-	-	-	-	1,384	1,384
Deferred Outflows - Pension	-	-	-	-	-	108,951	108,951
Total Deferred Outflows	794	483	-	-	-	110,335	111,612

STATE OF NEW MEXICO

COMBINING STATEMENT OF NET POSITION (CONTINUED)

COMPONENT UNITS

June 30, 2018

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	University of New Mexico Foundation	New Mexico State University Foundation	Nonmajor Component Units	Total
LIABILITIES							
Current Liabilities:							
Accounts Payable	354	11,411	1,905	227	117	4,162	18,176
Accrued Liabilities	233	3,265	-	1,728	2,489	14,015	21,730
Unearned Revenue	-	-	-	-	-	2,029	2,029
Due to Primary Government	-	-	3,033	4,790	2,132	3,829	13,784
Funds Held for Others	-	10,814	-	-	-	266	11,080
Bonds Payable	101,240	16,952	-	-	-	-	118,192
Other Liabilities	360,383	21,488	5,057	1,314	540	628	389,410
Total Current Liabilities	462,210	63,930	9,995	8,059	5,278	24,929	574,401
Noncurrent Liabilities:							
Bonds Payable	1,205,630	798,370	-	-	-	-	2,004,000
Due to Primary Government	-	-	-	3,869	-	-	3,869
Net Pension Liability	-	-	-	-	-	263,329	263,329
Net OPEB Liability	-	-	-	-	-	73,177	73,177
Other Liabilities	-	18,469	257	1,955	47,338	82,385	150,404
Total Noncurrent Liabilities	1,205,630	816,839	257	5,824	47,338	418,891	2,494,779
Total Liabilities	1,667,840	880,769	10,252	13,883	52,616	443,820	3,069,180
DEFERRED INFLOWS OF RESOURCES							
Unearned Revenue	4,972	-	-	-	-	1,094	6,066
Deferred Inflows - OPEB Liability	-	-	-	21,346	-	16,655	38,001
Deferred Inflows - Pension Liability	-	-	-	-	-	7,436	7,436
Total Deferred Inflows	4,972	-	-	21,346	-	25,185	51,503
NET POSITION							
Net Investment in Capital Assets	700	1,223	2,817	19	106	35,559	40,424
Restricted:							
Nonexpendable	-	-	-	204,989	99,700	80,065	384,754
Expendable:							
Debt Service	-	36,696	-	21,146	-	-	57,842
Other Purposes	492,583	28,628	-	-	57,541	72,945	651,697
Unrestricted Net Position (Deficit)	16,745	168,568	122	3,406	3,918	(170,525)	22,234
Total Net Position (Deficit)	\$ 510,028	\$ 235,115	\$ 2,939	\$ 229,560	\$ 161,265	\$ 18,044	\$ 1,156,951

STATE OF NEW MEXICO

COMBINING STATEMENT OF ACTIVITIES

COMPONENT UNITS

For the Year Ended June 30, 2018

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	University of New Mexico Foundation	New Mexico State University Foundation	Nonmajor Component Units	Total
Expenses	\$ 99,292	\$ 40,569	\$ 93,545	\$ 12,612	\$ 14,095	\$ 231,581	\$ 491,694
Program Revenues:							
Charges for Services	58,193	13,844	134,024	-	1,791	7,554	215,406
Operating Grants and Contributions	14,138	14,279	-	29,883	15,221	43,741	117,262
Total Program Revenues	72,331	28,123	134,024	29,883	17,012	51,295	332,668
Nonoperating Revenues:							
Grant Revenue	-	-	-	-	-	-	-
Net (Expenses) Revenues	(26,961)	(12,446)	40,479	17,271	2,917	(180,286)	(159,026)
Other Revenues & Expenses:							
Payment from State of New Mexico	62,915	-	-	-	-	139,667	202,582
Payment to State of New Mexico	(34,329)	-	(40,219)	(30,428)	-	-	(104,976)
Other	-	-	(11)	16,815	-	16,974	33,778
Investment Income	2,964	(8)	19	16,925	9,128	12,553	41,581
Total General Revenues	31,550	(8)	(40,211)	3,312	9,128	169,194	172,965
Change in Net Position	4,589	(12,454)	268	20,583	12,045	(11,092)	13,939
Net Position - Beginning, as Restated	505,439	247,569	2,671	208,977	149,220	29,136	1,143,012
Net Position - Ending (Deficit)	\$ 510,028	\$ 235,115	\$ 2,939	\$ 229,560	\$ 161,265	\$ 18,044	\$ 1,156,951

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

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

Blended Component Units

The following blended component units are considered to be component units of the State Institutions of Higher Education, and are thus component units of the State. Each is financially accountable to the respective institution, and the Board of Regents (governing board) of each institution controls the finances and has appointment power over the unit's governing authority. Except for the University of New Mexico Retiree Welfare Benefit Trust, a fiduciary fund of the University of New Mexico, separately issued financial statements for each of these blended component units can be obtained by the New Mexico State Auditor's Office.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

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

▪ **STC.UNM**

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

▪ **Lobo Development Corporation**

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

▪ **Lobo Energy, Inc.**

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

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

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

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **Innovate ABQ, Inc.**

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

- **Arrowhead Center, Inc.**

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

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

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

- **New Mexico Institute of Mining & Technology Research Park Corporation**

This is a New Mexico not-for-profit corporation organized to assist the Institute by making available funds to pursue technology research and other programs carried out by the Institute. The Institute is the sole member of the Corporation and appoints the Board of the Corporation.

Discretely-presented Component Units

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

Major Component Units

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

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

▪ **New Mexico Lottery Authority (Lottery Authority)**

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

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

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

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

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

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

Non-major Component Units

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

C. Basis of Presentation - Government-wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

The State reports the following governmental funds:

Major funds:

- **General Fund** – This fund accounts for the financial resources of the State, except those required to be accounted for in another fund. This is the State's primary operating fund.
- **Debt Service Fund** – Debt Service Fund accounts are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations and other contractual obligations.
- **Capital Projects Fund** – The Capital Projects Fund accounts for funds appropriated by the State Legislature for capital outlay, including severance tax and general obligation bond proceeds and State General Appropriation capital outlay funds.
- **Severance Tax Fund** – The Severance Tax Fund accounts for the proceeds of severance taxes, which are levied by the State on certain natural resources extracted from State lands. Severance tax revenues are first applied to pay the required debt service on Severance Tax Bonds issued by the State. Remaining severance tax revenues are then transferred to the Severance Tax Fund, administered by the State Investment Council. Distributions from this fund are stipulated by the State Constitution.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **Land Grant Fund** – The Land Grant Fund receives royalties and income from trust lands distributed to various entities assigned by the Ferguson Act of 1898.

The State reports the following enterprise funds:

Major fund:

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

Non-major funds:

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

The State reports the following internal service fund:

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

Additionally, the State reports the following fiduciary fund types:

- **Pension and Other Employee Benefits Trust Funds** – These funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans and other employee benefit plans. These funds account for the activities of the Public Employees Retirement Association (PERA), Educational Retirement Board (ERB), the Retiree Health Care Authority (RHCA), and the Deferred Compensation Plan.
- **External Investment Trust Funds** – These funds account for assets held by the government in a trustee capacity. These funds are used to account for cash, securities, and other investments held in custody for external participants in the New Mexico State Treasurer’s Local Government Investment Pool and the State Investment Council’s Investment Pools.

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **Private Purpose Trust Funds** – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. These funds include the Scholarship Fund, Water Trust Fund, Higher Education Savings Plan, Bartlett Trust, Children’s Trust, Children’s Next Generation Trust, and Office of State Insurance Trust.
- **Agency Funds** – These funds are used to report resources held by the State in a purely custodial capacity for external parties. Agency funds account for receipt of various taxes, refundable deposits, and other monies collected or recovered to be held until the State has the right or obligation to distribute them to various entities or individuals.

E. Measurement Focus and Basis of Accounting

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State generally considers revenues available if they are collected within 60 days of the end of the current fiscal period. All other revenues are recognized when they are received if they are not susceptible to accrual. Expenditures are generally recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

Proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described previously. Proprietary funds include both enterprise and internal service fund types. Enterprise funds report the activities for which fees are charged to external users for goods and services. Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

principal operating revenues of the proprietary funds are student tuition and fees, net of scholarship discounts and allowances, patient services, sales and services, interest on loans, and most federal, state, and local contracts and grants. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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

2. Budget to GAAP Reconciliation

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

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

4. Excess of Expenses/Expenditures Over Budget

For the fiscal year ended June 30, 2018, there were none of the State agency's Pcode reporting expenses/expenditures exceeding budget authority. More information can be found in the Budgetary Comparison Schedule in the Financial Section.

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

1. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, cash on deposit with banks, investment in the State General Fund Investment Pool, Local Government Investment Pool, and cash invested in short-term securities. Cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less. Cash balances not held by the New Mexico State Treasurer (State Treasurer) and controlled by various State officials are generally deposited in interest-bearing accounts or other legally stipulated investments.

2. Investments

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

3. Investment Pools

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

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

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

The LGIP, an external investment pool, is not registered with the Security and Exchange Commission (SEC) as an investment company. The investments are recorded at fair value based on quoted market price; however, individual participant balances remain at their carrying cost. The LGIP does not have unit shares. Per Chapter 6-10-10.1F, New Mexico Statutes Annotated (NMSA) 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. At June 30, 2018, the LGIP carrying cost approximated the fair value. Participation in the LGIP is voluntary. The external portion of LGIP is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the State and its component units, has been included in the various funds and component units.

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

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

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

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

4. Inventories

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

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

5. Receivables and Loan Receivables

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

Various reimbursement procedures are used for federal awards received by the State. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed. Loans are stated at their principal amount. Interest on loans is accrued based on the daily principal balance outstanding, except when a loan has been past due for 90 days. Certain loans are to governmental entities and secured by certain pledged revenues. The loans are being repaid in accordance with their loan agreements.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

6. Capital Assets

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

Capital assets purchased by governmental funds are recorded as expenditures in the governmental fund financial statements. Interest expense for capital asset construction related to governmental activities is not capitalized. Interest expense incurred during construction of capital facilities related to business-type activities and component units is immaterial and is not capitalized in all cases. There is no depreciation recorded for land and infrastructure (right-of-way land). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

In accordance with the practices followed by many museums and libraries, museum and library collections are not reported as assets in the accompanying financial statements. Purchases of the items are reported as expenditures. Certain library books, however, are capitalized.

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

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

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

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

7. Deferred Outflows/Inflows of Resources

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

8. Accrued Liabilities

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

9. Compensated Absences

Qualified employees' vacation leave is accrued at a graduated schedule of 80 to 160 hours per year, depending upon the length of service and employees' hire date. Employees are paid for the accumulated annual leave upon retirement or other termination up to 240 hours. A maximum of thirty days of annual leave (240 hours) may be carried forward into the beginning of the calendar year, with any excess forfeited. Qualified employees sick leave accrued at the rate of 3.7 hours per bi-weekly pay period. There is no limit to the amount of sick leave, which an employee may accumulate. Employees are paid for accumulated sick leave annually, or upon retirement or other termination, but only for accumulated sick leave in excess of 600 hours. Annually, employees may be paid 50.0 percent of the excess over 600 hours, up to a maximum of 120 hours. Upon retirement or other termination, employees are paid 50.0 percent of the excess over 600 hours, up to maximum of 400 hours. The total liability of the governmental activities for compensated absences is recorded in the government-wide Statement of Net Position as part of long-term liabilities. However, in accordance with GAAP, the liability is not recorded in the Governmental funds financial statements. See additional disclosure in the detailed notes.

10. Unearned Revenue

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

11. Bonds Payable

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

12. Insurance Losses and Loss Adjustment Expense

Public Schools Insurance Authority – The New Mexico Public Schools Insurance Authority (PSIA) insurance losses and related adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses are determined based upon case-basis evaluations and actuarial projections, and include a provision for claims incurred but not reported. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of PSIA's experience and benefits, property, casualty, and workers' compensation insurance industry data, which supplements PSIA's historical experience and includes the effects of inflation and other factors. Losses are reported net of estimated amounts recoverable from excess insurance, salvage and subrogation, and the deductible portion of claims. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations as made.

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

13. Interfund Transactions

Government-Wide Financial Statements

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

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

Governmental Fund Financial Statements

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

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

14. Net Position and Fund Balance

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets. Significant unspent related debt proceeds are not included in the calculation of Net Investment in Capital Assets. The unspent portion of the debt is included in restricted for capital projects. The State issues General Obligation bonds and Severance Tax bonds to finance projects for the State and local governments. The Legislature appropriates the bond proceeds from each bond issue to projects throughout the State. Only bonds issued for projects appropriated to State agencies and recognized as a State asset are included in this calculation.

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

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

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

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

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

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

H. Revenues and Expenditures/Expenses

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

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

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

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

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

Grants

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

Investment Income

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

Endowments

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

Retirement and Employee Benefit Costs

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

I. Use of Estimates

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

J. New Accounting Standards

For the fiscal year ended June 30, 2018, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

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

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. Changes were applied retroactively by adjusting the financial statements for all prior periods presented. This statement was adopted by the State for the fiscal year ending June 30, 2018.

GASB Statement No. 81, Irrevocable Split-Interest Agreements

This statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements. This statement requires recognition of assets, liabilities and deferred inflows related to irrevocable split-interest agreements at the inception of the agreement, if certain criteria are met. This statement was adopted by the State for the fiscal year ending June 30, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues

This statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement was adopted by the State for the fiscal year ending June 30, 2018.

K. Future Accounting Standards

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

GASB Statement No. 83, Certain Asset Retirement Obligations

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

GASB Statement No. 84, Fiduciary Activities

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

GASB Statement No. 87, Leases

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

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

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

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period

This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement is due to be adopted by the State for the fiscal year ending June 30, 2021.

L. State Auditor Rule Disclosure

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2

NOTE 2. Cash

Primary Government

New Mexico State Treasurer

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

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

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

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State Treasurer’s Office collateral manager reviews and tracks all state funds held in state depository institutions. Deposits and collateral are reviewed almost daily and a statutorily required risk assessment is performed quarterly. Balances are collateralized in compliance with NMAC 2.60.4.

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

As of June 30, 2018, collateral pledged to public money deposits was as follows:

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

	<u>Fiscal Agent Account</u>	<u>Certificates of Deposit</u>
Cash in Bank *	\$ 39,607	\$ 26,700
Less: FDIC Insurance Coverage	-	(1,250)
Total Unsecured Public Funds	<u>\$ 39,607</u>	<u>\$ 25,450</u>
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	<u>\$ 19,804</u>	<u>\$ 12,725</u>
Collateral Pledged:		
U.S. Government Securities	\$ 117,042	\$ 9,151
Surety Bond	-	7,000
Collateral Pledged	<u>117,042</u>	<u>16,151</u>
Over Collateralized	<u>\$ 97,238</u>	<u>\$ 3,426</u>

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

While the balances of the Office of State Treasurer are fully collateralized per state statute, *GASB Statement No. 40* requires that the State disclose balances which are not fully insured. As of June 30, 2018, the funds held by the State Treasurer in the fiscal agency account were exposed to custodial credit risk as follows:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

Office of the State Treasurer

Custodial Credit Risk

(Expressed in Thousands)

	Balance at June 30, 2018
Cash in Banks	\$ 422,056
Less: Deposit of Institutions Which are Fully Insured and Collateralized	<u>(185,761)</u>
Deposits of Institutions Not Fully Collateralized	236,295
Less: FDIC Insurance Coverage	<u>(1,500)</u>
Uninsured Deposits	<u>234,795</u>
Collateral Pledged:	
Surety Bond	(204,620)
Securities	<u>(6,304)</u>
Total Collateral Pledged	<u>(210,924)</u>
Subject to Custodial Credit Risk	<u>\$ 23,871</u>

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3

NOTE 3. Investments

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

	Balance at June 30, 2018
Primary Government:	
Current:	
Investment in State General Fund Investment Pool	\$ 3,791,137
Investment in Local Government Investment Pool	132,256
Investments	467,367
Noncurrent:	
Investments	23,099,852
Fiduciary Funds:	
Investment in State General Fund Investment Pool	140,357
Investment in Local Government Investment Pool	3,443
Investments	33,094,083
Component Units:	
Investments	1,623,939
Total Investments	\$ 62,352,434
 <i>Reconciliation to Investments presented</i>	
Total presented above	\$ 62,352,434
Less - Information presented separately:	
Component Unit Invest. Excluding LGIP	(1,609,878)
UNM Investments Held by Foundation	(223,906)
Other	(79,297)
Total separately held investments	\$ 60,439,353

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State Treasurer

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

General Fund Investment Pool

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

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

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

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

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

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

Cities, counties, and other agencies invest monies in the State Treasurer external investment pool (LGIP). The LGIP investments are presented at fair value based on the valuation date in the financial statements. The individual participant balances remain at their amortized cost. As of June 30, 2018, LGIP amortized cost approximated fair value, with the difference deemed immaterial.

The LGIP is not SEC registered. Chapter 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and adhere to the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the LGIP is voluntary. As of June 30, 2018, the WAM(R) of the LGIP was 50 days, and the WAM(F) was 100 days. The fund was rated AAAM by Standard & Poor's as of June 30, 2018.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment Guidelines and Limitations

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

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

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

State Investment Council

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

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

Pension Benefits Funds

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State Universities and Colleges

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

Education Trust Board

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

A. Fair Value

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

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

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

Level 3 inputs are unobservable inputs for an asset.

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment	State of New Mexico Fair Value of Investments (Expressed in Thousands)			
	Fair Value June 30, 2018	Quoted Prices, Active Markets (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
Investments By Fair Value Level				
Equity Securities:				
Domestic Common Stock	\$ 4,945,229	\$ 4,923,460	\$ 16,059	\$ 5,710
Domestic preferred stock	71	71	-	-
International common stock	3,099,124	3,099,124	-	-
Domestic Equity Derivatives	(113)	(113)	-	-
Money Market Funds	96	96	-	-
Mutual Funds - Equity	324,317	324,317	-	-
Pooled Funds - Mutual Funds	2,347	-	2,347	-
Public MLP	285,588	285,588	-	-
Public REIT	710,860	666,394	44,466	-
Exchange-traded Funds	7,316	7,316	-	-
Equity Securities Held by Others	10,787,757	10,783,215	203	4,339
Nonredeemable Securities	1	-	-	1
Self-directed Investments	4,954	4,954	-	-
Total Equity Securities	20,167,547	20,094,422	63,075	10,050
Debt Securities:				
U.S. Government Bonds	2,299,235	2,166,160	133,075	-
US Treasuries	1,736,041	199,769	1,536,272	-
US Agency Securities	628,230	1,732	626,498	-
Non-U.S. Government Bonds	296,508	-	295,492	1,016
Municipal Bonds	74,194	7,959	39,020	27,215
Corporate Bonds	2,048,696	108,045	1,940,651	-
Non-U.S. Corporate Bonds	345,254	-	342,927	2,327
Core Fixed Income	3,390,109	601,455	2,788,654	-
Global Fixed Income	-	-	-	-
Mutual Funds - Fixed	67,066	67,066	-	-
Certificates of Deposit	53,039	39,169	13,870	-
Commercial Paper	133,364	124,621	8,743	-
Mortgage-backed Securities	463,624	-	463,624	-
Asset-backed Securities	264,591	-	263,962	629
Commercial Mortgage-backed Securities	-	-	-	-
Repurchase Agreements	1,622,971	1,598,000	24,971	-
Discounted Notes	286,727	286,727	-	-
Bankers' Acceptances	69,258	69,258	-	-
Bank Loans	384,640	-	384,640	-
CMO/REMIC	102,822	-	102,822	-
TIPS	565,945	565,945	-	-
Sovereign Debt	33,600	-	33,600	-
Fixed Income Derivatives	3,541	198	3,343	-
Spot Currency Contracts	45,307	45,307	-	-
Cash in Banks	152,920	152,920	-	-
Miscellaneous Cash	214,495	214,495	-	-
Fiscal Agency Account	91,750	91,750	-	-
Total Debt Securities	15,373,927	6,340,576	9,002,164	31,187
Alternative Investments:				
Master Limited Partnerships	342,127	342,127	-	-
Total Alternative Investments	342,127	342,127	-	-

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment	Fair Value June 30, 2018	Quoted Prices, Active Markets (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
Investments in Derivative Instruments:				
Credit Derivatives	(102)	-	(102)	-
Equity Derivatives	(5,325)	(5,315)	(10)	-
Foreign Exchange Derivatives	687	-	687	-
Interest Rate Derivatives	13,187	3,705	9,482	-
Other Derivatives	148	-	148	-
Foreign Currency Contracts	(23)	(23)	-	-
Total Derivative Instruments	8,572	(1,633)	10,205	-
Total Investments Measured At Fair Value	<u>35,892,173</u>	<u>\$ 26,775,492</u>	<u>\$ 9,075,444</u>	<u>\$ 41,237</u>
Investments Measured At Net Asset Value (NAV):				
Commingled Domestic Equity	575,934	\$ -	Monthly	15 Days
Portable Alpha Hedge Funds	10,621	-	Redeeming	-
Commingled International Equity	1,649,971	-	Monthly	30 Days
Comm. Emerging Market Debt Fund	505,878	-	Daily	10 - 12 Days
Absolute Return (Hedge) Funds	794,747	-	Monthly	30 - 90 Days
Private Equity Partnerships	3,475,148	-	Illiquid	Illiquid
Private Debt Partnerships	875,559	-	Illiquid	Illiquid
Real Estate Equity Partnerships	2,450,103	-	Illiquid	Illiquid
Real Estate Debt Partnerships	201,173	-	Illiquid	Illiquid
Real Asset Funds	1,558,888	-	Illiquid	Illiquid
Real Asset Partnerships	657,874	-	Illiquid	Illiquid
Commingled Bond Funds	150,940	-	Monthly	2 Months
Commingled Global Asset Allocation	1,302,435	-	Monthly	30 - 120 Days
Opportunistic Credit Funds	2,434,547	-	Daily, Monthly	30 - 180 Days
Private Equity Funds	1,806,361	-	N/A	N/A
Private Real Estate Funds	592,321	-	N/A	N/A
Hedge Fund Investments	494	-	In Liquidation	N/A
Commingled Cash Equivalent Funds	368,279	-	Quarterly	65 Days
Marketable Alternatives	91,094	-	Monthly	2 - 90 Days
Credit and Structured Finance Pool	1,205,228	-	-	-
Illiquid Funds	10,139	-	-	-
Mutual Funds - Fixed	26,871	-	-	1 - 30 Days
Mutual Funds - Equity	197,926	-	-	1 - 2 Days
Other Assets	922,818	-	Daily	1 Day
Life Cycle Funds	153,378	-	-	-
Stable Value Options	129,567	-	-	-
PERA Currency Derivatives	(23)	-	-	-
Investments Measured at NAV	<u>22,148,271</u>			
Investments Measured at Amortized Cost:				
Certificates of Deposit	341			
Corporate Fixed Income	4,332			
Money Market	48,966			
Investments at Amortized Cost	<u>53,639</u>			
Other Investments:				
Equity	18,885			
Cash	2			
Education Trust Board - Not Available	2,463,260			
Other Investments	87,029			
Less: Investments in Consol. Pool Held by UNM Foundation	(223,906)			
Total Other Investments	<u>2,345,270</u>			
Total Investments	<u>\$ 60,439,353</u>			

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

B. Custodial Credit Risk

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

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

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

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

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

C. Credit Risk

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

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

STATE OF NEW MEXICO

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

ETB invests directly in Underlying Investments. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-IA of the Investment Company Act of 1940. Form N-IA discloses information and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the Participation Agreement provide greater detail about the credit risk, if any, by certain nonregistered Underlying Investments.

The quality ratings of investments in fixed income securities at June 30, 2018, were as follows:

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings:		
Government Bonds	AAA	\$ 36,681
	AA+	2,851,457
	AA	209,089
	AA-	8,998
	A+	14,214
	A	36,708
	A-	20,511
	BBB+	12,414
	BBB	3,614
	BBB-	17,158
	BB+	5,125
	BB	64,111
	BB-	4,314
	B+	18,410
	B	939
	B-	4,331
		Not Rated
Foreign Government Bonds	AAA	26,413
	AA+	9,422
	AA	7,822
	AA-	2,957
	A+	13,432
	A-	5,718
	BBB+	5,379
	BBB	2,808
	BBB-	6,560
	BB-	7,513
	Not Rated	209,962

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Municipal Bonds	AAA	\$ 5,081
	AA+	6,233
	AA	13,551
	AA-	15,749
	A+	7,965
	A	5,720
	BBB+	3,834
	BBB-	2,196
	Not Rated	2,897
Corporate Bonds	AAA	60,257
	AA+	53,534
	AA	27,066
	AA-	107,548
	A+	161,807
	A	196,840
	A-	275,687
	BBB+	473,547
	BBB	763,686
	BBB-	421,709
	BB+	164,566
	BB	137,388
	BB-	212,888
	B+	162,434
	B	212,007
	B-	70,423
	CCC+	37,213
	CCC	9,086
	CCC-	276
	CC	314
	Not Rated	350,647
Mortgage-backed Securities	AAA	13,734
	AA+	887,375
	AA	222,419
	AA-	2,602
	A+	73

STATE OF NEW MEXICO

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Mortgage-backed Securities (Continued)		
	A	\$ 32,404
	A-	2,749
	BBB	991
	BBB-	611
	BB-	316
Residential Mortgage-backed Securities	Not Rated	280,921
Commercial Mortgage-backed Securities	AAA	30,769
	AA+	21,251
	A+	141
	A-	696
	BBB+	304
	BBB-	1,329
	BB+	145
	BB-	719
	Not Rated	132,451
Asset-backed Securities	AAA	145,075
	AA+	15,314
	AA	38,495
	AA-	1,063
	A+	6,655
	A	48,248
	A-	6,616
	BBB+	5,286
	BBB	22,608
	BBB-	6,947
	BB+	11,408
	BB	1,409
	BB-	1,324
	B+	72
	B	467
	B-	2,300
	CCC	16,722
	CC	8,181
	D	1,581
	Not Rated	186,877
Collateralized Debt/Loan Obligations	AAA	37,110
	AA	106,186
	NR	67,640

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Investment	Rating	Fair Value
Collateralized Mortgage Obligations/REMIC	AAA	\$ 516
	AA+	41,915
	AA	426
	AA-	513
	A+	1,049
	A	2,135
	A-	78
	BBB+	355
	BBB	1,518
	BB+	76
	BB	1,253
	BB-	769
	B	203
	B-	2,329
CCC	5,759	
D	3,294	
	Not Rated	36,930
Treasury Bills	AA+	59,852
	NR	29,028
TIPS	AA+	565,944
Preferred Stock	BBB	261
	BB+	646
	CCC	200
Derivatives Swaps)	NR	3,540
Commercial Paper	AA+	34,604
	AA-	34,849
	NR	56,066
Bankers Acceptances	AA-	69,258
Discounted Notes	AA+	286,727
Total Subject to Risk - S & P Ratings		11,183,644
Investments Subject to Credit Risk - Moody's Ratings:		
U. S. Government Agencies	Aaa	84,013
Corporate Bonds	Aaa	2,205
	Aa2	6,810
	Aa3	4,115
	A1	3,862
	A2	3,928
	A3	3,252
	Baa1	4,031

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - Moody's Ratings (Continued):		
Corporate Bonds (Continued)	Baa2	\$ 17,681
	Baa3	1,169
Cerificates of Deposit	A2	700
	NR	24,528
Commercial Paper	A2	4,001
Municipal Bonds	Aa1	838
	Aa2	1,801
	Aa3	579
Mutual Funds - Fixed	Aaa	2,998
Money Market Funds	Aaa	5,670
	NR	108
		<u>172,289</u>
Investments Subject to Credit Risk: Moody's Ratings		
Other Investments Subject to Credit Risk - Not Rated:		
Equity Securities and Real Estate	NR	1,898
Cash Collateral	NR	2
Repurchase Agreements	NR	1,598,000
Certificates of Deposit	NR	26,700
Investment in LGIP	NR	9,759
		<u>1,636,359</u>
Other Investments Subject to Credit Risk: Not Rated		
		12,992,292
Total Investments Subject to Credit Risk		
		45,134,633
Investments Not Subject to Credit Risk		
Less: Interfund Investments		(9,759)
Foundation Investments Held in Consol. Inv. Pool		(223,906)
Investments in Fiduciary Fund		82,833
Other Investments		2,463,260
Add: Education Trust Board (presented elsewhere)		<u>2,463,260</u>
		<u>\$ 60,439,353</u>
Total Investments		\$ 60,439,353

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

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

<u>Scholar's Edge Plan</u>	Oppen- heimer Global Strategic Income Fund	Oppen- heimer Limited- Term Govt Fund	Oppen- heimer Int'l Bond Fund	American Century Diversified Bond Fund	Mainstay High Yield Corporate Bond Fund	Limited Term Bond Fund
<u>Investment/Rating</u>						
Investments Subject to Credit Risk - NRSRO						
AAA	24.7 %	91.5 %	16.7 %	49.7 %	0.0 %	25.5 %
AA	1.2	0.9	5.5	4.7	0.0	5.1
A	4.5	2.1	12.0	14.3	0.0	17.7
BBB	16.4	4.0	26.7	22.8	4.7	45.1
BB and Lower	48.1	0.1	31.9	7.4	90.6	6.1
NRSRO-rated Total	94.9	98.6	92.8	98.9	95.3	99.5
Not Rated	5.1	1.4	7.2	1.1	4.7	0.5
Total	100.0 %	100.0 %	100.0 %	100.0	100.0	100.0 %

Investments Subject to Credit Risk - NRSRO

	Oppenheimer Floating Rate Fund	Oppenheimer Total Return Bond Fund	American Century Short Duration Fund
AAA			
AA			
A			
BBB			
BB and Lower			
NRSRO-rated Total			
Not Rated	4.5 %	34.4 %	29.7 %
Total	0.0	5.0	7.4
	0.0	19.9	12.9
	90.3	33.9	29.1
	0.0	6.3	18.3
	94.8	99.5	97.4
	5.2	0.5	2.6
Total	100.0 %	100.0 %	100.0 %

The Education Plan

<u>Investment/Rating</u>	Oppenheimer Limited-Term Government Fund	Oppenheimer Limited-Term Bond Fund	Oppenheimer Senior Floating Rate Fund	Vanguard Total Bond Market Index Fund	Vanguard Short-term Bond Index Fund	Vanguard Short-term TIPS Fund
Investments Subject to Credit Risk - NRSRO						
AAA	91.5 %	18.7 %	4.5 %	70.1 %	70.3 %	100.0 %
AA	0.9	5.8	0.0	3.5	4.7	0.0
A	2.1	19.4	0.0	11.9	12.8	0.0
BBB	4.0	49.4	1.8	14.5	12.2	0.0
BB and lower	0.1	6.4	88.5	0.0	0.0	0.0
NRSRO-rated Total	98.6	99.7	94.8	100.0	100.0	100.0
Not Rated	1.4	0.3	5.2	0.0	0.0	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

D. Custodial Credit Risk

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

E. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. It is the policy of the State to diversify its investments portfolios. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. At June 30, 2018, there were no holdings with a single issuer comprising five percent or more of total net investments. It should be noted that investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

F. Interest Rate Risk

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

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

Maturities on investment at June 30, 2018, were as follows:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment	Fair Value	State of New Mexico Maturities on Investments (Expressed in Thousands)				
		< 1 year	1-5 years	6-10 years	> 10 Years	Life Not Avail.
Investments Subject to Interest Rate Risk:						
U.S. Treasuries	\$ 525,679	\$ 173,817	\$ 160,452	\$ 191,410	\$ -	\$ -
U.S. Government Agencies	2,923,046	1,074,715	1,221,986	611,127	15,218	-
Corporate Bonds	3,925,912	392,929	1,276,356	2,119,665	136,962	-
Municipal/Provincial Bonds	71,034	4,109	17,894	8,233	40,798	-
Certificates of Deposit	56,887	35,099	21,537	248	3	-
Repurchase Agreements	1,598,000	1,598,000	-	-	-	-
Collateralized Debt Obligations	102,822	102,822	-	-	-	-
CMO/REMIC	119,919	81,034	109	159	38,617	-
Asset-backed Securities	526,864	152,966	53,772	293,306	26,332	488
Commercial Mortgage-backed	194,937	31,896	-	6,040	157,001	-
Commercial Paper	128,404	113,479	14,925	-	-	-
Derivative/Interest Rate Swap	3,541	-	-	3,541	-	-
Discounted Notes	311,698	289,753	-	-	-	21,945
Government Bonds	1,657,596	276,479	694,996	385,454	300,667	-
Money Market	28,385	28,204	-	181	-	-
Mortgage-backed Secs.	1,576,078	27,931	343,738	19,394	1,184,815	-
Mutual Funds - Fixed	8,825	-	-	8,825	-	-
Preferred Stock	37,369	-	-	-	-	37,369
TIPS	565,945	-	-	565,945	-	-
Futures	3,716	3,763	(47)	-	-	-
Options	(11)	(11)	-	-	-	-
International Government Obligations	446,917	-	-	446,917	-	-
Bankers' Acceptances	69,257	63,123	6,134	-	-	-
Cash Collateral	12,160	-	-	-	(388)	12,548
Swaps	8,828	953	157	7,411	307	-
Swaptions	653	1,241	(588)	-	-	-
Investment in LGIP	9,759	9,759	-	-	-	-
Investments Subject to Interest Rate Risk	14,914,220	\$ 4,462,061	\$ 3,811,421	\$ 4,668,056	\$ 1,900,332	\$ 72,350
Investments Not Subject to Interest Rate Risk	43,212,705					
Less: Interfund Investments	(9,759)					
Foundation Investments Held in Consolidated Pool	(223,906)					
Other Investments	82,833					
Add: Education Trust Board - Presented Elsewhere	2,463,260					
Total Investments	\$ 60,439,353					

Calculations based on weighted-average method (WAM)

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

New Mexico Education Trust Board		
Maturities on Investments		
Investment	1-5 years	6-10 years
The Scholar's Edge:		
American Century Diversified Bond Fund		x
Oppenheimer Total Return Bond Fund	x	x
Oppenheimer International Bond Fund	x	
Oppenheimer Global Strategic Income Fund	x	
Mainstay High Yield Corporate Bond Fund	x	
American Century Short Duration Fund	x	
Oppenheimer Limited-Term Government Fund	x	
Oppenheimer Limited Term Bond Fund	x	
Oppenheimer Senior Floating Rate Fund	x	
The Education Plan:		
Vanguard Short Term Bond Fund	x	
Vanguard Short Term TIPS Fund	x	
Oppenheimer Limited-Term Government Fund	x	
Oppenheimer International Bond Fund	x	
Oppenheimer Senior Floating Rate Fund	x	
Vanguard Total Bond Market Index Fund	x	

G. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Exposure to foreign currency risk at June 30, 2018 was as follows:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Foreign Currency	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Ptshps., Wrnts.	Derivatives	Total Investments	Cash and Cash Equivalents (Overdraft)
Argentine Peso	\$ 472	\$ 3,452	\$ -	\$ (89)	\$ 3,835	\$ 286
Australian Dollar	277,527	30,721	11,543	872	320,663	1,769
Bangladeshi Taka	1,317	-	-	-	1,317	19
Botswana Pula	605	-	-	-	605	40
Brazilian Real	88,884	9,891	20,024	(345)	118,454	772
British Pound Sterling	826,420	45,342	47,441	2,097	921,300	3,560
Bulgarian New Lev	149	-	-	-	149	4
Canadian Dollar	414,569	10,327	1,688	(23)	426,561	13,269
Chilean Peso	16,600	-	138	61	16,799	361
Chinese Yuan Renminbi	13,971	-	-	17	13,988	414
Colombian Peso	7,204	3,577	-	(68)	10,713	37
Croatian Kuna	1,434	-	-	-	1,434	19
Czech Koruna	4,905	-	-	19	4,924	155
Danish Krone	88,044	17,927	-	-	105,971	153
Egyptian Pound	2,784	-	-	(6)	2,778	74
Euro	1,694,831	148,002	335,423	6,825	2,185,081	28,556
Ghanian Cedi	377	-	-	-	377	20

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico						
Foreign Currency Risk (Continued)						
International Investment Securities at Fair Value						
(Expressed in Thousands)						
Foreign Currency	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Ptshps., Wrnts.	Derivatives	Total Investments	Cash and Cash Equivalents
Hong Kong Dollar	\$ 719,883	\$ 841	\$ 3,606	\$ 30	\$ 724,360	\$ 3,013
Hungarian Forint	16,839	-	-	176	17,015	385
Indian Rupee	76,158	5,326	-	6	81,490	132
Indonesian Rupiah	51,945	10,577	-	(215)	62,307	311
Japanese Yen	1,382,639	68,209	5,059	97	1,456,004	17,879
Jordanian Dinar	1,642	-	-	-	1,642	11
Kenyan Shilling	1,640	-	-	-	1,640	34
Kuwaiti Dinar	3,917	-	-	-	3,917	26
Malaysian Ringgit	33,476	6,096	-	(3)	39,569	428
Mauritian Rupee	1,412	-	-	-	1,412	12
Mexican Peso	70,030	8,998	1,381	(550)	79,859	2,123
Moroccan Dirham	1,388	-	-	-	1,388	27
New Israeli Shekel	28,905	-	59	-	28,964	171
New Taiwan Dollar	248,587	-	-	14	248,601	1,566
New Zealand Dollar	16,465	8,092	609	(25)	25,141	107
Nigerian Naira	1,428	-	-	-	1,428	44
Norwegian Krone	65,421	4,659	-	12	70,092	318
Omani Rial	1,384	-	-	-	1,384	21
Pakistan Rupee	2,522	-	-	-	2,522	31
Peruvian Nuevo Sol	2,088	-	-	-	2,088	33
Philippine Peso	18,458	3,274	-	(5)	21,727	54
Polish Zloty	25,005	6,502	-	245	31,752	514
Qatari Riyal	11,540	-	-	-	11,540	163
Romanian Leu	2,001	-	-	(9)	1,992	90

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico Foreign Currency Risk (Continued) International Investment Securities at Fair Value (Expressed in Thousands)						
Foreign Currency	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Ptshps., Wrnts.	Derivatives	Total Investments	Cash and Cash Equivalents
Russian Ruble	\$ 8,437	\$ -	\$ -	\$ (8)	\$ 8,429	\$ 159
Singapore Dollar	84,574	2,762	3,850	40	91,226	317
South African Rand	132,150	5,125	254	(249)	137,280	1,562
South Korean Won	272,732	92	2,299	(10)	275,113	987
Sri Lankan Rupee	1,175	-	-	-	1,175	48
Swedish Krona	132,863	-	-	43	132,906	3,590
Swiss Franc	398,039	2,384	8	117	400,548	968
Thai Baht	46,672	-	392	4	47,068	19,154
Tunisian Dinar	560	-	-	-	560	33
Turkish Lira	36,281	-	21	5	36,307	276
UAE Dirham	9,082	-	-	-	9,082	160
Uruguayan Peso	93	-	-	-	93	0
Vietnam Dong	2,881	-	-	-	2,881	11
Various	-	-	-	-	-	0
Subtotals	<u>\$ 7,350,405</u>	<u>\$ 402,176</u>	<u>\$ 433,795</u>	<u>\$ 9,075</u>		
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk					8,195,451	<u>\$ 104,266</u>
Investments Not Subject to Foreign Currency Risk					52,243,902	
Total Investments					<u>\$ 60,439,353</u>	

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Securities Collateral

The State's Investment Policy states that no repurchase agreement shall be entered into unless the contract is fully secured by deliverable obligations of the United States or other securities backed by the United States having a market value of at least 102.0 percent of the amount of the contract. The Office of the State Treasurer reports the credit ratings and maturities on collateral securities held by that office at June 30, 2018 as follows:

Collateral Securities Held
(Expressed in Thousands)

<u>Issuer</u>	<u>Fair Value</u>
Investments Subject to Interest Rate Risk:	
U.S. Government	
Mortgage-backed Securities AA+	<u>\$ 1,598,000</u>

Maturities on Collateralized Securities

<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>11-20 Years</u>	<u>Greater Than 20 Years</u>	<u>Total</u>
<u>\$ 1,598,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,598,000</u>

Securities Lending

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

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

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Total securities on loan at June 30, 2018, had a carrying amount and fair value of \$579.1 million. Under the agreement, the lending agent is required to indemnify the entity if the borrower fails to return the securities, if collateral is inadequate to replace the securities lent, or if the counterparty fails to pay the entity for income distributions by the securities' issuers while the securities are on loan. There were no such losses during the year ended June 30, 2018, due to borrower default.

The fair value of investments made with cash collateral is reported as an asset; the fair value of collateral received is recorded as a liability as PERA must return the cash collateral to the borrower upon the expiration of the loan. The fair value of the securities lending collateral investments was \$367.3 million and the securities lending obligations were \$367.2 million at June 30, 2018. Total cash and noncash collateral was \$614.7 million, 106.1% of the fair value of the securities on loan.

At June 30, 2018, there had been no losses resulting from borrower defaults and PERA had no credit risk exposure to borrowers because the amounts PERA owed to borrowers did not exceed the amounts the borrowers owed to PERA. Net earnings from the securities lending program totaled \$3.0 million for the fiscal year.

Derivatives

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

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2018, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the financial statements are as follows:

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Educational Retirement Board
Derivative Financial Instruments
(Expressed in Thousands)

<u>Derivative Type</u>	<u>Notional Amount</u>
Foreign Exchange	\$
Forward Contracts	119,477
Options - Puts Purchased	1,684
Options - Puts Sold	(3,368)

<u>Derivative Type</u>	<u>Classification</u>	<u>Gain(Loss)</u>	<u>Classification</u>	<u>Amount</u>
Options - Purchased	Investment Income	\$ (39)	Investment	\$ 169
Options - Sold	Investment Income	98	Investment	(84)

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

<u>Derivative Type</u>	<u>Classification</u>	<u>Fair Value</u>	<u>Change in Fair Value</u>	<u>Notional Amount</u>	<u>Unit of Value</u>
Futures Contracts					
Currency Futures	Investments	\$ (23)	\$ (186,200)	\$ 5,857	\$ 5,834
Equity Index Futures	Investments	(113)	1,118	4,741	4,628
Bond Index Futures	Investments	313	539	91,852	92,503
Options					
Fixed Income Options	Investments	(137)	(144)	-	(137)
Swap Contracts					
Cleared Credit Default Swaps	Investments	1,040	(509)	-	1,062
Inflation Swaps	Investments	-	-	-	-
Cleared Inflation Swaps	Investments	337	1,673	-	337
Interest Rate Swaps	Investments	3	3	-	-
Cleared Interest Rate Swaps	Investments	2,000	2,000	-	2,001
Cleared Zero Coupon Swaps	Investments	(16)	(16)	-	(51)

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Types of Derivatives Instruments

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

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

The following tables summarize the foreign exchange contracts by currency by the agencies involved as of June 30, 2018:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Educational Retirement Board
Foreign Currency Exchange Contracts
FY18
(Expressed in Thousands)

Currency	Buys	Unrealized Gain (Loss)	Sells	Unrealized Gain (Loss)
Argentine Peso	\$ 182	\$ 10	\$ 731	\$ (116)
Australian Dollar	531	21	533	(26)
Brazilian Real	8,918	65	6,902	(136)
British Pound Sterling	521	15	534	(30)
Chilean Peso	3,806	118	1,892	(100)
Chinese Yuan Renminbi	626	(40)	194	9
Colombian Peso	2,348	34	2,955	(206)
Czech Koruna	1,200	31	3,399	(20)
Euro	13,924	(86)	353	-
Hong Kong Dollar	-	-	5,733	163
Hungarian Forint	1,743	7	3,152	(103)
Indian Rupee	789	2	4,155	(104)
Indonesian Rupiah	746	26	2,536	(34)
Japanese Yen	2,029	52	2,040	(61)
Malaysian Ringgit	221	1	223	8
Mexican Peso	753	(13)	2,106	87
New Israeli Shekel	2,501	28	33	20
New Taiwan Dollar	2,819	144	3,111	(105)
Philippine Peso	1,663	20	430	(33)
Polish Zloty	1,905	28	2,540	(108)
Romanian Leu	160	-	1,249	(37)
Russian Ruble	864	38	3,093	(208)
Singapore Dollar	2,389	(8)	1,665	(15)
Sol	469	2	1,470	(4)
South African Rand	1,558	(46)	1,164	24
South Korean Won	1,876	55	631	(24)
Swiss Franc	3,408	66	-	-
Thai Baht	2,722	77	4,263	(107)
Turkish Lira	269	(7)	1,451	51
Uruguayan Peso	-	-	34	1
Totals	\$ 60,940	\$ 640	\$ 58,538	\$ (1,215)

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

During 2018 and 2017, the retirement funds were a party to futures contracts held for trading purposes for U.S. Treasury bonds and 90-day Euro dollar fixed income futures. Upon entering into a futures contract, the Board is required to deposit either in cash or securities an amount (“initial margin”) equal to a certain percentage of the nominal value of the contract. Subsequent payments are then made or received by NMERB, depending on the daily fluctuation in the value of the underlying contracts. No U.S. Treasury securities owned and included within NMERB’s investments, were held by the Plan’s broker as performance security on futures contracts as of June 30, 2018. There were no outstanding futures contracts as of fiscal year ending June 30, 2018.

Options. An option is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period. Both written and purchased options were used by the State during the fiscal year. When the State purchases or writes an option, an amount equal to the premium paid or received by the State is recorded as an asset or liability and is subsequently adjusted to the current market value of the option purchased or written. Gain or loss is recognized when the option contract expires or is closed. As of June 30, 2018, there were no open written or purchased options.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Discretely-Presented Component Units

Fair Value

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

State of New Mexico Discretely Presented Component Units Fair Value of Investments (Expressed in Thousands)				
Investment	Fair Value June 30, 2018	Quoted Prices, Active Markets (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
Equity Securities:				
Domestic Common Stock	\$ 10,260	\$ 10,260	\$ -	\$ -
International common stock	2,048	2,048	-	-
Exchange-traded Funds	1,657	1,657	-	-
Real Estate Mutual Funds	2,354	-	2,354	-
Mutual Funds - Equity	31,432	31,432	-	-
Money Market Funds	1,549	1,549	-	-
Equity Investments in New Mexico Entities	9,756	-	-	9,756
Pooled Funds	64,335	5,870	58,465	-
Total Equity Securities	123,391	52,816	60,819	9,756
Debt Securities:				
U.S. Government Bonds	86,430	86,394	36	-
US Treasuries	294,200	294,200	-	-
Municipal Bonds	3,061	-	3,061	-
Corporate Bonds	434	-	434	-
Exchange Traded Funds	810	810	-	-
Mutual Funds - Fixed	3,820	3,674	146	-
Certificates of Deposit	1,000	1,000	-	-
Securitized Mortgage Loans	677,961	677,961	-	-
REIT	271	-	-	271
Asset-backed Securities	169	-	169	-
Other	33	-	33	-
Total Debt Securities	1,068,189	1,064,039	3,879	271
Total Investments Measured At Fair Value	1,191,580	\$ 1,116,855	\$ 64,698	\$ 10,027
Investments Measured At Net Asset Value (NAV):				
Mutual Funds - Equity	24,779	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds - Fixed	2,754	-	Daily	1 - 2 days
Mutual Funds - International	7,054	-	Daily	1 - 30 days
Investments Measured at NAV	34,587	-	-	-
Investments Measured at Amortized Cost:				
Real Estate	3,808			
Investments at Amortized Cost	3,808			
Other Investments:				
Held in Investment Pools	232,379			
Investment Information Not Available	147,524			
Total Other Investments	379,903			
Total Investments	\$ 1,609,878			

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Interest Rate Risk

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

State of New Mexico Discretely Presented Component Units Maturities on Investments (Expressed in Thousands)						
Investment Type	Fair Value	Investment Maturities (in Years)				
		Less Than 1 year	1-5 years	6-10 years	Greater Than 10 Years	Not Available
Investments Subject to Interest						
Rate Risk:						
U.S. Treasury Notes/Bonds	\$ 293,619	\$ -	\$ 293,619	\$ -	\$ -	\$ -
Fixed Income	653	28	173	90	362	-
Mutual Funds - Fixed	5,525	-	-	-	-	5,525
Corporate Bonds	434	20	346	38	30	-
U.S. Government Bonds	87,010	6,986	79,353	621	50	-
Mortgage-backed Securities	169	-	9	23	137	-
Pooled Funds	296,715	5,870	-	-	-	290,845
Municipal Bonds	3,062	208	816	1,168	870	-
Securitized Mortgage Loans	677,961	-	-	9,788	668,173	-
Other	7	-	7	-	-	-
Investments Subject to Interest Rate Risk	1,365,155	<u>\$ 13,112</u>	<u>\$ 374,323</u>	<u>\$ 11,728</u>	<u>\$ 669,622</u>	<u>\$ 296,370</u>
Investments Not Subject to Interest Rate Risk	97,018					
Information Not Available	<u>147,705</u>					
Total Investments, Discretely Presented Units	<u>\$ 1,609,878</u>					

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Credit Risk

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

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

Investment Type	Rating	Value
NM Finance Authority:		
U.S. Treasury Notes	Not Available	\$ 293,618
FHLMC Bonds	Not Available	68,141
Total NMFA		<u>361,759</u>
NM Mortgage Finance Authority:		
Repurchase Agreements	Not Rated	1,172
U.S. Agencies	AA	19,854
Securitized mortgage loans		
Unrestricted	US Gov	2,782
	AA	3,423
Restricted	US Gov	565,112
	AA	106,644
Other	Not Rated	2,967
State Treasurer LGIP	AAA	5,870
State Investment Council	Not Available	35,079
Total NMMFA		<u>742,903</u>
Total Investments, Both		<u><u>\$ 1,104,662</u></u>

Concentration of Credit Risk

As of June 30, 2018, the New Mexico Finance Authority had the following issues and the respective percentage of total investments represented greater than five percent of the total investments reported as of June 30, 2018: Freddie Mac at 11%. The New Mexico Mortgage Finance Authority had the following issuers and their respective percentage of total investments represent greater than five percent of the total investments reported as of September 30, 2018: Ginnie Mae at 77 percent and Fannie Mae at 15 percent.

STATE OF NEW MEXICO

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 4

NOTE 4. Receivables

Receivables at June 30, 2018, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	Federal	Local Governments	Accounts Receivable	Brokers	Interest	Taxes	Current Loans	Allowance	Current Receivables, Net Total	Noncurrent Loans, Net	Noncurrent Accounts Receivable	Noncurrent Receivables, Net Total	Receivables, Net Total
Governmental Activities	\$ 678,860	\$ 7,847	\$ 566,910	\$ 336,199	\$ 18,875	\$ 2,146,469	\$ 20,964	\$ (1,544,224)	\$ 2,231,900	\$ 5,716	\$ 24,089	\$ 29,805	2,261,704
Business-Type Activities	(0)	-	462,575	-	2,031	48,725	10,505	(88,901)	434,935	198,598	-	198,598	633,533
Fiduciary Funds	1	14	138,984	711,530	17,703	348,760	12,394	(1,872)	1,227,514	-	-	-	1,227,514
Component Units	-	-	37,442	-	2	-	148,595	-	186,039	1,650,682	-	1,650,682	1,836,721
Governmental Activities:													
General	675,401	7,847	482,751	4,883	18,775	2,146,469	20,964	(1,536,248)	1,820,842	5,716	24,089	29,805	1,850,646
Debt Service	-	-	1,312	-	100	-	-	-	1,412	-	-	-	1,412
Capital Projects	3,459	-	5	-	-	-	-	-	3,464	-	-	-	3,464
Severance Tax Permanent	-	-	12,530	72,266	-	-	-	-	84,796	-	-	-	84,796
Land Grant Permanent	-	-	45,768	259,050	-	-	-	-	304,818	-	-	-	304,818
Internal Service	-	-	24,544	-	-	-	-	(7,976)	16,568	-	-	-	16,568
Business-type Activities:													
Educational Institutions	-	-	363,472	-	-	-	-	-	363,472	21,181	-	21,181	384,653
Nonmajor Enterprise	(0)	-	99,103	-	2,031	48,725	10,505	(88,901)	71,463	177,417	-	177,417	248,880
Fiduciary Funds:													
Pension Trust	-	-	130,828	706,385	15,256	-	12,295	(227)	864,537	-	-	-	864,537
External Trust	-	-	1,533	4,330	-	-	-	-	5,863	-	-	-	5,863
Private Purpose Trust	-	10	3,797	815	2,447	-	-	-	7,069	-	-	-	7,069
Agency	1	4	2,826	-	-	348,760	99	(1,645)	350,045	-	-	-	350,045
Discrete Component Units:													
Finance Authority	-	-	10,417	-	-	-	148,575	-	158,992	1,399,561	-	1,399,561	1,558,553
Mortgage Finance Authority	-	-	3,435	-	-	-	-	-	3,435	230,712	-	230,712	234,147
Other Major Component Units	-	-	14,638	-	-	-	-	-	14,638	1,225	-	1,225	15,863
Nonmajor Component Units	-	-	8,952	-	2	-	20	-	8,974	19,184	-	19,184	28,158

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COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 4 (CONTINUED)

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

Arizona Water Settlement

The State of New Mexico entered into the Arizona Water Settlement with the federal government. Under the terms of the agreement, the federal government will pay the State of New Mexico a total of \$66 million in 2004 dollars adjusted for inflation, in 10 annual installments. The inflation adjusted amount is estimated at \$90.4 million. The installment of \$9.04 million was received by the Agency during the fiscal year ended June 30, 2018, and the Agency recorded a receivable of \$24.1 million to account for the remaining amount due. This receivable will be reduced as payments are received from the federal government according to the settlement agreement. In addition, the actual amounts received may require adjustment relative to the receivable recorded, due to indexing.

The amounts expected by year, as of June 30, 2018, assuming imputed interest of approximately 6.17%, are as follows:

Arizona Water Settlement Receivable

<u>Year-End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,553	\$ 1,487	\$ 9,040
2020	8,020	1,020	9,040
2021	8,516	524	9,040
Total	\$ 24,089	\$ 3,031	\$ 27,120

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 4 (CONTINUED)

Discrete Component Units

The following is an analysis of the allowance for loan losses as of June 30, 2018 for the two largest discretely-presented component units (in thousands):

NMFA & NMMFA - Loan Loss Allowance

	NM Finance Authority	NM Mortgage Fin. Auth.
Beginning Balance	\$ 3,572	\$ 2,264
Provision for Loan Losses (Recovery)	535	(218)
Loans Written Off, Net of Recoveries	-	(655)
Ending Balance	<u>\$ 4,107</u>	<u>\$ 1,391</u>

NM Finance Authority Loans have repayment terms ranging from one to 30 years. The stated interest rates are between 0.0 – 6.0 percent. NMMFA mortgage loans have repayment terms ranging from 10 to 40 years. The stated interest rates for these programs are as follows:

NMMFA - Loan Repayment Terms

Rental Housing Programs	2.5% -	7.0%
Other Mortgage Loans	0.0% -	9.0%
Second Mortgage Down Payment Assistance Loans	0.0% -	7.0%

MBSs have stated interest rates ranging from 2.8% and 7.5%.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 5

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

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

Transfers between funds occur when one fund collects revenue and transfers the assets to another fund for expenditure or when one fund provides working capital for another fund. All transfers must be legally authorized by the Legislature through statute or an Appropriation Act. Transfers during the year were made to finance the operations of the individual departments as authorized by the Legislature and to revert (transfers out) any unspent or unencumbered balance of the authorized appropriations. Transfers between the primary government and the fiduciary funds and component units are reclassified as expenditures in the government-wide financial statements.

The composition of interfund balances as of June 30, 2018, is as follows (in thousands):

	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:				
General	\$ 1,371,161	\$ 1,624,416	\$ 7,620,110	\$ 7,241,260
Debt Service	140,185	31,071	178,482	694,363
Capital Projects	4,651	3,739	729,867	491,506
Severance Tax Permanent	9	-	117,027	222,450
Land Grant Permanent	143,266	-	-	727,269
Internal Service	-	6	12,493	8,442
	<u>1,659,272</u>	<u>1,659,232</u>	<u>8,657,979</u>	<u>9,385,290</u>
Business-type Activities:				
Educational Institutions	-	-	762,117	40,628
Nonmajor Enterprise	(0)	40	14,340	8,518
	<u>(0)</u>	<u>40</u>	<u>776,457</u>	<u>49,146</u>
Totals	<u>\$ 1,659,272</u>	<u>\$ 1,659,272</u>	<u>\$ 9,434,436</u>	<u>\$ 9,434,436</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6

NOTE 6. Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2018, was as follows (in thousands):

Governmental Activities:	Beginning Balance, as Restated	Additions	Deletions	Reclass	Ending Balance
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 653,277	\$ 5,979	\$ (565)	\$ 3,388	\$ 662,079
Construction in Progress	346,301	338,989	(72,360)	(249,088)	363,842
Mineral Rights	83,926	266	(13)	-	84,179
Art and Other	746	-	(7)	-	739
Total Capital Assets not being Depreciated	1,084,250	345,234	(72,945)	(245,701)	1,110,838
Capital Assets being Depreciated:					
Land Improvements	52,810	2,535	(755)	35	54,625
Equipment and Machinery	212,415	15,284	(16,746)	(171)	210,782
Building and Improvements	1,904,998	78,112	(21,329)	4,783	1,966,564
Furniture and Fixtures	24,759	323	(2,723)	(313)	22,046
Data Processing Equipment and Software	391,399	35,962	(11,480)	587	416,468
Library Books and Other	10,742	44	(32)	-	10,755
Vehicles	337,295	22,158	(15,260)	(0)	344,194
Infrastructure	14,193,855	1,438	(523,117)	240,581	13,912,757
Total Capital Assets being Depreciated	17,128,274	155,857	(591,441)	245,501	16,938,190
Less Accumulated Depreciation for:					
Land Improvements	(30,991)	(2,369)	423	41	(32,895)
Equipment and Machinery	(159,265)	(11,946)	14,259	704	(156,248)
Building and Improvements	(948,128)	(57,353)	13,964	(881)	(992,398)
Furniture and Fixtures	(19,153)	(1,098)	2,722	275	(17,253)
Data Processing Equipment and Software	(203,224)	(39,034)	13,751	(257)	(228,764)
Library Books and Other	(1,215)	(83)	32	-	(1,266)
Vehicles	(244,651)	(21,086)	14,656	(6)	(251,087)
Infrastructure	(9,332,732)	(388,651)	522,865	323	(9,198,195)
Total Accumulated Depreciation	(10,939,358)	(521,621)	582,672	200	(10,878,106)
Total Capital Assets being Depreciated, Net	6,188,916	(365,763)	(8,769)	245,701	6,060,084
Capital Assets, Net	\$ 7,273,166	\$ (20,529)	\$ (81,714)	\$ (0)	\$ 7,170,922

During fiscal year 2018, the State transferred \$321 million from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line.

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Business-type Activities for the year ended June 30, 2018, was as follows (in thousands):

Business-type Activities:	Beginning Balance as Restated	Additions	Deletions	Reclass	Ending Balance
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 98,695	\$ 292	\$ -	\$ -	\$ 98,987
Construction in Progress	145,435	120,943	(4,301)	(109,742)	152,334
Infrastructure	74	-	-	-	74
Art and Other	2,186	6	-	-	2,191
Total Capital Assets not being Depreciated	246,389	121,240	(4,301)	(109,742)	253,585
Capital Assets being Depreciated:					
Land Improvements	127,963	1,630	(94)	530	130,030
Equipment and Machinery	964,484	40,650	(73,111)	4,269	936,292
Building and Improvements	3,284,244	10,179	(4,309)	102,403	3,392,517
Furniture and Fixtures	1,575	33	(47)	(28)	1,532
Data Processing Equipment and Software	23,042	387	(125)	18	23,321
Library Books and Other	321,937	11,491	(517)	-	332,912
Vehicles	6,807	186	(67)	-	6,926
Infrastructure	328,172	588	-	2,551	331,311
Total Capital Assets being Depreciated	5,058,225	65,145	(78,270)	109,742	5,154,842
Less Accumulated Depreciation for:					
Land Improvements	(107,480)	(7,204)	90	34	(114,561)
Equipment and Machinery	(723,637)	(56,186)	72,206	-	(707,617)
Building and Improvements	(1,431,411)	(87,329)	2,190	(45)	(1,516,594)
Furniture and Fixtures	(1,522)	(7)	47	11	(1,471)
Data Processing Equipment and Software	(18,759)	(850)	99	(0)	(19,511)
Library Books and Other	(276,952)	(11,207)	516	-	(287,644)
Vehicles	(5,051)	(394)	67	-	(5,378)
Infrastructure	(187,737)	(13,680)	-	-	(201,417)
Total Accumulated Depreciation	(2,752,550)	(176,858)	75,216	-	(2,854,192)
Total Capital Assets being Depreciated, Net	2,305,674	(111,713)	(3,054)	109,742	2,300,650
Capital Assets, Net	\$ 2,552,063	\$ 9,527	\$ (7,355)	\$ -	\$ 2,554,235

During fiscal year 2018, the State transferred \$114 million from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line. For the year ended June 30, 2018, there was no interest expense capitalized.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Fiduciary Funds for the year ended June 30, 2018, was as follows (in thousands):

Fiduciary Funds:	Beginning Balance	Additions	Deletions	Reclass	Ending Balance
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 1,797	\$ -	\$ -	\$ -	\$ 1,797
Construction in Progress	-	-	-	-	-
Art and Other	31	-	-	-	31
Total Capital Assets not being Depreciated	<u>1,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,828</u>
Capital Assets being Depreciated:					
Land Improvements	19	-	-	-	19
Equipment and Machinery	230	10	-	-	239
Building and Improvements	16,031	51	-	-	16,083
Furniture and Fixtures	1,360	30	(48)	-	1,342
Data Processing Equipment and Software	26,169	34	-	-	26,203
Vehicles	57	-	-	-	57
Total Capital Assets being Depreciated	<u>43,867</u>	<u>125</u>	<u>(48)</u>	<u>-</u>	<u>43,944</u>
Less Accumulated Depreciation for:					
Land Improvements	(331)	(425)	-	-	(756)
Equipment and Machinery	(35)	-	-	-	(35)
Building and Improvements	(5,012)	(526)	-	-	(5,537)
Furniture and Fixtures	(832)	(160)	39	-	(953)
Data Processing Equipment and Software	(23,592)	(275)	-	-	(23,867)
Vehicles	(57)	-	-	-	(57)
Total Accumulated Depreciation	<u>(29,859)</u>	<u>(1,385)</u>	<u>39</u>	<u>-</u>	<u>(31,205)</u>
Total Capital Assets being Depreciated, Net	<u>14,008</u>	<u>(1,261)</u>	<u>(9)</u>	<u>-</u>	<u>12,739</u>
Total Capital Assets being Depreciated, Net	<u>\$ 15,836</u>	<u>\$ (1,261)</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ 14,567</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Component Units for the year ended June 30, 2018, was as follows (in thousands):

Component Units - Capital Assets	Beginning Balance	Additions	Deletions	Reclass	Ending Balance
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 4,407	\$ 19,210	\$ (647)	\$ -	\$ 22,970
Construction Work in Progress	1,821	7,170	(149)	-	8,842
Art and Other	3,542	98	(131)	-	3,509
Total Capital Assets not being Depreciated	<u>9,769</u>	<u>26,478</u>	<u>(926)</u>	<u>-</u>	<u>35,321</u>
Capital Assets being Depreciated:					
Building and Improvements	15,247	71,703	(3,909)	-	83,041
Leasehold Improvements	-	23	-	-	23
Infrastructure	15,180	-	(8,285)	-	6,896
Aircrafts	100	6	-	-	105
Vehicles	1,515	1,349	(1,120)	-	1,744
Machinery And Equipment	12,794	37	(6,907)	18	5,942
Data Processing Equipment and Software	4,319	24	-	(18)	4,325
Furniture and Fixtures	2,449	7,116	-	-	9,564
Total Capital Assets being Depreciated	<u>51,604</u>	<u>80,257</u>	<u>(20,222)</u>	<u>-</u>	<u>111,639</u>
Less Accumulated Depreciation for:					
Building and Improvements	(8,894)	(11,580)	4,054	13	(16,408)
Infrastructure	(8,161)	-	8,161	(0)	(0)
Vehicles	(1,172)	(632)	1,094	-	(710)
Equipment and Machinery	(8,637)	(82)	6,937	(31)	(1,812)
Leasehold Improvements	-	(0)	-	0	-
Data Processing Equipment and Software	(4,189)	(74)	19	67	(4,177)
Furniture and Fixtures	(2,085)	(3,947)	-	(49)	(6,082)
Total Accumulated Depreciation	<u>(33,138)</u>	<u>(16,315)</u>	<u>20,265</u>	<u>-</u>	<u>(29,189)</u>
Total Capital Assets being Depreciated, Net	<u>18,465</u>	<u>63,942</u>	<u>43</u>	<u>-</u>	<u>82,450</u>
Capital Assets, Net	<u>\$ 28,235</u>	<u>90,420</u>	<u>(883)</u>	<u>-</u>	<u>117,771</u>

During fiscal year 2018, the State transferred \$149 thousand from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line. For the year ended June 30, 2018, there was no interest expense capitalized.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

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

General Control	\$	53,867
Education		728
Health and Human Services		19,449
Highways and Transportation		398,210
Culture, Recreation, and Nat. Resources		17,802
Judicial		6,071
Legislative		1,941
Public Safety		17,399
Regulation and Licensing		6,154
		<hr/>
Total	\$	<u>521,621</u>

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 7

NOTE 7. Deferred Outflows of Resources

A. Deferred Charge on Refunding

The State issued multiple series of refunding bonds in prior years to advance-refund certain older issues. Thus, the bonds which were advance-refunded are considered defeased in substance. The excess of the reacquisition price (funds required to refund the old debt) over the net carrying amount of the old debt resulted in a loss, reported as a deferred outflow of resources. For fiscal year ending June 30, 2018, the deferred outflow of resources for governmental activities and business-type activities were as follows (in thousands):

	Deferred Charge on Refunding	
	<u>Governmental</u>	<u>Business-type</u>
Beginning Balance	\$ 47,037	\$ 5,800
Additions	42,424	-
Deletions	(7,871)	(744)
Ending Balance	<u>\$ 81,590</u>	<u>\$ 5,056</u>

B. Interest Rate Swaps

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

NOTE 8. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2018, are presented in the following table (in thousands). As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

	Beginning Balance, Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year	Long term Debt
Governmental Activities:						
General Obligation Bonds	\$ 260,760	\$ 300,310	\$ (149,545)	\$ 411,525	\$ 60,600	\$ 350,925
Severance Tax Bonds	876,115	192,030	(124,475)	943,670	129,300	814,370
Revenue Bonds and Loans Payable	1,367,542	467,120	(557,959)	1,276,703	113,316	1,163,387
Net Unamortized Premiums, Discounts	200,994	154,127	(50,899)	304,222	52,988	251,234
Total Bonds Payable	<u>2,705,411</u>	<u>1,113,587</u>	<u>(882,878)</u>	<u>2,936,120</u>	<u>356,204</u>	<u>2,579,916</u>
Notes Payable	-	-	-	-	-	-
Claims and Judgments	180,149	379,248	(386,893)	172,504	94,994	77,511
Hedging Derivatives - Interest Rate Swaps	84,090	-	(84,090)	-	-	-
Native American Water Settlement Liability	60,850	15,831	-	76,681	-	76,681
Contingent Liabilities	3,678	179,525	-	183,203	179,525	3,678
Compensated Absences	63,982	88,692	(85,011)	67,663	59,403	8,260
Pollution Remediation Obligation	42,651	4,215	(19,387)	27,479	503	26,976
Capital Leases	51,690	-	(1,435)	50,255	1,490	48,765
Misc. Liabilities	-	4,361	-	4,361	-	4,361
Total Other Liabilities	<u>487,090</u>	<u>671,872</u>	<u>(576,816)</u>	<u>582,146</u>	<u>335,915</u>	<u>246,231</u>
Total Governmental Long-term Liabilities	\$ 3,192,501	\$ 1,785,459	\$ (1,459,694)	\$ 3,518,266	\$ 692,119	\$ 2,826,147
Business-type Activities:						
Revenue Bonds	\$ 899,736	\$ 78,885	\$ (69,575)	\$ 909,046	\$ 43,182	\$ 865,864
Bond Premium, Discount, Net	43,960	5,681	(3,494)	46,147	35	46,112
Total Bonds Payable	<u>943,696</u>	<u>84,566</u>	<u>(73,069)</u>	<u>955,193</u>	<u>43,217</u>	<u>911,976</u>
Compensated Absences	86,356	71,051	(70,796)	86,611	68,939	17,672
Reserve for Losses	89,501	2,585	-	92,086	22,102	69,984
Notes Payable	12,985	-	(820)	12,165	880	11,285
Loans Payable	-	-	-	-	-	-
Capital Leases	1,054	57	(421)	690	397	293
Derivative Instruments - Interest Rate Swaps	8,604	-	(2,825)	5,779	-	5,779
Student Loans	15,726	-	(558)	15,168	-	15,168
Environmental Cleanup	5,434	-	-	5,434	-	5,434
Misc. Liabilities	11,076	70,303	-	81,379	81,379	-
Total Other Liabilities	<u>230,736</u>	<u>143,996</u>	<u>(75,419)</u>	<u>299,313</u>	<u>173,697</u>	<u>125,617</u>
Total Business-type Long-term Liabilities	\$ 1,174,432	\$ 228,562	\$ (148,488)	\$ 1,254,506	\$ 216,913	\$ 1,037,593
Fiduciary:						
Pension Trust Funds						
Reserve for Losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated Absences	970	617	(499)	1,088	1,064	24
Total Fiduciary Long-term Liabilities	\$ 970	\$ 617	\$ (499)	\$ 1,088	\$ 1,064	\$ 24

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

A. Restatement Summary

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

	Ending Balance FY 17	Beginning Balance (Restated)	Change Increase (Decrease)	Reason
Governmental Activities:				
Net Unamortized Premiums	\$ 237,638	\$ 200,994	\$ (36,644)	Correction of error in amortization method.
Compensated Absences	63,992	63,982	(10)	Correction of error.
Revenue Bonds and Loans	1,367,541	1,367,542	1	Rounding
Net Pension Liability	3,264,743	-	(3,264,743)	Reported on separate line in financial statements.
Rounding			<u>1</u>	
Total Net Change			(3,301,395)	
Total Long-term Liabilities, FY 17			<u>6,493,896</u>	
Total Beginning Long-term Liabilities, FY 18			<u><u>\$ 3,192,501</u></u>	
Business-type Activities:				
Revenue Bonds	\$ 869,404	\$ 899,736	\$ 30,332	Bonds and loans reported together.
Compensated Absences	86,319	86,356	37	Prior year computation error.
Loans Payable to Comp. Unit	30,332	-	(30,332)	Reported with bonds on same line.
Net OPEB Liability	67,969	-	(67,969)	Reported on separate line in financial statements.
Net Pension Liability	2,125,341	-	(2,125,341)	Reported on separate line in financial statements.
Total Net Change, Business-type			<u>(2,193,273)</u>	
Total Long-term Liabilities, FY 17			<u>3,367,705</u>	
Total Beginning Long-term Liabilities, FY 18			<u><u>\$ 1,174,432</u></u>	

B. General Obligation Bonds

The State issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities for local governments as authorized by the Legislature of the State of New Mexico. General obligation bonds are direct obligations and pledge the full faith and credit of the State. These bonds generally are issued as 10-year serial bonds with equal amounts of principal maturing each year. Funding for the payment of the debt service of the general obligation bonds is provided through the collection of property taxes levied by the local governments receiving the funding for capital spending. General obligation bonds outstanding at year-end are as follows:

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

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

General Obligation Bonds Payable <i>(Expressed in Thousands)</i>						
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2018	Due in One Year
Series 2009	5/28/09	2019	5.00	\$ 196,330	\$ 24,650	\$ 24,650
Series 2011	5/26/11	2021	2.00 - 4.00	18,645	6,230	1,995
Series 2015	3/25/15	2025	5.00	141,635	106,670	13,100
Series 2017A	8/1/17	2027	5.00	148,520	136,225	9,880
Series 2017B	8/1/17	2025	5.00	151,790	137,750	10,975
Total General Obligation Bonds Payable					\$ 411,525	\$ 60,600

Annual debt service requirements to maturity for General Obligation Bonds are as follows:

General Obligation Bonds Debt Service Requirements to Maturity For Fiscal Years End June 30 <i>(Expressed in Thousands)</i>			
Fiscal Year	Principal	Interest	Total
2019	\$ 60,600	\$ 20,514	\$ 81,114
2020	38,235	17,504	55,739
2021	55,270	15,612	70,882
2022	56,455	12,872	69,327
2023	60,005	10,048	70,053
2024 - 2027	140,960	14,780	155,740
Total	\$ 411,525	\$ 91,330	\$ 502,855

On August 1, 2017, the State Board of Finance issued \$148.5 million of Series 2017A General Obligation Bonds for the purpose of making capital expenditures for senior citizen facilities, libraries, and capital improvements for schools and public safety. These bonds have a coupon rate of 5.0 % and a final maturity date of 2027.

Also on August 1, 2017, the State Board of Finance issued \$151.8 million of General Obligation Refunding Bonds (Series 2017 B) with a coupon rate of 5%. These bonds were issued with the purpose of refunding the outstanding Series 2013 and Series 2015 G. O. Bonds. It was later discovered that the Series 2015 Bonds were not eligible for redemption prior to maturity. The refunding of \$71.8 million of the 2013 Bonds was carried out as planned. The remaining funds were placed in escrow, such funds to be used to make future debt service payments on the outstanding Series 2015 bonds. The balance in this account at year end was \$84.3 million.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

The Series 2017 B refunding increased total debt service payments over the next seven years by nearly \$93 million. The funds placed in escrow plus the anticipated earnings on such funds are \$96.6 million, resulting in an economic gain of \$3.5 million.

C. Severance Tax Bonds

Severance tax bonds are used to fund the capital needs of state agencies, local governments, and public and higher education as authorized by the Legislature of the State of New Mexico. In addition, severance tax bonds have been issued to refund severance tax bonds. Funding for the payment of the debt service of the severance tax bonds is provided through the collection of severance taxes levied on the mining and production of various natural resources, such as minerals, oil, and gas. The severance tax bonds are secured by the levied taxes. This is a permanent commitment of a portion of total severance tax revenues. As authorized by State statute, severance tax revenues are transferred to the Severance Tax Bonding Fund and first pay the required debt service on severance tax bonds and supplemental severance tax bonds issued by the State, with the remainder being transferred to the Severance Tax Permanent Fund. For the year ended June 30, 2018, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$511.1 million. The total principal and interest requirements were \$161.2 million for long-term debt and \$168.1 million for short-term debt for all severance tax and supplemental severance tax bonds and short-term notes.

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

Severance Tax Bonds Payable						
<i>(Expressed in Thousands)</i>						
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2018	Due in One Year
Series 2009 A	7/30/09	2019	2.00 - 5.00 %	\$ 218,450	\$ 36,295	\$ 17,695
Series 2010A	3/24/10	2019	3.00 - 5.00 %	132,265	46,235	14,665
Series 2010 B Supplemental	3/24/10	2019	Series 2017	100,000	32,635	10,525
Series 2011A-1	12/6/11	2022	3.00 - 5.00 %	47,790	14,270	3,635
Series 2011A-2	12/6/11	2019	4.00 - 5.00 %	75,715	16,625	16,625
Series 2012A	6/21/12	2023	3.00 - 5.00 %	57,990	36,120	6,520
Series 2013A	7/23/13	2024	4.00 - 5.00 %	157,560	15,470	15,470
Series 2014A	6/24/14	2025	2.00 - 5.00 %	143,770	28,665	12,985
Series 2015A	8/12/15	2026	5.00 %	129,195	121,195	10,980
Series 2015B Supplemental	8/12/15	2026	5.00 %	69,745	61,045	6,470
Series 2016A	6/23/16	2027	3.00 - 5.00 %	78,750	78,750	-
Series 2016B	6/23/16	2025	4.00 %	181,395	181,395	-
Series 2016C	6/23/2016	2022	2.00 %	41,925	37,125	9,800
Series 2016D	11/15/2016	2028	5.00 %	26,725	26,725	-
Series 2016E	11/15/2016	2022	1.25 - 2.35 %	19,090	19,090	2,405
Series 2017A	8/8/2017	2027	5.00 %	69,470	69,470	1,525
Series 2018A	6/28/2018	2029	5.00 %	122,560	122,560	-
Total Severance Tax Bonds Payable					\$ 943,670	\$ 129,300

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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

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

Fiscal Year	Principal	Interest	Total
2019	\$ 129,300	\$ 37,223	\$ 166,523
2020	134,125	34,257	168,382
2021	128,115	28,614	156,729
2022	108,955	23,583	132,538
2023	104,965	18,763	123,728
2024 - 2028	322,790	34,844	357,634
2029	15,420	386	15,806
Total	\$ 943,670	\$ 177,670	\$ 1,121,340

On August 8, 2017, the NM State Board of Finance issued \$69.5 million of Series 2017A Severance Tax Bonds. These bonds carry a coupon rate of 5.0% with a final maturity in 2027. The purpose of these bonds was to fund capital improvements approved by the Legislature.

On June 28, 2018, the Board of Finance issued \$122.6 million of Series 2018A Severance Tax Bonds. These bonds also carry a coupon rate of 5.0% with a final maturity in 2028.

D. Short-term Debt

Per Section 7-27-8 NMSA, the Office of State Treasurer is required to transfer any money left in the Severance Tax Bond Fund every June 30 and December 31 to the Severance Tax Permanent Fund. The State Board of Finance issues short-term Severance Tax Notes, which are of one to three days duration, in order to more fully utilize the excess cash until such time as it is transferred. During the fiscal year 2018, short-term notes were sold:

	Beginning Balance	Issued	Redeemed	Ending Balance
Short-term Notes	\$ -	\$ 168,105	\$ (168,105)	\$ -

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

E. Revenue Bonds

The State also issues bonds where the government pledges certain revenue for the payment of debt service. Revenue bonds payable are as follows:

Governmental Activities

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

Governmental Activities Bond Issue	Original Issue	Maturity Date	Interest Rate	Balance	Due in
				June 30, 2018	One Year
2015A PPRF - Metro Court	\$ 30,685	2025	4.00 - 5.00 %	\$ 22,725	\$ 2,780
2018A PPRF - General Services Dept. - 4431	28,480	2036	4.00 - 5.00 %	28,480	1,035
2018C1 PPRF - General Services Dept. - 4417A	11,510	2039	4.00 - 5.00 %	11,510	0
2018C1 PPRF - General Services Dept. - 4417B	7,040	2038	2.77 - 4.09 %	7,040	0
2009A PPRF - General Services Dept. 5	2,456	2038	3.75 - 5.50 %	1,926	80
2010A PPRF - General Services Dept. 6	1,015	2039	3.50 - 5.10 %	825	25
2016C PPRF - General Services Dept. 8	37,320	2036	1.90 - 4.90 %	34,565	1,020
Series 2009C Spaceport Public Project	55,810	2029	2.50 - 5.25 %	36,480	2,615
Series 2010 Spaceport Public Project	20,560	2029	0.47 - 4.08 %	16,210	665
DL - General Services Dept. - Cultural Affairs	2,789	2023	0.46 - 1.42 %	2,010	393
2004B PPRF - Cultural Affairs Dept.	2,350	2023	0.62 - 4.18 %	749	138
2009A PPRF - Cultural Affairs Dept.	369	2020	0.75 - 3.93 %	76	37
Series 2003 Energy and Minerals	7,339	2023	3.82%	2,387	439
2008A PPRF - Department of Health 3 - State Labs	13,460	2028	5.00 %	6,500	630
2008B PPRF - Department of Health 6 - S Rehab	11,545	2028	5.00 %	5,695	550
2013C PPRF - Department of Health 9 - Las Vegas Med. Ctr.	8,975	2037	3.80 %	8,065	119
Series 2006 A Highway - (GRIP)	150,000	2026	3.60 - 5.00 %	650	150
Series 2010A Debt Service	174,625	2024	1.50 - 5.00 %	60,590	8,990
Series 2010B Highway (GRIP)	461,075	2024	3.00 - 5.00 %	297,150	82,385
Series 2012 Refunding	220,400	2026	1.25 - 5.00 %	168,670	4,640
Series 2014 A Revenue	70,110	2032	5.00 %	66,335	3,855
Series 2014 B Revenue	79,405	2027	5.00 %	77,975	1,505
Series 2018 A Refunding	420,090	2030	5.00 %	420,090	1,265
Total Revenue Bonds and Loans Payable				\$ 1,276,703	\$ 113,316

The State issued \$420,090 Series 2018A State Transportation Refunding Revenue Bonds in June 2018. Proceeds from the sale were used to refund the balance of the following issues: Series 2008A, \$115,200; Series 2008B, \$220,000; and Series 2008C, \$84,800. The Refunding Bonds carry a coupon rate of 5.0% with a final maturity in 2030.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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

Governmental Activities
(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2019	\$ 113,316	\$ 60,348	\$ 173,664
2020	118,082	55,932	174,014
2021	122,100	50,170	172,270
2022	139,139	44,176	183,315
2023	144,921	37,496	182,417
2024 - 2028	473,201	97,826	571,027
2029 - 2033	130,296	19,017	149,313
2034 - 2038	29,652	5,135	34,787
2039 - 2043	5,996	300	6,296
2044 - 2047	-	-	-
Total	\$ 1,276,703	\$ 370,400	\$ 1,647,103

Of the total of bonds and loans payable for Governmental Activities, \$169,078 is payable to NM Finance Authority, a discretely-presented component unit. These are summarized as follows:

Governmental Activities
Bonds & Loans Payable - Payable to Others & Payable to NMFA
(Expressed in Thousands)

	Payable to Ext. Entities	Due to NMFA	Total
Current:			
Payable to External Entities	\$ 102,790	\$ -	\$ 102,790
Due to NMFA	-	10,526	10,526
Total Current	<u>102,790</u>	<u>10,526</u>	<u>113,316</u>
Long-term:			
Payable to External Entities	988,670	-	988,670
Due to NMFA	-	174,717	174,717
Total Long-term	<u>988,670</u>	<u>174,717</u>	<u>1,163,387</u>
Totals	<u>\$ 1,091,460</u>	<u>\$ 185,243</u>	<u>\$ 1,276,703</u>

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Several of the loans reported are secured by prior agreement with tax revenue intercepted by the State Taxation and Revenue Department and sent directly to the NMFA. These include the General Services Department, \$68,181, and Department of Health, \$20,260.

During fiscal 2018, the New Mexico Finance Authority issued Series NMFA PPRF2018A Refunding Bonds, which refunded seven individual loans made in prior years by NMFA. Among these loans were two of those made to General Services Dept. and one to the Department of Health. Although these loans were technically refunded, the issued bonds are secured by the funds which were originally pledged for each loan. Therefore, the State continues to be liable for the bond repayments in proportion to each of the loans. Therefore, these liabilities will continue to be shown as originally recorded.

Business-type Activities

Revenue bonds related to business-type activities are as follows:

New Mexico State University issued \$73,420 of Series 2017 A – C Refunding and Improvement Revenue Bonds during the fiscal year 2018. Proceeds were used, in part, to refund the Series 2006 Bonds, resulting in an economic loss of \$1.1 million. The new bonds have interest rates of 1.8 to 5.0%, with a final maturity in 2042.

Eastern New Mexico University issued \$5.6 of Series 2017 System Improvement Revenue Bonds. These bonds have interest rates of 0.1 to 3.5%, with a final maturity in 2036.

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

Business-type Activities

(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2019	\$ 43,182	\$ 38,659	\$ 81,841
2020	46,398	36,794	83,192
2021	49,887	34,989	84,876
2022	50,644	32,956	83,600
2023	52,208	157,086	209,294
2024 - 2028	251,828	118,605	370,433
2029 - 2033	234,207	68,764	302,971
2034 - 2038	129,887	25,911	155,798
2039 - 2043	31,895	8,518	40,413
2044 - 2047	18,910	1,950	20,860
Total	\$ 909,046	\$ 524,232	\$ 1,433,278

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Of the total of bonds and loans payable for Business-type Activities, \$107,004 is payable to NM Finance Authority, a discretely-presented component unit. These are summarized as follows:

Revenue Bonds and Loans Payable - Primary Government

(Expressed in Thousands)

Business-type Activities		Maturity Date	Interest Rate	Original Issue	Balance	
Inst.	Bond Issue				June 30, 2018	Due in One Year
MCMC	MCMC St. Perm. Fd. Rev. Imp. & Refunding Series 2013	2023	3.00 %	\$ 14,645	\$ 10,030	\$ 1,005
NMSU	Refunding and Imp. Revenue Series 2010 A-D	2022	1.89 - 5.27	78,670	46,505	2,050
	Refunding and Imp. Revenue Series 2013 A-C	2033	2.00 - 5.00	56,200	23,345	1,200
	System Imp. Revenue Series 2017 A-C	2042	1.75 - 5.00	73,240	72,045	2,805
	NM Fin. Auth. PPF Loan	2035	0.69 - 3.69	7,000	6,725	280
ENMU	System Revenue Series 2011B	2036	0.90 - 4.46	28,050	23,440	765
	System Imp. Revenue Series 2015 A	2045	0.34 - 3.93	12,480	11,605	490
	System Revenue Refunding Series 2015 B	2026	0.34 - 2.44	6,175	4,575	350
	System Imp. Revenue Bonds Series 2017	2038	0.09 - 3.48	5,645	5,645	182
NMHU	System Refunding Series 2009	2035	3.00 - 6.07	13,785	10,235	455
	System Refunding Revenue Series 2012	2034	0.93 - 4.26	18,335	14,890	685
NM Tech	System Revenue Series 2011	2031	3.00 - 5.00	13,395	10,010	-
NMMI	Series 2013A Improvement	2028	2.00 - 4.00	8,935	7,700	670
WNMU	System Revenue Series 2012	2038	2.00 - 5.50	12,245	10,525	375
	System Refunding & Imp. Revenue Series 2013	2038	2.10 - 5.10	6,755	4,445	420
	System Improvement Series 2014	2021	1.97	3,055	1,360	445
UNM	System Revenue Refunding Series 1992 A	2021	5.60 - 6.25	36,790	7,090	320
	System Revenue Series 2000 B	2019	5.50 - 6.35	53,232	182	8
	Subordinate Lien System Imp. Revenue Series 2001	2026	Variable	52,625	23,925	1,080
	Subordinate Lien System Refunding Revenue Series 2002 B	2026	Variable	25,475	14,805	669
	Subordinate Lien System Refunding Revenue Series 2002 C	2030	Variable	37,840	30,445	1,375
	Subordinate Lien System Imp. Revenue Series 2007 A & B	2036	4.00 - 5.95	136,710	1,490	67
	Subordinate Lien System Imp. Revenue Series 2012	2032	2.00 - 5.00	35,215	26,190	1,183
	Subordinate Lien System Imp. Revenue Series 2014A	2033	3.00 - 5.00	9,715	3,695	167
	Subordinate Lien System Imp. Revenue Series 2014 B	2024	0.50 - 3.28	3,365	2,265	102
	Subordinate Lien System Imp. Revenue Series 2014 C	2035	1.50 - 5.00	97,615	92,265	4,167
	Subordinate Lien System Imp. Revenue Series 2016A	2046	2.00 - 5.00	158,435	156,445	7,065
	Subordinate Lien System Imp. Revenue Series 2016B	2024	0.72 - 2.48	8,030	6,955	314
	Subordinate Lien System Imp. Revenue Series 2017	2047	3.25 - 5.00	40,900	40,585	1,833
	FHA Insured Hospital Mortgage Revenue Series 2015	2032	0.49 - 3.53	115,000	97,820	4,417
	Revenue Build America Bonds, Series 2010A (SRMC)	2036	4.5	133,425	111,505	5,035
	Revenue Recovery Zone Econ. Dev. Series 2010B (SRMC)	2037	5	9,740	9,740	440
	2016 A PPRF - UNM Health Sciences Ctr. - Loan	2025	1.90 - 4.90	26,200	19,505	1,995
	UNM - Amortization of Defeased Bonds - NMFA	-	-	-	769	765
	UNM ADW - UNM - Green Water Project - Loan	2032	0.75	399	290	3
Total Revenue Bonds and Loans Payable					\$ 909,046	\$ 43,182

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	Business-type Activities		
	Bonds & Loans Payable - Payable to Others & Payable to NMFA		
	<i>(Expressed in Thousands)</i>		
	Payable to Ext. Entities	Due to NMFA	Total
Current:			
Payable to External Entities	\$ 36,599	\$ -	\$ 36,599
Due to NMFA	-	6,583	6,583
Total Current	<u>36,599</u>	<u>6,583</u>	<u>43,182</u>
Long-term:			
Payable to External Entities	765,443	-	765,443
Due to NMFA	-	100,421	100,421
Total Long-term	<u>765,443</u>	<u>100,421</u>	<u>865,864</u>
Totals	<u>\$ 802,042</u>	<u>\$ 107,004</u>	<u>\$ 909,046</u>

F. Pledged Revenue

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Governmental Activities

Agency:

Purpose of Bonds:	<i>State of New Mexico - Severance Tax Bonds</i> Construction and acquisition of capital projects statewide
Total Amount of Bonds Issued:	\$1.7 billion
Type of Revenues Pledged:	Severance tax revenues
Term of Commitment:	Through June 30, 2028
Total Debt Service Remaining:	\$1.1 billion
Revenue Stream for Current Year:	\$522 million
Debt Service for Current Year:	\$161.2 million

Agency:

Purpose of Bonds:	<i>Energy, Minerals, and Natural Resources Department</i> Acquisition and development of state parks and recreation areas
Total Amount of Bonds Issued:	\$7.3 million
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Term of Commitment:	Through June 30, 2023
Total Debt Service Remaining:	\$2.7 million
Revenue Stream for Current Year:	\$5.9 million
Debt Service for Current Year:	\$535 thousand

Agency:

Purpose of Bonds:	<i>Department of Transportation</i> Construct and improve State highway and transportation system
Total Amount of Bonds Issued:	\$1.6 billion
Type of Revenues Pledged:	Gasoline excise taxes, motor vehicle registration and other fees deposited into State Road Fund, plus Federal Highway Fund revenues
Term of Commitment:	Through June 30, 2032
Total Debt Service Remaining:	\$1.4 billion
Revenue Stream for Current Year:	\$843 million
Debt Service for Current Year:	\$152 million

Agency:

Purpose of Bonds & Loan:	<i>Department of Cultural Affairs</i> Renovate existing museum structures, develop permanent exhibits
Total Amount of Debt Issued:	\$5.8 million (loans)
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$3.1 million
Term of Commitment:	Through June 30, 2023
Revenue Stream for Current Year:	\$843 thousand
Debt Service for Current Year:	\$628 thousand

Agency:

Purpose of Bonds:	<i>Spaceport Authority</i> Construction of the Spaceport America launch facility
Total Amount of Debt Issued:	\$76.3 million
Type of Revenues Pledged:	Authority's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$69.4 million
Term of Commitment:	Through June 30, 2029
Revenue Stream for Current Year:	\$6.2 million
Debt Service for Current Year:	\$5.7 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Governmental Activities (Continued)

Agency:	Bernalillo County Metropolitan Court
Purpose of Bonds:	Court building and parking structure
Total Amount of Debt Issued:	\$30.7 million
Type of Revenues Pledged:	Court facilities fees
Total Debt Service Remaining:	\$27.6 million
Term of Commitment:	Through June 30, 2025
Revenue Stream for Current Year:	\$3.8 million
Debt Service for Current Year:	\$3.9 million

Agency:	General Services Department
Purpose of Bonds:	State facilities
Total Amount of Debt Issued:	\$80.7 million
Type of Revenues Pledged:	Government gross receipts tax
Total Debt Service Remaining:	\$102.2 million
Term of Commitment:	Through June 30, 2039
Revenue Stream for Current Year:	\$6.0 million
Debt Service for Current Year:	\$5.4 million

Business-type Activities

Agency:	Miners' Colfax Medical Center
Purpose of Bonds:	Improvement and expansion of medical facilities
Total Amount of Bonds Issued:	\$14.6 million
Type of Revenues Pledged:	Center's share of distributions from the State Land Grant and the Charitable, Penal, and Reform Permanent Funds
Total Debt Service Remaining:	\$11.3 million
Term of Commitment:	Through June 30, 2027
Revenue Stream for Current Year:	\$9.7 million
Debt Service for Current Year:	\$1.3 million

Agency:	Educational Institutions (UNM, NMSU, ENMU, WNMU, NMMU, NMHU, NM Tech)
Purpose of Bonds:	Construction and improvement of various capital facilities
Total Amount of Bonds Issued:	\$1.3 billion
Type of Revenues Pledged:	Substantially all unrestricted revenues, including Permanent Fund distributions, student fees, and income from revenue-producing facilities, but excluding state appropriations and income from clinical operations.
Total Debt Service Remaining:	\$1.4 billion
Term of Commitment:	Through June 30, 2047
Revenue Stream for Current Year:	\$867 million
Debt Service for Current Year:	\$82.0 million

Agency:	University of New Mexico and New Mexico State Univ.
Purpose of Loans:	Health Sciences Center, Green Water Project
Total Amount of Debt Issued:	\$33.6 million (Loans from NMFA)
Type of Revenues Pledged:	Cigarette excise tax
Total Debt Service Remaining:	\$33.5 million
Term of Commitment:	Through June 15, 2037
Revenue Stream for Current Year:	\$4.4 million
Debt Service for Current Year:	\$4.6 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Other Liabilities

▪ Compensated Absences

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

▪ Pollution Remediation Obligation

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

The following details the nature of the identified sites:

Leaking Petroleum Storage Tanks (LPST)

The State oversees cleanups of LPST sites and reimburses eligible parties from the PST corrective action fund, which has paid for the vast majority of LPST cleanups. However, for Priority 1 State Lead sites, in which there is an imminent danger to the public health or environment, the State has obligated itself to begin remediation clean-up activities as a result of an unwilling or unable property owner in the amount of \$1.6 million as of June 30, 2018.

Superfund

The Superfund Oversight Section of the State assists the United States Environmental Protection Agency (EPA) in characterization of inactive hazardous waste sites; identifies sites which warrant remedial or removal action under Superfund (CERCLA); and oversees remedial activities and provides management assistance to EPA at Superfund sites listed on the National Priorities List (NPL). There are currently 16 listed Superfund sites and 4 delisted sites in New Mexico which are in various stages of investigation and remediation. Eight of these sites (6 listed and 2 delisted) are subject to State cost-share with EPA. One of the 8 State cost-share Superfund sites was placed on the NPL in April 2016. The site is currently in the remedial investigation phase in which no financial obligation exists. The Department estimates it will take at least 2 or 3 years before a Record of Decision is issued by the EPA. As of June 30, 2018, this site is excluded from the estimated pollution remediation liability. As of June 30, 2018, this site is excluded from the estimated pollution remediation liability which for Superfund sites totals \$25.9 million.

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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Amount Due Within One Year	\$ 875	\$ 89	\$ (461)	\$ 503
Amount Due in More than One Year	41,776	4,126	(18,926)	26,976
Total Pollution Remediation Liabilities	<u>\$ 42,651</u>	<u>\$ 4,215</u>	<u>\$ (19,387)</u>	<u>\$ 27,479</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

▪ Indian Water Rights Liability

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

Each of the agreements involves a contribution from the State of New Mexico in the form of construction of infrastructure. The value of infrastructure and mutual benefits projects contemplated in the three settlements are estimated at more than \$1.6 billion as of June 30, 2018. The State will not own the infrastructure once completed; the infrastructure and projects will be owned by tribal and local governments.

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

The State has recognized the estimated liability of \$76.7 million in the financial statements as of June 30, 2018.

A summary of the funds appropriated towards the settlements follows:

<u>Indian Water Rights Settlement</u>	<u>Total Cost Share</u>	<u>Appropriated Funds</u>	<u>Unappropriated Balance</u>
Aamodt	\$ 75,470	\$ 24,000	\$ 51,470
Taos	20,050	20,050	0
Navajo	53,730	52,189	1,541
Total	<u>\$ 149,250</u>	<u>\$ 96,239</u>	<u>\$ 53,011</u>

A summary of the funds disbursed and the remaining liability follows:

<u>Indian Water Rights Settlement</u>	<u>Total Cost Share</u>	<u>Disbursed To Date</u>	<u>Balance at June 30, 2018</u>
Aamodt	\$ 75,470	\$ 15,000	\$ 60,470
Taos	20,050	14,441	5,609
Navajo	53,730	43,128	10,602
Total	<u>\$ 149,250</u>	<u>\$ 72,569</u>	<u>\$ 76,681</u>

Due to the fact that the timing of the payments is subject to obtaining appropriations, the amount due for these settlements and any related cost indexing is based on best estimates.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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

The Transportation Department’s swap agreements and 2008 GRIP bond issuances were refunded effective June 27, 2018. At the time of refunding, the swap funds termination costs were \$67.2 million. The termination cost is the net present value of the receipts and payments anticipated to be made pursuant to the agreements.

H. University of New Mexico

▪ Standby Purchase Agreements

Standby Purchase Agreements provide liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees are based on a percentage of the outstanding bond balance, payable semiannually. Liquidity fees for the years ended June 30, 2018 and 2017 were \$318,190 and \$239,731, respectively. An agreement with U.S. Bank was entered into on December 31, 2014 for a three year term expiring December 29, 2018. The University has entered into negotiations with U.S. Bank for a possible three year extension of the agreement.

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

	US Bank			
<u>Liquidity</u>	<u>Series</u>	<u>Series</u>	<u>Series</u>	<u>Grand</u>
<u>Expiration</u>	<u>2001</u>	<u>2002B</u>	<u>2002C</u>	<u>Total</u>
12/29/2018	\$ 23,925	\$ 14,805	\$ 30,445	\$ 69,175
Liquidity Fees				
	<u>2001</u>	<u>2002B</u>	<u>2002C</u>	<u>Total</u>
FY 18	\$ 89	\$ 53	\$ 107	\$ 249

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

▪ Interest Rate Swap Agreements

On June 30, 2018, UNM had the following derivative instruments outstanding (in thousands):

Item/ Counter-Party	Type	Objective	Current Notional Amount	Effective Date	Maturity Date	Terms	Current Fair Value
Hedging Derivatives							
A - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	\$ 5,981	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	\$ (556)
B - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	30,445	10/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.9% Fixed	(3,418)
C - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	14,805	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.8% Fixed	(1,244)
D - RBC Royal Bank	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap) Bonds (Underlying Swap)	5,981	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	(562)
Investment Derivatives							
E - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2001 System Improvement Revenue Bonds (Overlay Swap)	11,963	8/15/2006	6/1/2026	Receive 63.6% of 5 year LIBOR swap rate + 0.3% - Pay SIFMA	112
F - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Overlay Swap)	30,445	8/15/2006	6/1/2030	Receive 63.6% of 5 year LIBOR swap rate + 0.3% - Pay SIFMA	410

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

▪ Risks

Credit Risk

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

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

Interest Rate Risk

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

Basis Risk

The variable-rate debt hedged by UNM's derivative instruments are variable-rate demand obligation (VRDO) bonds that are remarketed every seven days. The University is exposed to basis risk on its pay-variable (SIFMA), receive-variable (LIBOR) overlay interest rate swaps, because the variable-rate payments received by the University on these derivative instruments are based on a rate (LIBOR) other than the index (SIFMA) the University pays on the VRDO bonds. At June 30, 2018, the interest rate on the University's variable-rate hedged debt (SIFMA) is 1.5 %, while the 63.55% of five year LIBOR + 0.31% is 2.03 %.

Termination Risk

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

Rollover Risk

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Foreign Currency Risk

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

▪ **Commitments**

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

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

The collateral to be posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions net of the effect of applicable netting arrangements. If UNM or the counterparty does not post collateral, the derivative instrument may be terminated. UNM's credit rating is AA/Aa2 at June 30, 2018; therefore, no collateral has been posted.

▪ **Derivative Instrument Payments and Hedged Debt**

As of June 30, 2018, aggregate debt service requirements of UNM's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting (in thousands).

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

University of New Mexico				
Debt Service Requirements - Hedging Derivative Instruments				
Fiscal Year			Hedge Deriv.	
Ending June 30,	Principal	Interest	Instruments,	Total
			Net	
2019	\$ 5,570	\$ 612	\$ 1,253	\$ 7,435
2020	6,320	595	1,106	8,021
2021	6,580	553	972	8,105
2022	6,855	505	841	8,201
2023	7,155	445	719	8,319
2024	7,465	382	594	8,441
2025	7,770	308	475	8,553
2026	9,900	230	355	10,485
2027	2,900	125	205	3,230
2028	3,030	95	151	3,276
2029	3,160	62	96	3,318
2030	2,470	28	42	2,540
	<u>\$ 69,175</u>	<u>\$ 3,940</u>	<u>\$ 6,809</u>	<u>\$ 79,924</u>

▪ Fiscal Year Changes in Swap Valuations

UNM has entered into interest rate swaps as shown in the prior schedule. The swaps were put in place starting in fiscal years 2002 and 2003. The University has recorded the swaps at their estimated fair values as of June 30, 2018. Swaps A through D are deemed cash flow hedges, and therefore, in addition to recording the liability at fair value, the University has recorded an offsetting deferred outflow of resources. Annually, the changes to the fair values are recorded as an increase or decrease to the liability and the offset to the deferred outflow of resources. The fair value change in fiscal year 2018 for the hedge instruments was a \$2.8 million decrease to the liability and an equal offsetting decrease to the deferred outflow of resources. Swaps E and F are not cash flow hedges, but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2018 was recorded to unrealized losses in the amount of \$360.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

H. Notes Payable

The State has issued notes payable for various purposes, mainly equipment acquisition. Details of notes payable for the fiscal year ended June 30, 2018 follow:

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 880	\$ 373	\$ 1,253
2020	945	347	1,292
2021	1,015	317	1,332
2022	1,090	286	1,376
2023	1,165	253	1,418
2024 - 2028	7,070	678	7,748
Total	\$ 12,165	\$ 2,254	\$ 14,419

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

I. Discretely-presented Component Units

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

Bonds Payable - New Mexico Finance Authority				
<i>(Expressed in Thousands)</i>				
Bond Series	Interest Rate (%)	Maturity Date	Original Issue	Balance June 30, 2018
Public Project Revolving Fund - Senior Lien:				
2009 A - E	1.8 - 6.1	2019 - 2038	\$ 161,815	\$ 90,150
2010 A - B	2.0 - 5.9	2019 - 2039	85,175	51,395
2011 B - C	0.2 - 5.0	2019 - 2036	110,680	61,235
2012 A	1.5 - 5.5	2019 - 2038	24,340	17,520
2013 A - B	2.0 - 5.0	2019 - 2038	60,645	38,800
2014 B	2.0 - 5.0	2019 - 2035	58,235	40,435
2015 B - C	2.3 - 5.0	2019 - 2045	90,800	81,940
2016 A - F	2.0 - 5.0	2019 - 2046	315,540	282,565
2017 A - E	3.0 - 5.0	2019 - 2046	138,130	128,595
2018 A - B	2.5 - 5.0	2019 - 2038	146,860	144,060
Subtotal			<u>1,192,220</u>	<u>936,695</u>
Public Project Revolving Fund - Subordinate Lien:				
2014 A-1, 2	2.0 - 5.0	2019 - 2034	31,940	23,625
2015 A, D	3.0 - 5.0	2019 - 2035	92,745	77,295
2016 B	5.0	2019 - 2021	8,950	4,630
2017 B - F	1.9 - 5.0	2019 - 2046	128,725	110,710
2018 C - 1, 2	2.5 - 5.0	2019 - 2039	32,575	32,575
Subtotal			<u>294,935</u>	<u>248,835</u>
Total Public Project Revolving Fund and Total Bonds Outstanding			1,487,155	1,185,530
Add: Net Unamortized Premium				121,340
Total Bonds Payable				<u><u>\$ 1,306,870</u></u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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

Bonds Payable - New Mexico Mortgage Finance Authority

(Expressed in Thousands)

Bond Series	Interest Rate (%)	Maturity Date	Balance September 30, 2018
Single Family Mortgage Programs:			
Series 2009 A - E	3.9 - 5.7	2040	\$ 53,815
Series 2010 A	4.5 - 4.6	2028	6,975
Series 2011 A - C	2.3 - 5.4	2041	43,255
Series 2012 A - B	2.1 - 4.3	2043	48,635
Series 2013 A - C	2.2 - 4.5	2043	53,867
Series 2014 A - B	2.1 - 5.0	2043	14,926
Series 2015 A - E	1.4 - 4.0	2045	67,668
Series 2016 A - C	1.2 - 3.8	2046	126,525
Series 2017 A - B	1.1 - 3.8	2047	76,757
Series 2018 A - C	1.7 - 4.0	2049	202,000
Subtotal			694,423
Unaccreted Bond Premium/Discount, Net			14,315
Total Single Family Mortgage Programs Payable			708,738
Rental Housing Mortgage Programs:			
Series 2002 A - B	5.4 - 6.8	2038	7,980
Series 2003 A - B	5.1 - 5.2	2038	7,560
Series 2004 A - D	5.0 - 6.0	2039	17,780
Series 2005 A - F	4.7 - 5.1	2040	24,370
Series 2007 A - D	5.1 - 10.0	2043	17,842
Series 2008 A - B	0.0 - 0.5*	2043	8,000
Series 2010 A - B	5.0	2047	835
Series 2012 A	5.0	2049	4,743
Series 2017A - B	1.4 - 2.9*	2020	17,367
Subtotal			106,477
Unaccreted Bond Premium/Discount, Net			107
Total Rental Housing Mortgage Programs Payable			106,584
Total Bonds Payable			\$ 815,322

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Annual debt service requirements to maturity are as follows:

Debt Service Requirements to Maturity For Fiscal Years End September 30

Fiscal Year	New Mexico Finance Authority <i>(Expressed in Thousands)</i>			New Mexico Mortgage Finance Authority <i>(Expressed in Thousands)</i>		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 101,240	\$ 53,876	\$ 155,116	\$ 16,952	\$ 28,743	\$ 45,695
2020	100,210	49,422	149,632	35,669	28,814	64,483
2021	101,165	44,691	145,856	18,904	27,866	46,770
2022	93,515	39,844	133,359	19,540	27,213	46,753
2023	88,320	35,384	123,704	20,263	26,520	46,783
2024 - 2028	333,795	120,955	454,750	110,687	120,675	231,362
2029 - 2033	203,800	58,056	261,856	124,734	97,550	222,284
2034 - 2038	127,000	19,532	146,532	183,597	69,849	253,446
2039 - 2043	29,530	3,423	32,953	166,342	37,150	203,492
2044 - 2048	6,955	418	7,373	103,167	7,771	110,938
2049 - 2053	-	-	-	1,046	20	1,066
	<u>1,185,530</u>	<u>425,601</u>	<u>1,611,131</u>	<u>800,901</u>	<u>472,171</u>	<u>1,273,072</u>
Unaccrued Premium	121,340	-	121,340	14,421	-	14,421
Total	\$ <u>1,306,870</u>	\$ <u>425,601</u>	\$ <u>1,732,471</u>	\$ <u>815,322</u>	\$ <u>472,171</u>	\$ <u>\$1,287,493</u>

Details of the Mortgage Finance Authority Notes Payable follows:

New Mexico Mortgage Finance Authority Notes Payable <i>(Expressed in Thousands)</i>				Debt Service Requirements to Maturity For Fiscal Years End September 30 <i>(Expressed in Thousands)</i>			
Note	Maturity Date	Interest Rate (%)	Balance Sept. 30, 2018	Fiscal Year	Principal	Interest	Total
Note Payable, Wells Fargo	2023	2.0	\$ 850	2019	\$ 21,074	\$ 433	\$ 21,507
Note Payable, Preservation Loan	2042	1.0	1,794	2020	15,075	449	15,524
Note Payable, NMSBIC	2023	2.0	700	2021	74	48	122
Note Payable, FHL Bank of Dallas	2018	2.2	21,000	2022	393	46	439
Note Payable, FHL Bank of Dallas	2020	2.5	15,000	2023	499	38	537
Notes Payable			\$ <u>39,344</u>	2024 - 2028	1,178	70	1,248
The borrowings were made to raise capital to help fund the Primero Loan Program, which provides loans for nonprofit, public or tribal agency sponsored affordable				2029 - 2033	371	45	416
				2034 - 2038	371	27	398
				2039 - 2043	309	8	317
					\$ <u>39,344</u>	\$ <u>1,164</u>	\$ <u>40,508</u>

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9

NOTE 9. Net Position and Fund Equity

A. Governmental Fund Balances

Fund balances of governmental funds are classified as:

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

A summary of the nature and purpose of governmental fund balances, by fund type, at June 30, 2018, follows (in thousands):

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Severance Tax</u>	<u>Land Grant</u>	<u>Total</u>
Nonspendable:						
Prepaid Expenses	\$ 11,625	\$ -	\$ -	\$ -	\$ -	\$ 11,625
Inventories	34,731	-	-	-	-	34,731
Other	15,022	-	-	-	-	15,022
Total Nonspendable	<u>\$ 61,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,378</u>
Restricted:						
Capital Projects	\$ -	\$ -	\$ 1,014,509	\$ -	\$ -	\$ 1,014,509
Culture, Recreation and Natural Resources	177,051	-	-	-	-	177,051
Debt Service	-	423,798	-	-	-	423,798
Education	84,143	-	-	-	-	84,143
General Control	391,753	-	-	5,280,599	17,902,572	23,574,924
Health and Human Services	89,750	-	-	-	-	89,750
Highway and Transportation	289,891	-	-	-	-	289,891
Judicial	13,827	-	-	-	-	13,827
Legislature	2,799	-	-	-	-	2,799
Public Safety	55,925	-	-	-	-	55,925
Regulation and Licensing	54,405	-	-	-	-	54,405
Total Restricted	<u>\$ 1,159,544</u>	<u>\$ 423,798</u>	<u>\$ 1,014,509</u>	<u>\$ 5,280,599</u>	<u>\$ 17,902,572</u>	<u>\$ 25,781,022</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Severance Tax Permanent</u>	<u>Land Grant Permanent</u>	<u>Total</u>
Committed:						
Capital Projects	\$ -	\$ -	\$ 511	\$ -	\$ -	\$ 511
Culture, Recreation and Natural Resources	258	-	-	-	-	258
Debt Service	-	3	-	-	-	3
Education	10,152	-	-	-	-	10,152
General Control	13,615	-	-	-	-	13,615
Health and Human Services	11,010	-	-	-	-	11,010
Highway and Transportation	-	-	-	-	-	-
Judicial	1,389	-	-	-	-	1,389
Public Safety	-	-	-	-	-	-
Regulation and Licensing	1,870	-	-	-	-	1,870
Total Committed	\$ 38,294	\$ 3	\$ 511	\$ -	\$ -	\$ 38,807
Assigned:						
General Control	\$ 111	\$ -	\$ -	\$ -	\$ -	\$ 111
Health and Human Services	6,564	-	-	-	-	6,564
Judicial	4,179	-	-	-	-	4,179
Public Safety	-	-	-	-	-	-
Regulation and Licensing	718	-	-	-	-	718
Total Assigned	\$ 11,572	\$ -	\$ -	\$ -	\$ -	\$ 11,572
Unassigned:						
Capital Projects	\$ -	\$ -	\$ (2,821)	\$ -	\$ -	\$ (2,821)
Culture, Recreation and Natural Resources	(20,483)	-	-	-	-	(20,483)
Education	(24,054)	-	-	-	-	(24,054)
General Control	1,020,231	-	-	-	-	1,020,231
Health and Human Services	(3,704)	-	-	-	-	(3,704)
Highway and Transportation	(63,792)	-	-	-	-	(63,792)
Judicial	(5,922)	-	-	-	-	(5,922)
Legislature	3,635	-	-	-	-	3,635
Public Safety	(4,582)	-	-	-	-	(4,582)
Regulation and Licensing	(19,016)	-	-	-	-	(19,016)
Total Unassigned	\$ 882,313	\$ -	\$ (2,821)	\$ -	\$ -	\$ 879,491

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

B. Deficit Net Position/ Fund Equity

Governmental Activities

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

C. Net Position/Fund Balance Restatements -

1. Correction of Errors

During the fiscal year ended June 30, 2018, the State determined that several errors in accounting and reporting had been made in the prior fiscal year. The effect of the correction of those errors together with the adoption of the new accounting principle on beginning net position and governmental fund balances follows (in thousands):

The following schedule reconciles June 30, 2018, Net Position/fund balance previously reported to beginning Net Position/fund balance, as reported in the accompanying financial statements(in thousands):

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

Summary of Adjustments, Net Position/Fund Balance

Government-wide Statements -

Governmental Activities:

Adjustments

Agencies PPA to correct begin balances	\$ 18,751
Correction of errors	(66,920)
GASB 75 Implementation	<u>(1,259,634)</u>
Total government-wide adjustments	<u>(1,307,803)</u>

Governmental fund financial statements:

Capital Projects - Agency Prior Adjustments	(808)
Capital Projects - Correction of Errors	1,371
General Fund - Agency Prior Adjustments	1,049
General Fund - Agency Funds moving to Spec. Rv.	5,445
General Fund - Correction of Errors	<u>(2,760)</u>
Total Governmental fund adjustments	<u>4,297</u>
Internal Service - Correction of Errors	(1)
Internal Service - Agency Prior Adjustments	1,465
Internal Service - GASB 75 Implementation	<u>(21,907)</u>
Total Internal Service Fund Adjustments	<u>(20,443)</u>

Total adjustments, Governmental

Activities \$ (1,323,949)

Component Units

Charter Schools moved to Non-Major	\$ 77,490
UNMF	<u>(2,158)</u>
Total adjustments, Major Component Units	<u>\$ 75,332</u>

Non-Major Component Units

GASB 75 Implementation and Correction of Errors:

Charter Schools moved to Non-Major	(77,490)
Charter Schools adjustments	(86,636)
NMIMTRPC moved to Blended	(1,884)
Cumbres & Toltec	(442)
NNMCF	<u>(4)</u>
Total adjustments, Non-Major Component Units	<u>\$ (166,456)</u>

Business - type Activities, Educational Institutions:

GASB 75 Implementation

UNM	\$ (104,224)
NMSU	(101,074)
NMHU	(29,676)
NMSVI	(11,289)
ENMU	(51,463)
NM Tech	(12,122)
NMMI	(16,589)
WNMU	(24,062)
NNMC	(9,542)
NMSD	(12,180)
Corrections of Errors	<u>(3)</u>

Total adjustments, Educ. Inst. (372,224)

Non-Major - Agency Prior Adjustments 9,148

Non-Major - GASB 75 Implementation (16,951)

Total adjustments, Non-Major Enterprise (7,803)

Total adjustments,

Business - type Activities \$ (380,027)

Pension Trust Funds

PERA - Correction Expense and Contribution Errors	\$ 774
Corrections of Errors	<u>108</u>

Total adjustments, Pension Trust Funds \$ 882

Agency Funds

Funds moving from Agency to Special Rev	\$ (5,445)
Total adjustments, Agency Funds	<u>\$ (5,445)</u>

Private Purpose Trust Funds

OSI Change in Accounting Methods	\$ 552,385
Corrections of Errors	<u>2</u>

Total adjustments, Private Purpose Trust \$ 552,387

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

Net Position/Fund Balance Restatements

Governmental Activities:	<u>Net Position - Governmental Activities</u>	<u>Total Net Position - Internal Svc. Funds</u>	<u>Total Fund Balances - Governmental Funds</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Severance Tax Fund</u>	<u>Land Grant Fund</u>
Beg. Net Position/Fund Balances, as Previously Reported	\$ 25,861,507	\$ (4,669)	23,799,493	\$ 1,297,122	\$ 333,215	\$ 746,434	\$ 4,931,000	\$ 16,491,722
Adjustments	<u>(1,323,949)</u>	<u>(20,443)</u>	<u>4,297</u>	<u>3,734</u>	<u>-</u>	<u>563</u>	<u>-</u>	<u>-</u>
Beg. Net Position/Fund Balances, as Restated	<u>\$ 24,537,558</u>	<u>\$ (25,112)</u>	<u>23,803,790</u>	<u>\$ 1,300,856</u>	<u>\$ 333,215</u>	<u>\$ 746,997</u>	<u>\$ 4,931,000</u>	<u>\$ 16,491,722</u>
Effect on Change in Net Position/Fund Balance FYE June 30, 2018	<u>\$ (1,323,949)</u>	<u>\$ (20,443)</u>	<u>4,297</u>	<u>\$ 3,734</u>	<u>\$ -</u>	<u>\$ 563</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:	<u>Net Position - Business-type Activities</u>	<u>Educational Institutions</u>	<u>Nonmajor Enterprise</u>					
Beg. Net Position, as Previously Reported	\$ 2,147,010	\$ 1,300,126	\$ 846,884					
Adjustments	<u>(380,027)</u>	<u>(372,224)</u>	<u>(7,803)</u>					
Beg. Net Position, as Restated	<u>\$ 1,766,983</u>	<u>\$ 927,902</u>	<u>\$ 839,081</u>					
Effect on Change in Net Position FYE June 30, 2018	<u>\$ (380,027)</u>	<u>\$ (372,224)</u>	<u>\$ (7,803)</u>					
Fiduciary and Component Units:	<u>Pension Trust Funds</u>	<u>External Investment Trust Funds</u>	<u>Major Component Units</u>	<u>Non-Major Component Units</u>				
Beg. Net Position, as Previously Reported	\$ 28,644,924	\$ 742,281	\$ 1,038,544	\$ 195,592				
Adjustments	<u>(882)</u>	<u>-</u>	<u>75,332</u>	<u>(166,456)</u>				
Beg. Net Position, as Restated	<u>\$ 28,644,042</u>	<u>\$ 742,281</u>	<u>1,113,876</u>	<u>29,136</u>				
Effect on Change in Net Position FYE June 30, 2018	<u>\$ (882)</u>	<u>\$ -</u>	<u>\$ 75,332</u>	<u>\$ (166,456)</u>				

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

Net Position/Fund Balance Restatements

Fiduciary Funds:

	<u>Agency Funds</u>
Beg. Total Assets and Total Liabilities, as previously reported	\$ 383,742
Adjustment - Correction of Errors	<u>(5,445)</u>
Beg. Total Assets and Total Liabilities, as Restated	<u>\$ 378,297</u>

	<u>Private Purpose Trust</u>
Beg. Net Position, as Previously Reported	2,469,693
Adjustments	<u>552,387</u>
Beg. Net Position, as Restated	3,022,080
Effect on Change in Net Position FYE June 30, 2018	<u>\$ 552,387</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 10

NOTE 10. Leases

Operating Leases

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

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

	<u>Governmental</u>	<u>Business-type</u>	<u>Fiduciary</u>
2019	\$ 64,073	\$ 9,610	\$ 159
2020	58,735	7,716	154
2021	49,566	3,817	116
2022	43,681	2,542	114
2023	36,574	1,568	
2024 - 2028	66,248	4,119	
2029 - 2033	10,882	162	-
2034 - 2038	473	26	-
Thereafter	69,558	38	-
Total	<u>\$ 399,790</u>	<u>\$ 29,598</u>	<u>\$ 543</u>

Operating lease expenditures/expenses for fiscal year 2018 for governmental activities, business-type activities, and fiduciary activities, respectively were \$ 72,169, \$ 11,119, and \$ 164.

Capital Leases

The State is obligated under lease purchase contracts. In the opinion of counsel for the State, these lease purchase contracts comply with the State Supreme Court Montano vs. Gabaldon decision, in that payments for these will be made from Special Revenue Funds and not from general tax revenue.

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

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 10 (CONTINUED)

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

	<u>Governmental</u>	<u>Business-type</u>
2019	\$ 4,047	\$ 430
2020	4,047	134
2021	4,051	124
2022	4,050	71
2023	4,050	12
2024 - 2028	20,242	-
2029 - 2033	20,251	-
2034 - 2038	20,239	-
Total Lease Payments	80,977	771
Less Amounts		
Representing Interest	(30,722)	(80)
Present Value of Future		
Minimum Lease Payments	\$ 50,255	\$ 691

As of June 30, 2018, the historical cost of the primary government's assets acquired through capital leases was \$50.26 million for governmental activities including \$7.3 million in accumulated depreciation, and \$1.20 million for business-type activities including \$695 million in accumulated depreciation.

Lessor Revenue

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

	<u>Governmental</u>	<u>Business-type</u>
2019	\$ 3,188	\$ 10,393
2020	3,147	9,065
2021	3,149	9,180
2022	3,152	7,473
2023	3,139	7,477
2024 - 2028	29,346	20,958
2029 - 2033	-	18,801
2034 - 2038	-	16,071
Thereafter	-	16,641
	\$ 45,121	\$ 116,059

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 11

NOTE 11. Risk Management

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

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

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

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

Total insurance claims payable at June 30, 2018, were \$172.5 million. The amounts of the liabilities are determined by independent actuarial consultants to the ISF. The total liability is shown in the accompanying financial statements at the present value of the payments, computed at 2.0 percent annual rate, except for long-term disability liability, which is computed at 2.0 percent annual rate, between June 30, 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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 11 (CONTINUED)

actuaries and reported herein. The basis of estimating the liabilities for unpaid claims is found in the independent actuarial report.

The following shows the reconciliation of changes in the unpaid claims in the ISF, which are stated at present value (in thousands):

	Balance June 30, 2017	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2018
State Unemployment	\$ 4,346	\$ 4,731	\$ (4,798)	\$ 4,279
Local Public Body	956	1,041	(1,056)	941
Public Property Reserve	2,837	2,149	(2,749)	2,237
Public Liability	83,145	14,069	(21,758)	75,456
Surety Bond	3	5	(5)	3
Workers Compensation	48,049	12,845	(14,111)	46,783
Group Insurance Premium	40,814	344,408	(342,417)	42,805
Total	\$ 180,150	\$ 379,248	\$ (386,894)	\$ 172,504

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

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

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NOTE 12. Pension Plans

A. Plan Descriptions

The State maintains five public employees' retirement systems (Systems): Four separate systems are administered by the New Mexico Public Employees' Retirement Association (PERA) and one system is administered by the New Mexico Educational Employees' Retirement Board (ERB). The State elected to use June 30, 2017 as its measurement date for both its PERA and ERB pension plans.

PERA is the administrator of the Public Employees Retirement System (PERS), the Judicial Retirement System (JRS), the Magistrate Retirement System (MRS), and the Volunteer Firefighter Retirement System (VFRS). ERB is the administrator of the Educational Employees Retirement System (EERS). Collectively, the Systems offer an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators. The laws governing the administration of the Systems are set forth in Chapter 10, NMSA 1978, and applicable Replacement Pamphlets.

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

PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, 33 Plaza La Prensa, Santa Fe, NM 87507.

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

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

The ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502.

The number of participating government employers, and the number of members for each system for the year ended June 30, 2018, were (not in thousands):

	PERS*	JRS	MRS	VFRS	EERS
Number of Employers					
State Agencies	121	15	1	-	11
Cities, Towns, Villages	93	-	-	364	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	97
Other	79	-	-	-	-
Totals	326	15	1	364	216
Retirees and Beneficiaries					
Receiving Benefits	38,197	163	102	1,211	48,919
Terminated Plan Members					
not yet Receiving Benefits	16,384	22	13	430	47,512
Active Plan Members	48,862	124	65	7,491	60,358

* Note: PERA Retirement Fund includes the Legislative Fund

B. Funding and Benefit Policies

Public Employees Retirement System (PERS) – This plan is a cost sharing, multiple - employer defined benefit pension plan with six divisions of members: State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10-11-3, NMSA 1978.) Except as provided for in the Volunteer Firefighter Retirement Act (Chapters 10-11A-1 to 10-11A-7, NMSA 1978), the Judicial retirement Act (Chapters 10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (Chapters 10-12C-1 to 10-12C-18, NMSA 1978), the Educational Retirement Act (Chapter 22-11, NMSA 1978), and the provisions of Chapters 29-4-1 through 29-4-11, NMSA 1978, governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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

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

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

State Legislative Fund – This plan is a defined benefit pension plan which is accounted for in PERS. State Legislators and lieutenant governors must elect to be a member no later than 180 days after first taking office to be covered under this plan. Member contributions are \$500 for each year of service credit prior to the 2012 legislative session and \$600 for each year beginning with the 2012 legislative session. The State is required to contribute sufficient amounts to finance the membership of members under state legislator coverage plan 2 on an actuarial reserve basis. The total actuarially determined amount for the State Legislative Fund for the fiscal year ended June 30, 2017 was \$0.00. Regarding the source of funding, Section 7 -1-6.43 of the Tax Administration Act states “A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the legislative retirement fund in an amount equal to two hundred thousand dollars (\$200,000) a month or, if larger, one-twelfth of the amount necessary to pay out the retirement benefits due under state legislator member coverage plan 2 and Paragraph (2) of Subsection C of Section 10-11-42 NMSA 1978 for the calendar year.” During the State of New Mexico (53rd Legislature) in 2017, House Bill 2 was passed that reduced the State's distribution to the legislative retirement fund from \$75,000 a month to \$0.00 a month.

Age and service requirements for retirement are age 65 or older with 5 or more years of service credit or any age with 10 or more years of service credit. Legislative members who meet retirement eligibility requirements receive annual

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

pensions equal in any calendar year to 11% of the per diem rate in effect on the first day of the calendar year that the member retires multiplied by 60 and further multiplied by credited service. The per diem rate starting January 1, 2018 is \$165.

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

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

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

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

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

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

Magistrate Retirement Fund – This plan is a single employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in Chapter 10-12C-4, NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has

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been appropriately filed or unless specifically excluded. Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of five years. Retirement is available at age 60 to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0% of the salary received during the last year in office prior to retirement by 5.0% of the number of years of service, not exceeding 15 years, plus five years.

Effective July 1, 2014, membership is mandatory, all magistrate pension factors were reduced, employee contributions increased 3 percent, and the computation of final average salary increased as the average of salary for the 60 consecutive months prior to retirement. Employer contributions increased by 4% effective July 1, 2017. In addition, cost-of-living increases were suspended for two consecutive fiscal years, and future cost-of-living adjustments are reduced to 2% every third year until the Fund is projected to be 100% funded.

Member contributions are based on 10.5 percent of salaries and the State, through the administrative office of the courts, contributes at a rate of 11.0 percent of the member's salary. Additionally, the magistrate or metropolitan courts contribute \$25 for each civil case docket fee paid and \$10 for each civil jury fee paid in magistrate court. Contribution rates are established by State statute. Certain other changes took place under House Bill 216 and amended the Magistrate Retirement Act.

Volunteer Firefighters Retirement Fund – This plan is a single employer defined benefit pension plan with a special funding situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in Chapter 10-11A-2, NMSA 1978. Any volunteer non-salaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements set forth in the statute is eligible for membership in the Volunteer Firefighters Retirement Fund. Benefits are available at age 55 or older to any member having served as a volunteer fire fighter for a minimum of 10 years. Benefits are \$125 per month, as of July 1, 2013, with at least 10 but less than 25 years of service or \$250 per month with 25 or more years of service. Benefits for post-retirement surviving spouse annuities are also available. Members of the Volunteer Firefighters Retirement Fund do not make individual contributions to the plan. State statutes require that the State Treasurer transfer \$750,000 during the fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

Educational Employees' Retirement System (EERS) - The New Mexico Educational Retirement Board (ERB) was created by the Educational Retirement Act, Chapters 22-11-1 to 22-11-52, NMSA 1978, as amended, to administer and have the responsibility for operating the Educational Employees' Retirement Plan. ERB is an agency of the State. The plan administered by ERB is considered part of the State financial reporting entity and is a pension trust fund of the state.

This plan is a cost-sharing multiple employer pension plan established by statute and administered by ERB to provide retirement, disability, and death benefits for all certified teachers and other employees of the State's elementary, secondary, and higher educational institutions, junior colleges, and technical-vocational institutions. Employees who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. For plan members whose annual salary is over \$20,000, they are required to contribute 10.7% of their gross salary to

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

the plan in fiscal year 2017 and thereafter. Employers are required to contribute 13.9% of gross covered salaries in fiscal year 2017 and thereafter. The statutory contribution requirements can be changed by the State Legislature.

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least 67 years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67, and has earned 5 or more years of service credit.

Forms of Payment - The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

Benefit Options - There are three benefit options available:

Option A – Straight Life Benefit. The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B – Joint 100% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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Option C – Joint 50% Survivor Benefit. The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Cost of Living Adjustment (COLA) – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3):

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

Disability Benefit:

Eligibility - A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by the Board.

Monthly Benefit - The monthly benefit is equal to 2.0 percent of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2.0 percent of FAS times years of service projected to age 60.

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

Disability Retirement - A member with five or more years of earned service credit on deferred status may retire when eligible under the Rule of 75 or when the member attains age 65.

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

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Alternative Retirement Plan - Effective October, 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third party contractors for NMERB. The administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments.

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP, and have certain discretionary authority to decide matters under the ARP. As the ARP trustee NMERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

C. Net Pension Liability

The total pension liability, net pension liability, and certain sensitivity information presented on the next page are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2018. The net pension liability of each plan as of June 30, 2018, is as follows (in thousands):

	PERA-Public Employees Retirement System	PERA-Judicial Retirement System	PERA-Magistrate Retirement System	PERA-Volunteer Firefighters Retirement System	ERB-Educational Employees Retirement System
Total Pension Liability	\$ 21,382,638	\$ 175,809	\$ 69,090	\$ 50,803	\$ 24,861,632
Plan's Fiduciary Net Position	15,210,482	91,331	32,093	69,286	12,970,302
Net Pension Liability	<u>\$ 6,172,156</u>	<u>\$ 84,478</u>	<u>\$ 36,997</u>	<u>\$ (18,484)</u>	<u>\$ 11,891,331</u>
Percentage of Fiduciary Net Position to Total Pension Liability	<u>71.13%</u>	<u>51.95%</u>	<u>46.45%</u>	<u>136.38%</u>	<u>52.17%</u>

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The assumptions which follow were adopted by the respective Boards for use in the June 30, 2018 actuarial valuation:

	<u>PERS</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Valuation date	June 30, 2017				
Actuarial cost method	Entry Age Normal				
Amortization method	Level Percent of Pay	Level Percent of Pay, Open	Level Percent of Payroll, Open	Level Dollar, Open	30 years, Open-Ended Amortization. Level percent of Payroll.
Amortization period	Solved for Based on Statutory Rates	30 years	30 years	30 years	30 years, open ended.
Asset valuation method Actuarial Assumptions:	4 Year Smoothed Market	5 Year Smoothed Market			
Investment Rate of Return	7.25%	6.08% 6.08%	5.21% 5.21%	7.25%	7.25%
Projected Benefit Payment	100 years	89 years	86 years	100 years	Thru 2050
Payroll Growth	3.00%	3.00%	3.00%	N/A	-
Projected Salary Increases	3.25%-13.5%	4.00%	3.50%	N/A	2.50% Inflation, plus .75% Prod, Inc.
Includes Inflation At	2.50%	2.50%	2.50%	2.50%	3.00%
Mortality Assumption	RPH-2014 Blue Collar Mortality Table	RP-2000 White Collar Mortality Table			
Discount Rate	7.25%	6.08%	5.21%	N/A	5.69%
Municipal Bond Rate	3.89%	3.89%	3.89%	N/A	3.62%

All percentages are stated at an annual rate.
Investment rate of return is net of investment expenses.

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The following presents the net pension liability of the various plans, calculated using the discount rate, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Net Pension Liability	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
PERA Fund	\$ 3,907,593	\$ 2,767,431	\$ 1,820,554
	(4.69%)	(5.69%)	(6.69%)
ERB	\$ 3,907,593	\$ 2,767,431	\$ 1,820,554
Single-Employer Funds:			
	(5.08%)	(6.08%)	(7.08%)
Judicial	\$ 105,794	\$ 86,674	\$ 70,471
	(6.25%)	(7.25%)	(8.25%)
Volunteer Firefighters	\$ (12,335)	\$ (17,898)	\$ (22,547)
	(4.21%)	(5.21%)	(6.21%)
Magistrate	\$ 40,859	\$ 33,403	\$ 27,152

PERA Asset Allocations – The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Public Employees Retirement Association All Systems		
Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	43.5 %	7.4 %
Risk Reduction & Mitigation	21.5	1.8
Credit Oriented Fixed Income	15.0	5.8
Real Assets	20.0	7.4
Total	100.0 %	

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

ERB Asset Allocations – ERB’s investment allocation policy is periodically reviewed and amended by the Board of Trustees, as needed. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocations as well as the policy adopted on August 26, 2016:

Asset Class	Target Allocation	
	After 8/26/2016	Prior to 8/26/2016
Equities		
<i>Domestic Equities</i>		
Large cap	16%	18%
Small-mid cap	3%	2%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	9%	10%
Total equities	<u>33%</u>	<u>35%</u>
Fixed Income		
Opportunistic credit	18%	20%
Core bonds	6%	6%
Emerging market debt	2%	2%
Total fixed income	<u>26%</u>	<u>28%</u>
Alternatives		
Real estate - REITS	7%	7%
Real assets	8%	8%
Private equity	13%	11%
Global asset allocation	4%	5%
Risk parity	3%	5%
Other	5%	0%
Total alternatives	<u>40%</u>	<u>36%</u>
Cash	<u>1%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

Rate of Return – Disclosure of the annual money-weighted return is a requirement of GASB 67. It incorporates both the size and timing of cash flows to determine an internal rate of return, and expresses investment performance adjusted for the changing amounts actually invested. The requirements of the calculation are listed below.

- The rate is computed net of investment expenses, but not net of administrative expenses.
- External cash flows used as inputs should be determined on at least a monthly basis.
- Cash flows should be determined on an accrual basis of accounting.
- Cash-flow weighting should be representative of the Plan’s actual external cash flow timing.

For the years ended June 30, 2018 and 2017, the annual money-weighted rates of return on the PERA pension plan investments net of investment expense were 6.49% and 10.66%, respectively. For the ERB pension plan, it was 8.38% and 11.91%, respectively.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

D. Employer Reporting – Public Employees Retirement Association of New Mexico (PERA)

State – Funded Divisions of PERA

For the fiscal year ended June 30, 2018, the State Funded Divisions of PERA were composed of State General, State Police and Legislative. The measurement date used by State was June 30, 2017.

Contributions – As stated earlier in this note, the contribution requirements of the plan members and the State are established in the state statute. Statutorily required contributions from the State to the State funded divisions of the pension plan were \$175 million for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The State-Funded Divisions of PERA reported net pension liabilities as follows (in thousands):

<u>Division</u>	<u>Net Pension Liability</u>
State General	\$ (3,045,304)
State Police	262,835
Legislative	15,038
Total	<u>\$ (2,767,431)</u>

The net pension liability is further segregated in the following amounts in Governmental and Business-Types (in thousands):

Governmental Activities (including Internal Service Funds)	\$ 2,708,611
Business-type Activities (including Nonmajor enterprise funds and two educational institutions)	58,820
Total	<u>\$ 2,767,431</u>

At June 30, 2018, the State's total proportion of the PERA net pension liability was 52.52% percent and at June 30, 2017, the State's total proportion of the PERA net pension liability was 51.25%. Total contributions were \$153.7 million, \$21.7 million, and \$0 for the three divisions respectively. Pension expense was \$355.6 million, \$(15.1) million and \$(.67) million respectively.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Single-Employer Funds

The State contributes 100 percent of the contributions to three single-employer funds in the PERA System. They are the Judicial, Magistrate, and Volunteer Firefighters Retirement Funds. The measurement date used by State was June 30, 2017 (in thousands).

	<u>Judicial</u>	<u>Magistrate</u>	<u>Volunteer Firefighters</u>
Total Pension Liability			
Service Cost	\$ 5,491	\$ 1,537	\$ 2,337
Interest	9,065	3,192	3,584
Benefit Changes	-	-	-
Difference Between Expected and Actual Experience	(2,474)	(1,539)	(4,101)
Changes of Assumptions	(17,240)	(8,114)	(222)
Benefit Payments	(10,095)	(3,967)	(2,031)
Refunds of Contributions	(11)	-	-
Net Change in Total Pension Liability	<u>(15,264)</u>	<u>(8,891)</u>	<u>(433)</u>
Total Pension Liability - Beginning	<u>191,555</u>	<u>74,519</u>	<u>48,936</u>
Total Pension Liability - Ending (a)	<u>176,291</u>	<u>65,628</u>	<u>48,503</u>
Plan Net Position			
Contributions - Employer	4,524	1,282	750
Contributions - Member	1,636	603	-
Net Investment Income	9,012	3,290	6,682
Benefit Payments	(10,096)	(3,966)	(2,030)
Administrative Expense	(68)	(26)	(52)
Refunds of Contributions	(11)	-	-
Other	-	3	1
Net Change in Plan Net Position	<u>4,997</u>	<u>1,186</u>	<u>5,351</u>
Plan net Position - Beginning	84,932	31,038	61,050
Prior period adjustments	(312)	-	-
Plan net position - Beginning, Restated	<u>84,620</u>	<u>31,038</u>	<u>61,050</u>
Plan net Position - Ending (b)	<u>89,617</u>	<u>32,224</u>	<u>66,401</u>
Net Pension Liability Ending (a) - (b)	<u>\$ 86,674</u>	<u>\$ 33,403</u>	<u>\$ (17,898)</u>

Contributions – Contributions from the State to the PERA Judicial, Magistrate Retirement and Volunteer Firefighter funds were \$4.7 million, \$1.2 million, and \$.750 million, respectively, for the year ended June 30, 2018.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The State reported liabilities of \$86.7 million and \$33.4 million for the net pension liabilities of the Judicial and Magistrate Retirement Funds, respectively, which were 100 percent of the proportionate share. For the year ended June 30, 2018, the State recognized \$16.8 million and \$2.4 million as pension expense for the Judicial and Magistrate Retirement Funds, respectively.

The Volunteer Firefighters Retirement Fund reported a plan net position of \$66.4 million and a total pension liability of \$48.5 million for a positive net position of \$17.9 million. Therefore, in accordance with accounting guidance, the positive net position is reported as a net pension asset in the financial statements. Pension expense was \$1.6 million.

At June 30, 2018, these plans reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
PERA - State-Funded and Single-Employer Funds (Judicial and Magistrates Funds)				
Differences between expected and actual experiences	\$ 90,866	\$ (197,276)	\$ 1,849	\$ (3,543)
Changes of assumptions	118,336	(53,698)	2,265	(721)
Net difference between projected and actual earnings on pension plan investments	166,139	-	2,939	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-	-	-
State contributions subsequent to measurement date	177,424	-	3,488	-
Totals	<u>\$ 552,765</u>	<u>\$ (250,974)</u>	<u>\$ 10,541</u>	<u>\$ (4,264)</u>

The amounts of \$177,424 for governmental activities and \$3,488 for business-type activities, reported as deferred outflows of resources related to pensions resulting from the State's contributions subsequent to the measurement date June 30, 2017, will be recognized as a reduction of the respective net pension liability in the following fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Governmental		Business-type	
Year ended June 30:		Year ended June 30:	
2019	\$ 31,069	2019	\$ 696
2020	143,787	2020	3,225
2021	(5,726)	2021	(128)
2022	(44,762)	2022	(1,004)
2023	-	2023	-
Thereafter	-	Thereafter	-

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

The deferred outflows and inflows of resources are presented separately for the Volunteer Firefighter’s Fund because this fund reports a positive net position (in thousands).

<u>Volunteer Firefighter’s Fund</u>	Governmental	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 127	\$ (3,840)
Changes of assumptions	1,384	(189)
Net difference between projected and actual earnings on pension plan investments	1,569	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to measurement date	750	-
Totals	<u>\$ 3,830</u>	<u>\$ (4,029)</u>

The amount of \$750, reported as deferred outflows of resources related to pensions resulting from the State’s contributions subsequent to the measurement date June 30, 2017, will be recognized as a reduction of the respective net pension liability in the following fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Governmental	
Year ended June 30	
2018	\$ (23)
2019	\$ 810
2020	\$ 76
2021	\$ (855)
2022	\$ (493)
Thereafter	\$ (464)

E. Employer Reporting – Educational Retirement Board (ERB)

Contributions – As stated earlier in this note, the contribution requirements of ERB plan members and the State are established in state statute. Contributions for the fiscal year ended June 30, 2018, from the State to the ERB were \$1.1 million for governmental activities and \$ 111.6 million from the twelve educational institutions reported as business-type activities.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2018, the State reported a liability of \$ 30.5 million for its proportionate share of the net pension liability covering state employees in governmental activities, and \$ 3.2 billion for the collective proportionate share of the twelve educational institutions reported as business-type activities. At June 30, 2017, the proportion was 9.56 percent for governmental activities and 90.44 percent for business-type activities. The State's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2017. The contribution amounts were defined by Section 22-11-21, NMSA 1978.

For the year ended June 30, 2018, the State recognized pension expense of \$1.4 million in governmental activities and \$501.1 million in business-type activities. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
ERB Fund				
Differences between expected and actual experiences	\$ 55	\$ (470)	\$ 5,745	\$ (49,307)
Changes of assumptions	8,900	-	934,289	-
Net difference between projected and actual earnings on pension plan investments	-	(4)	-	(439)
Changes in proportion and differences between State contributions and proportionate share of contributions	-	(2,438)	29,117	(32,830)
State contributions subsequent to measurement date	1,112	-	111,586	-
Totals	<u>\$ 10,067</u>	<u>\$ (2,912)</u>	<u>\$ 1,080,737</u>	<u>\$ (82,576)</u>

Contributions made subsequent to the measurement date will reduce the net pension liability for the next fiscal year.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

	Governmental		Business-type	
	Year ended June 30		Year ended June 30	
2019	\$	2,078	2019	\$ 332,862
2020		2,447	2020	360,916
2021		1,768	2021	219,151
2022		(251)	2022	(26,354)
2023		-	2023	-
Thereafter		-	Thereafter	-

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Net Pension Liabilities and Related Deferred Inflows/Outflows of Resources Reconciliation to Financial Statements (in thousands)

<u>Governmental Activities</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Governmental Activities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PERA - State Divisions	\$ -	\$ 2,708,611	PERA - State Divisions, Judicial & Magistrate	\$ 552,766	\$ (250,974)
PERA - Judicial	-	86,674	PERA - Volunteer Firefighters	3,830	(4,029)
PERA - Magistrate	-	33,403	ERB	10,066	(2,912)
PERA - Volunteer Firefighters	17,898	-	Rounding	-	-
ERB	-	30,486	Total Governmental Activities	566,662	(257,915)
Total Governmental Activities	17,898	2,859,174			
			<u>Business-type Activities</u>		
			PERA - State Divisions	10,541	(4,264)
			ERB	1,080,738	(82,576)
			Rounding	(2)	-
			Total Business-type Activities	1,091,277	(86,840)
Component Units	-	263,329	Component Units	108,951	(7,436)

F. Discount Rates and Sensitivity Analysis

Discount Rate –

PERA - The discount rate used to measure the total pension liability was 7.51 percent for the State-Funded Divisions and the Volunteer Firefighters Fund. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefits payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75 percent assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability of the Magistrate fund was 5.48 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are not sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, a 5.61% discount rate was applied to all periods of projected benefit payments to determine the total pension liability. This rate is a blend of the expected rate of return on assets of 7.75% and the 20-year tax-exempt municipal bond rate 3.82% as of the measurement date. The discount rate for the Judicial fund was 5.77%

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Sensitivity of the State’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table provides the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the State’s net pension liability as if it were calculated using a discount rate one percentage point lower or one percentage point higher than the single discount rate.

Public Employees Retirement Association			
Employer Reporting			
Sensitivity of the Net Pension Liability to			
Changes in the Discount Rate			
<i>(Expressed in Thousands)</i>			
<u>Net Pension Liability</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
State-Funded Divisions	\$ 3,907,593	\$ 2,767,431	\$ 1,820,554
Single-Employer Funds:			
	(4.77%)	(5.77%)	(6.77%)
Judicial	\$ 105,794	\$ 86,674	\$ 70,471
	(6.51%)	(7.51%)	(8.51%)
Volunteer Firefighters	\$ (12,335)	\$ (17,898)	\$ (22,547)
	(4.48%)	(5.48%)	(6.48%)
Magistrate	\$ 40,859	\$ 33,403	\$ 27,152

ERB - A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2018. This single discount rate was based on the expected rate of return on pension plan investments of 5.90%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used this single rate assuming that Plan contributions will be made at the current statutory levels. Additionally, contributions received through NMERB’s Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB plan payroll, where the percentage of payroll is based on the most recent five-year contribution history.

Sensitivity of the State’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table provides the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the State’s net pension liability as if it were calculated using a discount rate one percentage point lower or one percentage point higher than the single discount rate.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

**Educational Retirement Board
Employer Reporting
Sensitivity of the Net Pension Liability to
Changes in the Discount Rate
(Expressed in Thousands)**

Net Pension Liability	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
State Employees (Governmental Activities)	\$ 39,686	\$ 30,486	\$ 22,967
Educational Institution Employees (Business-type Activities)	\$ 4,166,258	\$ 3,200,504	\$ 2,411,075
Total Primary Government- ERB	\$ 4,205,944	\$ 3,230,990	\$ 2,434,042

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13

NOTE 13. Post - Employment Benefits Other Than Pensions

A. New Accounting Standard

In addition to pension benefits as described in Note 12, the State provides other post-employment benefits (OPEB). The State of New Mexico has adopted the provisions of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2018.

B. Plan Description

The New Mexico Retiree Health Care Authority (RHCA) was formed February 13, 1990 under the New Mexico Retiree Health Care Act (Act), Chapters 10-7C-1 to 10-7C-19, NMSA 1978, to administer the retiree health care fund which was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents, and surviving spouses) who have retired or will retire from public service in New Mexico. The Retiree Health Care Act (Chapters 10-7C-1 to 10-7C-19, NMSA 1978) established a cost-sharing multi-employer defined benefit postemployment health care plan (Plan) that provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Act created a governing board composed of 11 members (a twelfth member was added through an amendment). RHCA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to RHCA, 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

The legislation establishing RHCA specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and RHCA administering the Act. However, the substantive plan created by the Act contains all requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan, and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for a participating government entity to withdraw membership and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. RHCA received a legal opinion that the manner of legal organization of RHCA is substantially equivalent to a trust. As such, RHCA was required to apply GASB Statement No. 43 (GASB 43), *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, as a multi-employer cost-sharing plan. GASB 43 as amended was superseded with GASB Statement No. 74 (GASB 74) *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans* which was implemented by the State effective for fiscal year ending June 30, 2017. GASB 74 also replaced GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The Net Position of the RHCA is reported as restricted per GASB Statement No. 46 and Chapter 10-7-C-14, NMSA 1978.

Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority, and state agencies, state courts, magistrate courts, municipalities, or counties, which are affiliated under or covered by the Educational Retirement Act, or the Magistrate Retirement Act, or the Public Employees Retirement Act.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Plan Membership (Not in Thousands):

Current Retirees and Surviving Spouses	51,205
Inactive and Eligible for Deferred Benefit	11,471
Current Active Members	93,349
Total	156,025

Active Membership:

State General	19,593
State Police and Corrections	1,886
Municipal General	17,004
Municipal Police	3,820
Municipal FTRE	2,290
ERB	48,756
Total	93,349

Total Number of Participating Employers	302
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C. Single Employer Post-Employment Plans

Plan Description for UNM

Plan description: The University of New Mexico Retiree Welfare Benefit Trust (VEBA Trust) administers the University of New Mexico Retiree Welfare Benefit Plan (VEBA Plan) – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the University. The University is the fiduciary of the VEBA Trust, and the VEBA Trust’s financial statements and required supplementary information are included in the University’s financial report.

Management of the VEBA Plan is vested in the VEBA Trust’s VEBA Committee, which consists of nine members:

- UNM Controller or Designee
- UNM Vice President of Human Resources or Designee
- Two Faculty Appointees (appointed by the UNM President)
- Two Staff Appointees (appointed by the UNM President)
- Member of the Debt Investment Advisory Committee (ex-officio, appointed by the UNM President)
- Two UNM Presidential Appointees

Plan membership: In order for a retiree of the University to be eligible for OPEB other than basic life insurance, the employee must have been hired prior to July 1, 2015 and contribute to the VEBA Trust for at

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

least five continuous years immediately prior to retirement. If hired prior to July 1, 2013 and retiring prior to July 1, 2018, employees must continually contribute to the VEBA Trust. Employees were automatically enrolled into the VEBA Trust upon its establishment unless they requested to opt out. Opportunities to opt out will occur annually during the benefits open enrollment period. Employees hired on or after July 1, 2015 are not eligible for OPEB other than basic life insurance. Contributions to the VEBA Trust are not required for the basic life insurance benefit since these benefits are not funded through the VEBA Trust.

At the valuation date of January 1, 2017, the VEBA Plan membership consisted of the following:
Inactive plan members or beneficiaries currently receiving benefit payments 3,207, active plan members 7,275 and total plan members 10,482
Total active plan members include 1,136 members hired on or after July 1, 2015 who are not eligible to receive postretirement health benefits but may be eligible to receive postretirement life insurance benefits.

Plan Description for New Mexico State University

Plan Description. New Mexico State University is a single employer that offers employees and their eligible dependents retiree benefits. This is an unfunded OPEB plan operating on a pay as you go basis. The authority to establish and amend the benefit provisions rests with the Board of Regents. Retirees, who have had 10 consecutive years of health insurance coverage with the University at the time of retirement, are offered the opportunity to participate in a fully-insured PPO medical plan, including prescription drugs. Medicare retirees (for retirees 65 years of age and over) are offered the opportunity to participate in a Medicare carve-out medical plan, including prescription drugs. Eligible retired employees may select a Life Insurance benefit up to \$10,000. All premiums for life insurance are paid by the retiree. The University currently pays 60% of the monthly medical and prescription premium for retirees and their eligible dependents until the retiree reaches age 70, at which time the University reduces their contribution to 30%. As of June 30, 2018, 1,347 retirees met the eligibility requirements for health insurance. Employees hired after June 30, 2016 are not offered this benefit.

Plan Participation Percentage. The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 87% of all pre Medicare employees and their dependents who are eligible for early retirement will participate in the retiree medical plan. It is also assumed that 80% of those enrolled in the pre Medicare plans will continue on the plan once Medicare eligible. Lastly, it is assumed that 87% of all pre Medicare employees who are eligible for the retiree life insurance benefit will participate, and 90% of those enrolled will continue on the plan once Medicare eligible. This assumes that a one-time irrevocable election to participate is made at retirement. Employees covered by benefit terms - At June 30, 2018, the following employees were covered by the benefit terms: Current retirees receiving benefits – 1,716 and current active members – 2,594.

Plan Description for NM Institute of Mining and Technology

Plan Description: The Board of Regents authorized the creation of the New Mexico Tech Employee Benefit Trust (Trust or Plan), a contributory benefit plan, to operate, control and maintain a program to provide certain health and life insurance benefits to the employees of the Institute and their families. Retired employees may participate in the Plan. The Plan is considered a postemployment benefit plan as defined by GASB 74, *Financial Reporting for Postemployment Benefit Other than Pension Plans* which was implemented for June 30, 2017. The Trust is recorded as a fiduciary fund in the accompanying financial statements and as a blended component unit. The Board of Regents serves as trustee and has delegated the day-to-day operations of the Trust to the executive staff of the Institute.

Eligibility – The Trust offers employees of New Mexico Institute of Mining and Technology and their eligible dependents retiree benefits. Employees of New Mexico Tech expect to continue health benefit coverage at

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

retirement by electing to pay the full active participant premium charged to New Mexico Tech's health coverage plan, a single employer plan. The differential between the active participant premium and that charged for an older retiree on a stand-alone basis qualifies as a postemployment benefit. The authority to establish and amend the benefit provisions and contribution requirements rests with the Board of Regents.

All regular, regular limited-term, and full-time temporary employees of the Institute and their eligible dependents are eligible to participate in the Plan. An employee is eligible for coverage on the first day of the month following attainment of status as a full-time employee. In order for a retiree of the Institute to be eligible for other postemployment benefits, the employee must be enrolled in the benefit prior to retirement and choose to continue the benefit or opt out. If the retiree chooses to opt out at retirement, the retiree will no longer be offered the benefit. Retirees may opt out at any time or may change plan options during the benefits open enrollment period.

There were a total of 182 retirees and 722 active participants in the plan.

D. Funding and Benefit Policies

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

The New Mexico Retiree Health Care Act (Chapter 10-7C-13, NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars (not in thousands) if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100.0 percent of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

Contributions - The New Mexico Retiree Health Care Act (Chapter 10-7C-15, NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The contributions are set by legislation and are not based on an actuarial calculation. The Legislature periodically reviews the contribution rates pursuant to Chapter 10-7C-15, NMSA 1978.

For the fiscal year ended June 30, 2018, for regular state employees, the statute required each participating employer to contribute 2.0 percent of each participating employee's annual salary; each participating employee was required to contribute 1.0 percent of their salary.

For employees who were members of an enhanced retirement plan (state police, adult correctional officers, fire fighters and judges) during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.5 percent of each participating employee's annual salary, and each participating employee was required to contribute 1.25 percent of their salary.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Current retirees are required to make monthly contributions for individual basic medical coverage. Retiree premium contribution increases are no longer limited by the Act, which the RHCA's health care trend will be the basis for any rate increases for the New Mexico basic plan of benefits. The Board may designate other plans as "optional coverages." Optional and/or voluntary coverages are not subject to the 9.0 percent cap, which expired in fiscal year 2008 per Chapter 10-7C-13, NMSA 1978.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operations or participation in the Plan. The employer, employee and retiree contributions are required to be remitted to NMRHCA on a monthly basis.

E. Funding and Benefit Policies for Single Employer Plans

UNM

Benefits provided: The VEBA Plan provides health, dental, and life insurance coverage to eligible retirees and their covered dependents. Eligible retirees of the University receive healthcare coverage through a self-insured medical plan, including prescription drugs, available through UNM Health, Presbyterian Health Plan, BCBS of New Mexico, and Express Scripts. Eligible Medicare retirees (for retirees 65 years of age and over) receive healthcare coverage through one of six fully insured medical/prescription plans: Blue Cross Blue Shield HMO I (Enhanced), Blue Cross Blue Shield HMO II (Standard), Blue Cross Blue Shield PPO, Presbyterian PPO UNM Select, Presbyterian PPO UNM Premier, and UHC AARP Indemnity. Eligible retirees are also offered one of two dental insurance benefit options: Premier High Option and PPO Low Option. Basic life insurance benefits are available to retirees of the University without the requirement to opt in to the VEBA Trust. The authority to establish and amend the benefit provisions rests with the Board of Regents.

Contributions: The contribution requirements of VEBA Plan members and the University are established and may be amended by the Board of Regents. Retiree contributions for medical and dental insurance are required for both retiree and dependent coverage. Retirees are required to pay the full premiums less a subsidy provided by the University. Retirees 65 years of age and over are required to contribute 70% towards the cost of premiums, with the University contributing 30%. Retirees under the age of 65 are required to contribute a percentage of the premiums based on their preretirement annual salary. Benefits-eligible employees, who do not opt-out of the VEBA Trust, contribute 0.75% of their salary to the VEBA Trust in order to ensure that the health benefits continue into retirement. The University matches the 0.75% contribution made by the employee.

NMSU

Funding Policy: The University does not use a trust fund to administer the financing and payment of benefits. The retired employees that elect to participate in post-employment benefits are required to make contributions in the form of monthly premiums based on current rates established under the medical and life plans. The University funds the plan on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits, and includes all expected claims and related expenses and is offset by retiree contributions. The pay-as-you-go expense for fiscal years 2018 and 2017 were \$5,523,530 and \$4,422,000, respectively, net of retiree contributions.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

NMIMT

Benefits Provided – Eligible retirees of the Institute receive healthcare coverage through one self-funded medical plan, including prescription drugs, administered by the Plan’s third-party administrator. Eligible Medicare retirees (for retirees 65 years of age and over) continue to receive healthcare coverage through Meritain Health as the Supplement Plan including vision, dental, and prescription drugs. Retirees are also offered \$10,000 of retiree basic life insurance. In addition, the Trust is used to pay premiums for life insurance coverage on eligible participants and to administer the Flexible Benefits Plan (the Flex Plan). The Flex Plan, which is fully funded by employees, provides reimbursement of certain employee health and dependent care expenses.

Contributions – The Trust is funded by contributions from both the Institute and employees of the Institute. Flex Plan contributions consist of employee-only contributions and are based on amounts elected by the employees up to specified limits, and are withheld from employee pay. All other contributions, including employee and employer contributions, are based on amounts determined by the Trust Committee as necessary to cover the expenses of the Trust. Contributions are funded on a monthly basis. Retiree contributions for medical, dental, vision, and prescriptions are required for both retiree and dependent coverage. Retirees are required to pay the full premiums less a subsidy provided by the Institute.

F. Funded Status

Investments and Fair Value Measurements: The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of June 30, 2018.

The RHCA invested in a number of investment pools offered by New Mexico State Investment Council (NMSIC). Each pool is comprised of units of participation of unlimited quantity. The pools are held in NMSIC’s name. No unit in the pool has priority or preference over any other unit and represents an equal beneficial interest in the pool. The valuation of the RHCA’s units in the investment pool is provided by the NMSIC on a monthly basis and represents the fair market value as of that date. Therefore, RHCA has determined that all the investments are measured at Net Asset Value as a practical expedient (NAV practical expedient).

The table below summarizes the investments valued at NAV practical expedient and other pertinent liquidity information:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Investments Measured at NAV Practical Expendient	Fair Value June 30, 2018	Redemption Frequency	Redemption Notice Period
Core Plus Bond Pools	\$ 158,974	Daily	5 business days
U.S. Large Cap Index Pool	128,173	Daily	5 business days
Non U.S. Emerging Markets Index Pool	74,557	Daily	5 business days
Non U.S. Developed Markets Index Pool	85,539	Daily	5 business days
Private Equity Pool	70,441	Twice per year	9 months
Credit and Structured Finance Pool	64,720	4 times per year	3 months
Real Estate Pool	34,453	Twice per year	6 months
Small/Mid Cap Active Pool	20,058	Daily	5 business days
	<u>\$ 636,915</u>		

There are requirements for frequency and timing of actuarial valuations, as well as actuarial methods and assumptions that are acceptable for financial reporting. The Authority obtains actuarial valuations at least biannually and a single actuarial valuation covers all plan members.

RHCA Asset Allocations – RHCA’s investment allocation policy is periodically reviewed and amended by the Board of Trustees, as needed. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Further detail of the individual Investment Pools and their management can be obtained from a publicly available financial report that includes financial statements and required supplementary information for the post-employment healthcare plan at RHCA website <https://www.nmrhca.state.nm.us> .

The actuarial methods and assumptions for the Plan at June 30, 2018, were as follows:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level of percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases:	3.5% to 12.50% based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate:	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

Schedule of Annual Money-Weighted Rate of Return

Year Ended June 30,	Annual Money- Weighted Rate Of Return
2018	9.06%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The following schedule summarizes the current investment allocation policy as of June 30, 2018:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

<u>Asset Class</u>	<u>Target Allocations</u>
U.S. core fixed income	25%
U.S. equity - large cap	20%
Non U.S. - emerging markets	15%
Non U.S. - developed equities	12%
Private equity	10%
Credit and structured finance	10%
Real estate	5%
U.S. equity - small/mid cap	3%

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

G. Net OPEB Liability

Net OPEB liability - The net OPEB liability and the plan's actuarial valuation were calculated by the Authority's independent actuary as of June 30, 2018. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB 74 requirements at the request of the Authority.

The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates.

For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 4.08% is the blended discount rate.

The following presents the net OPEB liability, calculated using the discount rate of 4.08%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$ 5,262,533	\$ 4,348,355	\$ 3,627,778

The following presents the net OPEB liability calculated using the current healthcare cost trend rates as well as what Fund's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

1% Decrease	Current Trend	1% Increase
\$ 3,675,884	\$ 4,348,355	\$ 4,875,587

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For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

The total OPEB liability, net OPEB liability, and certain sensitivity information presented are based on an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled forward from the valuation date to the plan year ending June 30, 2018. The change in net OPEB liability as of June 30, 2018, is as follows:

Schedule of Changes in the Net OPEB Liability

(000) omitted

TOTAL OPEB LIABILITY	
Service Cost	\$ 188,372
Interest	199,584
Differences between expected and actual experience	(145,524)
Changes in assumptions	(225,363)
Claims and premiums	(320,404)
Retiree's contributions offset to claims and premiums	167,949
Medicare Part D and rebates offset to claims and premiums	30,255
NET CHANGE IN TOTAL OPEB LIABILITY	<u>(105,131)</u>
TOTAL OPEB LIABILITY - BEGINNING	<u>5,111,142</u>
TOTAL OPEB LIABILITY - ENDING (a)	<u>5,006,011</u>
PLAN FIDUCIARY NET POSITION	
Contributions - employee and retiree	210,650
Contributions - employer	85,402
Net investment income	49,758
Other revenue	57,530
Claims and premiums paid	(321,480)
Administrative expenses	(3,672)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>78,188</u>
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>579,469</u>
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u>657,657</u>
NET OPEB LIABILITY (a) - (b)	<u>\$ 4,348,354</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	13.14%
COVERED-EMPLOYEE PAYROLL	4,290,617
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	101.35%

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

H. Employer Reporting Net OPEB Liability – RHCA

Contributions – As stated earlier in this note, the contribution requirements of RHCA plan members and the State are established in state statute. Statutorily required contributions for the fiscal year ended June 30, 2018, from the State to the RHCA were \$ 20.3 million for governmental activities and \$ 2.8 million for business-type activities.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - The total RHCA OPEB liability, net OPEB liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. Therefore, the employer’s portion was established as of the measurement date June 30, 2017. At June 30, 2018, the State reported a liability of \$1.1 billion for its proportionate share of the net OPEB liability covering state employees in governmental activities, and \$145 million for its proportionate share of the net OPEB liability covering state employees business-type activities. At June 30, 2017, the proportion was 24.12 percent for governmental activities and 2.89 percent for business-type activities. The State’s proportion of the net OPEB liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2017.

For the year ended June 30, 2018, the State recognized OPEB expense of \$43.5 million in governmental activities and \$5.2 million in business-type activities.

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
RHCA				
Differences between expected and actual experiences	\$ -	\$ (41,402)	\$ -	\$ (5,571)
Changes of assumptions	-	(188,629)	-	(25,381)
Net difference between projected and actual earnings on OPEB plan investments	-	(15,521)	-	(2,088)
State contributions subsequent to measurement date	20,333	-	2,844	-
Totals	<u>\$ 20,333</u>	<u>\$ (245,552)</u>	<u>\$ 2,844</u>	<u>\$ (33,040)</u>

Contributions made subsequent to the measurement date will reduce the net OPEB liability for the next fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Governmental		Business-type	
Year ended June 30		Year ended June 30	
2019	\$ (52,206)	2019	\$ (7,025)
2020	(52,206)	2020	(7,025)
2021	(52,206)	2021	(7,025)
2022	(52,206)	2022	(7,025)
2023	(36,727)	2023	(4,941)
Thereafter	-	Thereafter	-

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

Net OPEB Liability	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
Governmental Activities	\$ 1,308,671	\$ 1,078,885	\$ 898,597
Business-type Activities	\$ 176,087	\$ 145,169	\$ 120,911
Total Primary Government- RHCA	\$ 1,484,758	\$ 1,224,054	\$ 1,019,508

The following presents the net OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability	1% Decrease	Current Rate	1% Increase
Governmental Activities	\$ 917,666	\$ 1,078,885	\$ 1,204,596
Business-type Activities	\$ 123,476	\$ 145,169	\$ 162,084
Total Primary Government- RHCA	\$ 1,041,142	\$ 1,224,054	\$ 1,366,680

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

I. Single Employer Plans - OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

UNM (Amounts are actual)

The University's net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. The components of the net OPEB liability of the University at June 30, 2018 was as follows:

	<u>2018</u>
Total OPEB liability	\$ 154,799,700
Plan fiduciary net position	<u>23,912,200</u>
University's net OPEB liability	<u>\$ 130,887,500</u>
Plan fiduciary net position as a percentage of the total OPEB liability	15.45%

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	2.0%
Investment rate of return	8.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Pre-Medicare: 6.5% initially, reduced by decrements to a rate of 5.0% after six years Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5.0% after seven years Dental: 4.0%

Mortality rates were based on the RP-2014 Headcount-Weighted Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year using Scale MP-2016.

Discount rate: The discount rate used to measure the total OPEB liability was 6.42%, which is a blended rate of the University's 8.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.58% on the last Friday prior to the measurement date of June 30, 2017. A blended discount rate was calculated based on separating the projected future payments between those paid from the VEBA Trust and those paid from general assets. The VEBA Trust assets were projected using the expected employer and employee payroll contributions and the expected long-term rate of return. Payments from the VEBA Trust were assumed to begin when the projected asset amount is fully-funded and all future projected benefit payments will be paid from the VEBA Trust.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate:

The following presents the University's net OPEB liability at June 30, 2018, which was measured using the discount rate of 6.42%, as well as what the net OPEB liability would have been if it were calculated using a discount rate that was one percentage point lower (5.42%) or one percentage point higher (7.42%) than the current discount rate.

	Year Ended June 30, 2018		
	1% Decrease (5.42%)	Current Discount Rate (6.42%)	1% Increase (7.42%)
Net OPEB liability	\$ 152,950,400	\$ 130,887,500	\$ 112,937,000

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:

The following presents the University's net OPEB liability at June 30, 2018, which was measured using the current healthcare cost trend rates (Pre-Medicare: 6.5% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5%, Dental: 4%), as well as what the net OPEB liability would have been if it were calculated using healthcare cost trend rates that were one percentage point lower (Pre-Medicare: 5.5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4%, Dental: 3%) or one percentage point higher (Pre-Medicare: 7.5% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6%, Dental: 5%) than the current healthcare cost trend rates.

	Year Ended June 30, 2018		
	1% Decrease (Pre-Medicare: 5.5% decreasing to 4%, Post- Medicare: 7.5% decreasing to 4%, Dental: 3%)	Current Discount Rate (Pre-Medicare: 6.5% decreasing to 5%, Post- Medicare: 8.5% decreasing to 5%, Dental: 4%)	1% Increase (Pre-Medicare: 7.5% decreasing to 6%, Post- Medicare: 9.5% decreasing to 6%, Dental: 5%)
Net OPEB liability	\$ 111,913,100	\$ 130,887,500	\$ 154,461,200

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the University recognized OPEB expense of \$7,834,000. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year Ended June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 5,487,100
Net difference between projected and actual earnings on OPEB plan investments	-	36,800
University contributions subsequent to the measurement date	7,322,500	-
Total	<u>\$ 7,322,500</u>	<u>\$ 5,523,900</u>

The \$7,322,500 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date of July 1, 2017 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	\$ (966,800)
2020	(966,800)
2021	(966,800)
2022	(966,800)
2023	(957,600)
Thereafter	(699,100)
Total	<u>\$ (5,523,900)</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

NMSU (Amounts are actual)

The University's annual other postemployment benefit (OPEB) Service/Interest cost (expense) is the portion of the Actuarial Present Value of plan benefits and expenses for active employees which is allocated to a valuation year by the Actuarial Cost Method. The annual OPEB expense replaces the Annual Required Contribution (ARC from GASB 45), with faster recognition than what was previously required. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation related for fiscal year 2018:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Total OPEB Liability - Start of Year (July 1, 2017)	\$ 134,552,969	\$ -	\$ 134,552,969
Changes for the year			
Service cost	4,936,250	-	\$ 4,936,250
Interest cost	5,291,343	-	5,291,343
Changes in assumptions or other inputs	(5,357,825)	-	(5,357,825)
Benefit payments	(5,523,530)	-	(5,523,530)
Net change in total OPEB liability	(653,762)	-	(653,762)
Net OPEB Liability - End of Year (June 30, 2018)	\$ 133,899,207	\$ -	\$ 133,899,207

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Discount Rate	3.58% per annum (BOY) 3.87% per annum (EOY) <i>Source: Bond Buyer 20-Bond GO Index</i>
Salary Increase Rate	2.5% per annum
Inflation Rate	3.0% per annum
Mortality Rate	RP-2014 generational table scaled using MP17 and applied on a gender-specific basis

Other Information. The Entry Age Normal Actuarial Cost Method was used based on level percentage of projected salary. Experience/Assumptions gains and losses are amortized over a closed period of 5.2 years starting on July 1, 2017, equal to the average remaining service of active and inactive plan members (who have no future service). Currently, the plans are considered to be unfunded as there are no assets and retiree benefits are expected to be paid annually on a cash basis. The actuarial valuation assumes an annual health care cost trend on a select and ultimate basis: medical and prescription benefits on a select basis at 6.5% for retirees 65 years of age and under and 5.5% for retirees over 65 years of age and on an ultimate basis at 4.5%. The select trend rates are reduced .5% each year until reaching the ultimate trend.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Health Care Trend Sensitivity Analysis. The following schedule measures the Net OPEB Liability if the health care cost trend rate used was 1% higher than than the assumed health care cost trend rate and 1% lower than the assumed health care cost trend rate.

	2018		
	1% Decrease	Current Trend	1% Increase
New Mexico State University's net OPEB liability	\$ 155,588,873	\$ 133,899,207	\$ 117,095,000

Discount Rate Sensitivity Analysis. The following table shows the sensitivity of the OPEB liability to changes in the discount rate as of fiscal year end 2018. In particular, the table presents the University's OPEB liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower, (2.87%) and (4.87%) for June 30, 2018.

	2018		
	1% Decrease (2.87%)	Current Discount Rate 3.87%	1% Increase (4.87%)
New Mexico State University's net OPEB liability	\$ 153,925,016	\$ 133,899,207	\$ 117,765,178

For the year ended June 30, 2018, the University recognized a OPEB expense of \$9,202,601. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (4,332,832)
Total	\$ -	\$ (4,332,832)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2019	\$ (1,024,992)
2020	(1,024,992)
2021	(1,024,992)
2022	(1,024,992)
2023	(232,864)
	<u>\$ (4,332,832)</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

NMIMT (Amounts are actual)

The Institute's net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018.

The components of the Institute's net OPEB liability at June 30, were as follows:

<u>Component of the Institute's net OPEB Liability</u>	<u>June 30, 2018</u>
Total OPEB liability	\$ 30,964,844
Plan fiduciary net position	<u>3,655,468</u>
The Institute's net OPEB liability	<u>\$ 27,309,376</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>12%</u>

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%
Investment rate of return	6.0%
Healthcare cost trend rates	Pre-Medicare: 6% initially, reduced by decrements to a rate of 5.0% after six years Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5.0% after six years Dental: 3.0%

Mortality rate were based on the RP-2006 Headcount-Weighted Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year using Scale MP-2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.62%, which is a blended rate of the Institute's 6.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.58% on the last Friday prior to the measurement date of June 30, 2017. A blended discount rate was calculated based on separating the projected future payments between those paid from the Trust and those paid from general assets. The Trust assets were projected using the expected long-term rate of return. Payments from the Trust were assumed to begin when the projected assets value is fully-funded and all future projected benefit payments will be paid from the Trust.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Institute's net OPEB liability at June 30, 2018, which was measured using the discount rate of 4.18% percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.18 percent) or 1-percentage-point higher (5.18 percent) than the current rate:

Changes in Discount Rate	1% Decrease (3.18%)	Discount Rate (4.18%)	1% Increase (5.18%)
Net OPEB liability	\$ 32,481,683	\$ 27,309,376	\$ 21,474,527

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Institute's net OPEB liability at June 30, 2018, which was measured using the current healthcare cost trend rate of 3.00 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

Changes in the Healthcare Cost Trend Rates	1% Decrease (Pre-Medicare: 5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4.0%, Dental: 2%)	Current Discount Rate (Pre-Medicare: 6% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5.0%, Dental: 3%)	1% Increase (Pre-Medicare: 7% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6.0%, Dental: 4%)
Net OPEB liability	\$ 20,974,280	\$ 27,309,375	\$ 33,329,371

For the year ended June 30, 2018, the Institute recognized OPEB expense of \$6,121,369. At June 30, 2018, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year ended June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 18,386
Changes in assumptions	-	2,987,626
Institute contribution subsequent to the measurement date	4,808,364	-
Total	\$ 4,808,364	\$ 3,006,012

The \$4,808,364 reported as deferred outflows of resources related to OPEB resulting from Institute contributions subsequent to the measurement date of July 1, 2017 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	\$ (371,627)
2020	(371,627)
2021	(371,627)
2022	(371,625)
2023	(1,519,506)
Thereafter	-
Total	\$ (3,006,012)

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 14

NOTE 14. Deferred Compensation Plan

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

PERA is the trustee of the Deferred Plan; however, the Deferred Plan uses a third party administrator, acting under contract with PERA. All costs of administration and funding are borne by the Deferred Plan participants. The Administrator has authority to control and manage the operation of the Deferred Plan. The Administrator is delegated any and all powers as may be necessary or advisable to discharge its duties under the Deferred Plan, and has certain discretionary authority to decide all matters under the Deferred Plan. As Deferred Plan trustee, PERA’s primary responsibility is to select investment options that are safe and provide a reasonable rate of return and to ensure that all investments, amounts, property, and rights under the executed Deferred Plan-Trust are held for the exclusive benefit of Deferred Plan participants and their beneficiaries, as defined in the Deferred Plan. The assets of the Deferred Plan are not assets of the State, but are held in trust for the exclusive benefit of Deferred Plan participants and their beneficiaries. The State has no liability for losses under the Deferred Plan but does have the duty of due care that would be required of a fiduciary agent.

The Deferred Plan issues a publically available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, 33 Plaza La Prensa, Santa Fe, NM 87507. This report is also available online at: <http://www.nmpera.org/deferred-compensation>.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 15

NOTE 15. Arbitrage on Tax-Exempt Bonds

Arbitrage is the excess interest earned by a state or local government on proceeds from the sale of its bonds over interest paid to bondholders. The Tax Reform Act of 1986 TRA required rebate of such arbitrage to the U.S. Treasury Department on governmental bonds issued after August 31, 1986, and on private activity bonds issued after December 31, 1984, when the proceeds were held for six months or longer. These rebates must be calculated annually and paid at the end of every fifth year until the bonds are retired.

The Revenue Reconciliation Act of 1989 amended the six-month rule. For bonds issued after December 19, 1989, the rebate requirement does not apply if, both, all of the gross proceeds of the issue, other than the reserve fund, are spent within the six-month period following the date of issue, and the rebate requirement is satisfied for the reserve fund after the six-month period. The term gross proceeds for purposes of the rule includes both the sale proceeds received from the bonds purchaser on the issue date and investment earnings on such proceeds during the six month period. Gross proceeds deposited in a reserve fund or bona fide debt service fund, however, are not subject to the expenditure requirement.

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

	First Computation Date	First Payment Due to IRS	Computation of Arbitrage Completed	Next Payment Due to IRS
General Obligation Bonds Series 2009	5/28/2014	7/28/2014	X	3/1/2019
General Obligation Bonds Series 2011	5/26/2016	7/25/2016	X	3/1/2021
General Obligation Bonds Series 2015	3/25/2020	5/26/2020	X	3/1/2025
General Obligation Bonds Series 2017A	2/8/2022	4/28/2022	X	3/1/2027
General Obligation Bonds Series 2017B	2/8/2022	4/28/2022	X	3/1/2027
Severance Tax Bonds Series 2009A	7/30/2014	9/29/2014	X	7/1/2019
Severance Tax Bonds Series 2010A	3/24/2015	5/26/2015	X	3/24/2020
Supplemental Severance Tax Bonds Series 2010B	3/24/2015	5/26/2015	X	3/24/2020
Severance Tax Bonds Series 2011A-1	12/6/2016	2/6/2017	X	7/1/2021
Severance Tax Bonds Refunding Servies 2011A-2	12/6/2016	2/6/2017	X	7/1/2021
Severance Tax Bonds Series 2012A	6/21/2017	8/21/2017	X	6/21/2022
Severance Tax Bonds Series 2013A	7/23/2018	9/24/2018	X	7/1/2023
Severance Tax Bonds Series 2014A	6/24/2019	8/23/2019	X	6/24/2024
Severance Tax Bonds Series 2015A	8/12/2020	10/11/2020	X	7/1/2025
Severance Tax Bonds Series 2015B	8/12/2020	10/11/2020	X	7/1/2025
Severance Tax Bonds Series 2016A	6/23/2021	8/22/2021	X	6/23/2026
Severance Tax Bonds Series 2016B	6/23/2021	8/22/2021	X	7/1/2024
Severance Tax Bonds Series 2017A	6/30/2022	8/30/2022	X	7/1/2027
Severance Tax Bonds Series 2017B	6/30/2022	8/30/2022	X	7/1/2028

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 16

NOTE 16. Segment Information

	Educational Institutions								
	State Fair Commission	Miners' Colfax Medical Center	New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
Condensed Statement of Net Position:									
Current Assets	\$ 2,666	\$ 10,549	\$ 126,046	\$ 59,751	\$ 17,883	\$ 80,144	\$ 31,606	\$ 25,118	\$ 1,120,122
Other Assets	-	1,001	192,913	24,982	9,264	67,035	50,972	3,444	435,436
Capital Assets, Net	40,976	24,760	494,320	188,909	96,338	157,942	72,281	53,878	1,301,515
Total Assets	43,642	36,310	813,279	273,642	123,486	305,121	154,858	82,440	2,857,073
Deferred Outflows of Resources	835	5,032	246,880	48,520	30,143	52,185	17,710	24,340	660,505
Current Liabilities	5,693	3,495	55,748	17,687	10,802	11,547	5,185	4,761	390,583
Long-term Liabilities	5,828	44,245	1,061,055	229,224	136,733	189,578	73,799	105,643	2,689,025
Total Liabilities	11,521	47,740	1,116,803	246,911	147,535	201,125	78,984	110,404	3,079,608
Deferred Inflows of Resources	735	4,428	42,047	13,098	8,509	6,381	4,088	6,215	36,243
Net Investment in Capital Assets	40,976	14,688	386,310	143,644	71,213	147,702	62,592	36,709	728,839
Restricted	1,287	1,001	58,270	15,588	16,079	43,253	47,028	14,539	231,323
Unrestricted	(10,042)	(26,515)	(543,271)	(97,079)	(89,707)	(41,155)	(20,124)	(61,088)	(558,435)
Total Net Position	\$ 32,221	\$ (10,826)	\$ (98,691)	\$ 62,153	\$ (2,415)	\$ 149,800	\$ 89,496	\$ (9,839)	\$ 401,727
Condensed Statement of Activities:									
Operating Revenues:									
Charges for Services	\$ 11,469	\$ 22,032	\$ 20,840	\$ 7,829	\$ 3,434	\$ 5,197	\$ 7,201	\$ 4,268	\$ 1,338,665
Net Student Tuition and Fees	-	-	66,520	20,874	18,739	10,618	2,455	11,382	142,598
Loan and Other Income	-	121	-	-	-	-	-	-	-
State, Local, Private Grants/Contracts	-	-	-	-	-	-	-	-	-
Patient Income	-	-	-	-	-	-	-	-	-
Federal Funds	-	7,794	82,542	10,325	10,904	41,688	968	1,133	218,069
Other Operating Revenues	923	50	37,994	9,707	5,717	30,981	5,116	3,403	126,902
Total Operating Revenue	12,392	29,997	207,897	48,735	38,795	88,484	15,740	20,186	1,826,234

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 16 (CONTINUED)

	State Fair Commission	Miners' Colfax Medical Center	Educational Institutions						University of New Mexico
			New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	
Condensed Statement of Activities									
(Continued)									
Operating Expenses:									
Operating Expenses	\$ 509	\$ 1,928	\$ 403,393	\$ 86,326	\$ 42,826	\$ 46,487	\$ 23,910	\$ 27,291	\$ 2,161,945
Depreciation Expense	2,596	2,052	34,515	8,028	4,802	10,356	3,142	3,397	102,606
General and Administrative	13,252	30,542	134,185	29,296	34,170	102,919	16,801	21,263	244,287
Total Operating Expenses	16,357	34,806	572,093	123,650	81,798	159,762	43,853	51,951	2,508,838
Operating Income (Loss)	(3,965)	(4,809)	(364,196)	(74,916)	(43,003)	(71,278)	(28,113)	(31,766)	(682,604)
Nonoperating Revenue (Expense)									
Government Grants and									
Contracts	-	587	65,587	12,768	-	-	-	5,186	175,234
Net Investment Income	-	-	1,825	1,311	590	715	2,942	7	16,823
Other Revenue	-	-	4,714	-	124	8,268	122	-	3,331
Interest Expense	-	14	(6,654)	(1,494)	(198)	-	(253)	-	(24,786)
Private Grants And Gifts	-	-	9,293	-	-	2,729	-	-	33,798
State Permanent Fund Income	-	-	1,469	-	123	523	8,231	-	3,060
Gain (Loss) On Sale Of Capital Assets	-	-	(1,699)	-	-	-	-	(1)	(52)
Total Nonoperating Income (Expense)	-	601	74,536	12,585	639	12,234	11,042	5,192	207,408
Capital Contributions	-	-	5,294	92	-	4,663	52	-	-
Permanent Fund Contributions	-	-	-	-	-	-	-	-	-
Net Transfers	262	6,722	201,379	62,028	30,265	39,310	23,616	24,718	296,047
Change in Net Position	(3,703)	2,514	(82,987)	(211)	(12,099)	(15,070)	6,597	(1,856)	(179,149)
Net Position, Beginning, restated	35,924	(13,340)	(15,704)	62,364	9,684	164,870	82,899	(7,983)	580,876
Net Position, Ending	\$ 32,221	\$ (10,826)	\$ (98,691)	\$ 62,153	\$ (2,415)	\$ 149,800	\$ 89,496	\$ (9,839)	\$ 401,727

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 16 (CONTINUED)

	<u>Educational Institutions</u>								
	<u>State Fair Commission</u>	<u>Miners' Colfax Medical Center</u>	<u>New Mexico State University</u>	<u>Eastern New Mexico University</u>	<u>New Mexico Highlands University</u>	<u>New Mexico Institute of Mining and Technology</u>	<u>New Mexico Military Institute</u>	<u>Western New Mexico University</u>	<u>University of New Mexico</u>
Condensed Statement of Cash Flows:									
Net Cash Provided (Used) by:									
Operating Activities	\$ (420)	\$ (2,298)	\$ (245,440)	\$ (47,638)	\$ (28,786)	\$ (49,843)	\$ (17,559)	\$ (19,134)	\$ (380,173)
Noncapital Financing Activities	-	6,722	266,975	55,631	29,381	48,323	30,770	24,344	517,040
Capital and Related Financing Activities	(159)	(822)	24,823	(1,031)	(1,208)	(5,662)	(1,695)	(3,440)	(123,546)
Investing Activities	-	14	(40,630)	(3,884)	312	2,061	(4,926)	(3,339)	3,841
Cash and Cash Equivalents at Beginning of Year, as Restated	<u>3,211</u>	<u>1,364</u>	<u>77,364</u>	<u>28,301</u>	<u>11,968</u>	<u>48,795</u>	<u>16,780</u>	<u>11,076</u>	<u>452,628</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,632</u>	<u>\$ 4,979</u>	<u>\$ 83,092</u>	<u>\$ 31,377</u>	<u>\$ 11,666</u>	<u>\$ 43,674</u>	<u>\$ 23,369</u>	<u>\$ 9,507</u>	<u>\$ 469,790</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 17

NOTE 17. State General Fund Investment Pool

The Financial Control Division (FCD), within the Department of Finance and Administration (DFA), in collaboration with the New Mexico State Treasurer's Office (STO), implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool (SGFIP) to the associated resources held by STO. This process has been in place for nearly two years and applied across three fiscal years with stable results. There have been many reviews of the process and each review has deemed it to be adequate and in compliance with established procedures. Successfully addressing this issue in fiscal year 2015 allowed the DFA to reinstate \$100 million that had been reserved as a loss contingency.

For fiscal year 2018, the following assertions are provided:

- 1) The calculated difference between resources maintained by the STO and the agency claims has remained stable and with a very narrow and acceptable range over the twelve months of fiscal year 2018.
- 2) Resources are equivalent to and can cover the face value of all agency claims against the pool.
- 3) All claims honored at face value.

For cash management and investment purposes, funds of various state agencies are deposited in the SGFIP, which is managed by STO. The SGFIP is reported as a fiduciary fund in the financial statements of STO. Claims on the SGFIP are reported as assets by the various agencies investing in the SGFIP. By statute, the DFA is responsible for reconciling the SGFIP balances. As of June 30, 2018, the Component Appropriations Funds report an aggregate investment of \$533.8 million in the SGFIP.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 18

NOTE 18. Tax Abatements:

In fiscal year 2017, the State adopted *Statement No. 77 of the Government Accounting Standards Board, entitled, Tax Abatement Disclosures*. Statement No. 77 requires the governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should also recognize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements.
- The specific taxes being abated.
- The gross dollar amount of taxes abated during the period.

The State has provided the following disclosure of tax abatements affecting the State of New Mexico. Tax receipts processed by the Department of Taxation and Revenue are recognized as revenue in various departments of the State. Abatements affecting local governments are disclosed in the financial statements of each local governmental entity, and can be obtained from the accounting department of each local government.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	CREDIT FOR PRESERVATION OF CULTURAL PROPERTY
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Personal Income Tax
Specific Tax(es) Being Abated	Personal Income Tax
Legal authority under which tax abatement agreement was entered into	Section 7-2-18.2 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	The taxpayer may claim the credit if: (1) the taxpayer submitted a plan and specifications for restoration, rehabilitation or preservation to the committee and received approval from the committee for the plan and specifications prior to commencement of the restoration, rehabilitation or preservation; (2) the taxpayer received certification from the committee after completing the restoration, rehabilitation or preservation, or committee-approved phase, that it conformed to the plan and specifications and preserved and maintained those qualities of the property that made it eligible for inclusion in the official register; and (3) the project is completed within twenty-four months of the date the project is approved by the committee in accordance with Paragraph (1) of this subsection.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of credit claimed on the personal income tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of credit claimed on the personal income tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$0
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No - the only government affected is the State of New Mexico (State General Fund)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	CREDIT FOR PRESERVATION OF CULTURAL PROPERTY - CORPORATE INCOME TAX CREDIT
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Corporate Income Tax
Specific Tax(es) Being Abated	Corporate Income Tax
Legal authority under which tax abatement agreement was entered into	Section 7-2A-8.6 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	The taxpayer may claim the credit if: (1) the taxpayer submitted a plan and specifications for restoration, rehabilitation or preservation to the committee and received approval from the committee for the plan and specifications prior to commencement of the restoration, rehabilitation or preservation; (2) the taxpayer received certification from the committee after completing the restoration, rehabilitation or preservation, or committee-approved phase, that it conformed to the plan and specifications and preserved and maintained those qualities of the property that made it eligible for inclusion in the official register; and (3) the project is completed within twenty-four months of the date the project is approved by the committee in accordance with Paragraph (1) of this subsection.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of credit claimed on the corporate income tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of credit claimed on the corporate income tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$166,634
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No - the only government affected is the State of New Mexico (State General Fund)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	RENEWABLE ENERGY PRODUCTION TAX CREDIT
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Corporate Income Tax
Specific Tax(es) Being Abated	Corporate Income Tax
Legal authority under which tax abatement agreement was entered into	Section 7-2A-19 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	The taxpayer may claim the credit if: (1) the taxpayer holds title to a qualified energy generator that first produced electricity on or before January 1, 2018; or (2) leases property upon which a qualified energy generator operates from a county or municipality under authority of an industrial revenue bond and if the qualified energy generator first produced electricity on or before January 1, 2018.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of credit claimed on the corporate income tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of credit claimed on the corporate income tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$0
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No - the only government affected is the State of New Mexico (State General Fund)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	FILM AND TELEVISION TAX CREDIT—FILM PRODUCTION COMPANIES THAT COMMENCE PRINCIPAL PHOTOGRAPHY ON OR AFTER JANUARY 1, 2016.
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Personal or Corporate Income Tax
Specific Tax(es) Being Abated	Personal or Corporate Income Tax
Legal authority under which tax abatement agreement was entered into	Section 7-2F-6 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	To be eligible for the film production tax credit, a film production company shall submit to the division information required by the division to demonstrate conformity with the requirements of the Film Production Tax Credit Act, including detailed information on each direct production expenditure and each postproduction expenditure. A film production company shall make reasonable efforts, as determined by the division, to contract with a specialized vendor that provides goods and services, inventory or services directly related to that vendor's ordinary course of business. A film production company shall provide to the division a projection of the film production tax credit claim the film production company plans to submit in the fiscal year.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of credit claimed on the personal or corporate income tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of credit claimed on the personal or corporate income tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$1,380,619
For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTS) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTS) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No - the only government affected is the State of New Mexico (State General Fund)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	DEDUCTION – GROSS RECEIPTS TAX – SALE OF ENGINEERING, ARCHITECTURAL AND NEW FACILITY CONSTRUCTION SERVICES USED IN CONSTRUCTION OF CERTAIN PUBLIC HEALTH CARE FACILITIES
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Gross Receipts Tax
Specific Tax(es) Being Abated	Gross Receipts Tax
Legal authority under which tax abatement agreement was entered into	Section 7-9-99 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	Receipts from selling an engineering, architectural or construction service used in the new facility construction of a sole community provider hospital that is located in a federally designated health professional shortage area may be deducted from gross receipts if the sale of the engineering, architectural or construction service is made to a foundation or a Nonprofit organization that: A. has entered into a written agreement with a county to pay at least ninety-five percent of the costs of new facility construction of that sole community provider hospital; and B. delivers to the seller of the engineering, architectural or construction service either an appropriate Nontaxable transaction certificate or other evidence acceptable to the secretary of a written agreement made in accordance with Subsection A of this section.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$-0-, no taxpayers have claimed this tax deduction since FY2011
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	N/A - no taxpayer has claimed this deduction since inception
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	DEDUCTION - GROSS RECEIPTS TAX - SALE OF CONSTRUCTION EQUIPMENT AND CONSTRUCTION MATERIALS USED IN NEW FACILITY CONSTRUCTION OF A SOLE COMMUNITY PROVIDER HOSPITAL THAT IS LOCATED IN A FEDERALLY DESIGNATED HEALTH PROFESSIONAL SHORTAGE AREA
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Gross Receipts Tax
Specific Tax(es) Being Abated	Gross Receipts Tax
Legal authority under which tax abatement agreement was entered into	Section 7-9-100 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	Receipts from selling construction equipment or construction materials used in the new facility construction of a sole community provider hospital that is located in a federally designated health professional shortage area may be deducted from gross receipts if the sale of the construction equipment or construction materials is made to a foundation or a Nonprofit organization that: A. has entered into a written agreement with a county to pay at least ninety-five percent of the costs of new facility construction of that sole community provider hospital; and B. delivers to the seller either an appropriate Nontaxable transaction certificate or other evidence acceptable to the secretary of a written agreement made in accordance with
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$-0-, no taxpayers have claimed this tax deduction since inception
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	N/A - no taxpayer has claimed this deduction since inception
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

Agency Number	33300
Agency Name	New Mexico Taxation and Revenue Department
Agency Type	State Agency
Tax Abatement Agreement Name	ADVANCED ENERGY DEDUCTION -- GROSS RECEIPTS AND COMPENSATING TAXES
Recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Parent company(ies) of recipient(s) of tax abatement	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978
Tax abatement program (name and brief description)	Gross Receipts Tax
Specific Tax(es) Being Abated	Gross Receipts Tax
Legal authority under which tax abatement agreement was entered into	Section 7-9-114 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	Receipts from selling or leasing tangible personal property or services that are eligible generation plant costs to a person that holds an interest in a qualified generating facility may be deducted from gross receipts if the holder of the interest delivers an appropriate Nontaxable transaction certificate to the seller or lessor. The department shall issue Nontaxable transaction certificates to a person that holds an interest in a qualified generating facility upon presentation to the department of a certificate of eligibility obtained from the department of environment pursuant to Subsection G of this section for the deduction created in this section or a certificate of eligibility pursuant to Section 7-2-18.25, 7-2A-25 or 7-9G-2 NMSA 1978. The deduction created in this section may be referred to as the "advanced energy deduction".
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	By amount of deduction claimed on the combined reporting system (CRS-1) tax return filed by the taxpayer.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	N/A
List each specific commitment made by the recipient of the abatement.	N/A
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$500,000 - however, the Taxation and Revenue Department is unable to segregate the gross receipts from the compensating tax component, nor is the impact to local governments determinable at this time.
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	N/A
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	N/A
List each specific commitment made by your agency or any other government, other than the tax abatement.	N/A
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	The Taxation and Revenue Department is unable to segregate the gross receipts from the compensating tax component, nor is the impact to local governments determinable at this time.
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Confidential Information per Section 7-1-8.1 thru .10 NMSA 1978

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 19

NOTE 19. Commitments

A. Construction Commitments

The State has active construction projects as of June 30, 2018. The projects include highway construction, university infrastructure, and facilities construction and renovation. At year-end, the State's commitments for construction were \$14.7 million for governmental activities and \$164.6 million for business-type activities.

B. Loan Commitments

New Mexico Environment Department

The New Mexico Environment Department had loan commitments at June 30, 2018 of the following:

Wastewater Loan Construction Fund – the agency has executed binding commitments to disburse \$33.4 million for future loans.

Rural Infrastructure Loan Fund – the agency has executed binding commitments to disburse \$2.5 million for loans and grants.

C. Capital Commitments

State of New Mexico Investment Council

The State of New Mexico Investment Council has commitments for capital contributions to various private equity partnerships and real estate/real asset investments. As of June 30, 2018, unfunded commitments to private equity partnerships were approximately \$1.64 billion, and unfunded commitments to real estate and real asset investments were approximately \$1.68 billion. Unfunded commitments to the Credit and Structured Finance Pool were \$337 million. Subsequent to June 30, 2018, the Council approved an additional \$487 million of commitments to private equity, real estate, and real assets partnerships and \$100 million to a fixed income investment.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 20

NOTE 20. Contingencies

A. Contingent Liabilities

New Mexico Film Production Tax Credit Act

In the 2019 Legislative Session, Senate Bill 2 passed and was signed into law by the Governor on March 28, 2019. The bill increases the limit on annual disbursements from \$50 million/year to \$110 million/year beginning in fiscal year 2020. Additionally, the Taxation and Revenue Department is authorized to pay previously approved but unpaid film tax credits in the amount of \$100 million in Fiscal Year 2019, and \$95 million in Fiscal Year 2020, with a provision to pay up to \$125 million in Fiscal Year 2020 if sufficient revenues are available. The estimated unpaid film tax credit obligation as of June 30, 2018 was \$179.4 million.

Public Education Department

The State did not meet its required level of financial support for the Special Education Cluster of programs for fiscal years 2011 and 2012. As a result, the Department may have a one-time reduction of future federal funding. Management's estimate of the potential one-time reduction in federal funding ranges from \$0 to \$63.49 million.

Children, Youth and Families Department

A judgment in a legal matter was rendered against the Children, Youth, and Families Department in the amount of \$3.6 million. The Department is currently appealing the judgment. This amount would not be covered by Risk Management Division. A liability has been recorded.

State Fair Commission

The State Fair Commission (SFC) has a liability due to another executive agency, the General Services Division (GSD). The outstanding amount of \$4.95 million is for insurance premiums due for prior years. SFC is currently working with GSD to resolve and settle the amount outstanding.

Northern New Mexico College

The College is involved in litigation related to a Whistleblower Protection Act claim. The College has recorded a total amount of \$250 thousand as a loss contingency related to this claim.

Office of the State Engineer

A state district judge ruled that the Interstate Stream Commission violated the Open Meetings Act when approving two contracts involving a diversion project in southern part of the state. As a result of the ruling, the Office of the State Engineer is exposed to a liability of \$77,500 (previously reported as \$268,000 in their FY2015 audit report) as the plaintiff is seeking reimbursement of legal costs.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 20 (CONTINUED)

Department of Cultural Affairs

During 2009 Cultural Affairs entered into an agreement with the New Mexico Finance Authority for the issuance of \$ 369 thousand in Energy Efficiency Renewable Energy Bonds for energy efficiency improvements at three museums. As authorized by the Energy Efficiency and Renewable Energy Bonding Act (Chapter 6, Article 21D, NMSA 1978), debt service on the bonds is covered by gross receipt revenue transferred to the Energy Efficiency and Renewable Energy Bonding fund. However, after certification of energy efficiency savings from these projects by the Energy, Minerals, and Natural Resources Department in 2014, a provision was triggered requiring annual repayments to the State General Fund from Culture Affairs until the debt including interest is extinguished. The source of the repayment was intended to be the savings from the energy efficiency improvements, but Cultural Affairs contends that those savings were swept by reductions in their general fund operating budget since 2009. No provision has been made in these financial statements for separate repayment of the bonds due to circumstances surrounding the transaction to this point including uncertainty in timing of the repayment, source of repayment and possible need for special appropriation funding to provide for the bond liability.

New Mexico Mortgage Finance Authority

The New Mexico Mortgage Finance Authority (NMMFA) entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development (HUD) under Section 542(c) of the Housing and Community Development Act of 1992, whereby HUD and the NMMFA provide credit enhancements for third party multifamily housing project loans. HUD has assumed 90% of the risk and the NMMFA guarantees the remaining 10% risk of loss in the event of default on specific loans. As of September 30, 2018 and 2017, NMMFA's is committed to assumed a risk of approximately \$10.13 million and \$10.39 million for the 45 loans closed, respectively. These loans are considered in NMMFA's assessment for the allowance for mortgage loan losses. As of September 30, 2018, of the 45 loans closed, 7 of the loans are not included in the Authority's financial statements because they are 100% participations with the AFL-CIO and Fannie Mae. Of the \$10.1 million risk assumed, the Authority's assumed risk approximated \$1.3 million for those off balance sheet loans. The end dates for the guarantees range from 2027-2058. In situations where the Authority is called upon to honor its guarantee, the Authority will take possession of and sell the loan collateral. HUD and the Authority will make up any shortfall resulting from the sale of the collateral on a 90%/10% pro rata basis.

The NMMFA also entered into a risk-sharing agreement with the U.S. Department of Agriculture under Section 538 Rural Rental Housing Guaranteed Loan Program. The Rural Housing Service (RHS), Department of Agriculture (USDA) provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority as of September 30, 2018. The NMMFA assumes 10% of the risk of loss and as of September 30, 2018 and 2017, is committed to assume risk of \$112 thousand and \$114 thousand respectively for the one loan closed, respectively.

On June 27, 2007, the Board of Directors approved the write-off of two HOME Loans: Mesa Grande Apartments, LTD., for \$209 thousand and Sunrise Homes Apartments, LTD. For \$229 thousand. Management has determined that it is probable that the NMMFA has incurred a contingent liability of \$438 thousand for the balance of the loans, which may be payable to HUD for non-compliance with the affordability requirement.

On September 30, 2014, management approved a reserve for contingent liability for Home for Women and Children for \$19 thousand. Management has determined that it is probable that the NMMFA has incurred a contingent liability under the 2012 Emergency Solutions Grant, which may be payable to HUD for unsupported expenditures. The reserve for contingent liability is included in Net Position as of September 30, 2018.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 20 (CONTINUED)

B. Other Matters

Federal Funds

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

Taxation and Revenue Department

There is pending or threatened litigation in the form of various protests and lawsuits by taxpayers or other parties claiming abatements, refunds and the recovery of unclaimed property arising from various tax programs administered by the Taxation and Revenue Department. The total dollar amount representing the claims in protest or pending in state courts is \$321.6 million.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 21

NOTE 21. Subsequent Events

A. Bond Issues

New Mexico Finance Authority

The New Mexico Authority has debt issued in the amount of \$160.66 million in bonds since October 29, 2018. The debt issued consists of the following: PPRF 2018D - \$53.3 million, PPRF 2018E \$70.2 million, and PPRF 2019A \$37.1 million.

New Mexico State General Services Department

New Mexico State General Services Department has entered in a loan agreement (NMFA Loan PPRF-4769) dated November 28, 2018 with New Mexico Finance Authority. The loan is to acquire by purchase, lease, lease purchase or other financing arrangement a facility in Grant County to replace Fort Bayard Medical Center, the title to which shall be in the name of the Facilities Management Division of General Services Department. Under Chapter 35 of the 2016 Session Laws, #45 (the “PPRF Authorization Bill” and, together with Finance Authority Act and the Fort Bayard Replacement Act, the “Act”), The General Services Department is authorized to obtain financing for “building, equipment, infrastructure, debt refinance, road, land acquisition, water, wastewater, water rights and solid waste projects”.

B. Other Events

New Mexico Taxation and Revenue Department

The New Mexico Taxation and Revenue Department is appealing whether hospitals are entitle to a healthcare practitioner deduction pursuant to NMSA 1978, Section 7-9-93. This issue was before the Administrative Hearings Officer (AHO) in 2016 and the Administrative Hearings Officer decided against the New Mexico Taxation and Revenue Department in a Decision & Order dated May 2016. The New Mexico Taxation and Revenue Department subsequently appealed the decision. At least 30 protests involving this same issue are being held in abeyance pending a Court of Appeals decision. Estimated amount of refunds/exposure is \$35 to \$40 million dollars.

During the 2019 Legislation session the New Mexico Legislature passed numerous bills containing changes to New Mexico tax statutes. Some of the passed bills contain appropriations to the Taxation and Revenue Department to implement the changes, some do not. Among the most significant tax-related bills passed during the session are HB 6, HB 162, SB 2, SB 189, SB 246 and SB 549. The bills that have been signed by the Governor will have an impact on The Taxation and Revenue Department. The estimates are as much as \$25.5 million dollars which has the Department aggressively investigation ways to streamline the implementation of the proposed changes and limit the costs associated with implementation.

New Mexico Film Production Tax Credit Act (New)

In the 2019 Legislative Session, Senate Bill 2 passed and was signed into law by the Governor on March 28, 2019. The bill increases the limit on annual disbursements from \$50 million/year to \$110 million/year beginning in fiscal year 2020. Additionally, the Taxation and Revenue Department is authorized to pay previously approved but unpaid film tax credits in the amount of \$100 million in Fiscal Year 2019, and \$95 million in Fiscal Year 2020, with a provision to pay up to \$125 million in Fiscal Year 2020 if sufficient revenues are available. The estimated unpaid film tax credit obligation as of June 30, 2018 was \$179.4 million.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

New Mexico State Personnel Office

The State of New Mexico State Personnel Office Director and CWA have been named in a lawsuit alleging that the defendants violated the First and Fourteenth Amendments and committed tortious conversion of state property by automatically having compulsory union fees deducted. Neither the final outcome nor the amount of the potential loss from the case is presently determinable. However, management estimates that the potential loss to the department, if any, is likely to be material to the financial statements.

New Mexico Public Regulation Commission

The New Mexico Public Regulation Commission has been named in a lawsuit by an employee who is claiming discrimination and is asking for \$1.1 million which includes; compensation damages, emotional distress, and attorney fees.

New Mexico Superintendent of Insurance

The New Mexico Superintendent of Insurance is named in the Patient Compensation Fund case. The plaintiffs are seeking a declaration that the hospitals who have been qualified to be covered by the Patient Compensation fund should not have been qualified. The judge ruled in 2019 that any new providers admitted to the Patient Compensation Fund after the filing of the complaint, and while the litigation was ongoing are void. The case is currently on appeal to the New Mexico Court of Appeals. There is a slight possibility of a potential liability to the fund. The maximum estimated liability to the fund is \$20 million. Please note the Patient Compensation fund is a Fiduciary Fund and monies held in the fund are not State of New Mexico monies. These monies are used to pay out settlement claims issued against hospitals and providers.

New Mexico Department of Game and Fish

The New Mexico Department of Game and Fish will most likely have to transfer back the Mesilla Valley property, valued at approximately 2.5 million to the New Mexico State Parks Division. This property was transferred to the New Mexico Department of Game and Fish during FY18. Due to a pending lawsuit, questions arose during the audit. Ultimately the property was recorded on New Mexico Department of Game and Fish books and removed from the Department of Energy, Minerals and Natural Resources. SB533, introduced during the 2019 legislative session and passed by the House and Senate, requires the property to be transferred back to the State Parks Division. The bill was signed by the Governor.

New Mexico Department of Veterans Services and New Mexico Department of Health

The New Mexico Department of Veterans Services will transfer the Veterans Home back to the New Mexico Department of Health based on House Bill 643 which was signed by the Governor. The Transfer will take place as of July 1, 2019 (FY 20).

New Mexico Highlands University

A decision was reached regarding the settlement of a lawsuit that has gone on for several years. The settlement is for New Mexico Highlands University to pay out \$1.1 million in fiscal year 2019.

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

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STATE OF NEW MEXICO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION



GATHERING OF NATIONS – ALBUQUERQUE, NM
SOURCE – WWW.CRACYCROW.COM

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND For the Year Ended June 30, 2018 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 585,932	\$ 585,932	\$ 606,322	\$ 20,390
Federal Revenue	6,653,623	7,283,307	6,391,134	(892,173)
Investment Income	10,716	10,716	22,528	11,812
Rentals and Royalties	22,823	24,830	35,162	10,332
Charges for Services	155,778	160,109	167,270	7,161
Licenses, Fees, and Permits	125,564	128,498	242,843	114,345
Assessments	12,777	12,777	12,413	(364)
Miscellaneous and Other	193,009	206,468	212,315	5,847
Operating Transfers In	5,934,164	5,938,188	5,794,635	(143,553)
Total Revenues and Other Financing Sources	13,694,386	14,350,825	13,484,622	(866,203)
Fund Balance Budgeted	95,537	293,253		
Total	13,789,923	14,644,078		
EXPENDITURES AND OTHER FINANCING USES				
Culture, Recreation, and Natural Resources				
Museums and Monuments	23,158	24,273	21,393	2,880
Preservation	3,658	3,857	2,583	1,274
Library Services	4,773	4,359	4,303	56
Program Support	3,954	3,642	3,613	29
Water Resource Allocation	16,045	16,215	14,615	1,600
Interstate Stream Compact Compliance and Water Development	25,872	26,816	16,018	10,798
Litigation and Adjudication	9,543	9,944	7,956	1,988
Program Support	5,188	5,188	4,862	326
Commissioner of Public Lands	15,895	17,895	16,742	1,153
Livestock inspection	5,876	6,276	5,969	307
Youth Conservation Corps	3,861	4,861	2,899	1,962
Office of the Natural Resources Trustee	2,300	4,548	2,757	1,791
Sport Hunting and Fishing	9,114	9,514	9,311	203
Conservation Services	22,810	26,537	24,775	1,762
Wildlife Depredation and Nuisance Abatement	1,020	1,071	723	348
Program Support	7,156	7,501	6,981	520
Renewable Energy and Energy Efficiency	3,666	3,676	2,240	1,436
Healthy Forests	15,880	23,360	13,116	10,244
Parks and Recreation	20,008	20,878	16,066	4,812
Mine Reclamation	8,079	8,589	6,226	2,363
Oil and Gas Conservation	9,487	9,487	7,117	2,370
Program Leadership and Support	4,899	4,899	4,357	542
Arts	1,932	2,041	1,933	108
Intertribal Ceremonial	50	50	49	1
Total Culture, Recreation, and Natural Resources	224,223	245,477	196,604	48,873
Education				
Operations	22,487	24,015	21,920	2,095
Student Financial Aid	66,231	66,781	59,632	7,149
Administrative Services	5,550	5,550	4,518	1,032
Rehab Services	28,279	28,540	27,426	1,114
Independent Living	1,555	1,645	1,590	55
Disability Determination	14,709	14,708	11,467	3,241
SDE Operation	15,201	15,427	14,914	513
Public Schools Facilities Auth	5,647	5,647	5,159	488
Special Appropriations	2,721,215	2,727,120	2,700,058	27,062
Total Education	2,880,874	2,889,433	2,846,684	42,749

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2018

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
General Control				
Policy Development, Budget Oversight and				
Educational Accountability	\$ 3,136	\$ 3,136	\$ (93,531)	\$ 96,667
Program Support	903	833	757	76
Community Development, Local Government				
Assistance and Fiscal Oversight	40,491	40,950	35,941	5,009
Fiscal Management and Oversight	77,786	74,458	73,639	819
Program Support	19,590	19,590	17,941	1,649
Tax Administration	29,844	29,874	28,165	1,709
Motor Vehicle	26,666	33,999	29,985	4,014
Property Tax	3,796	3,797	2,879	918
Compliance Enforcement	1,555	1,525	1,305	220
State Purchasing	2,264	2,264	2,003	261
Facilities Management Division	12,591	12,591	12,546	45
Office of the Attorney General	28,278	28,478	23,367	5,111
Medicaid Fraud Program	2,562	2,762	2,570	192
State Auditor	3,445	3,545	3,123	422
State Investment Program	52,232	54,843	51,430	3,413
Criminal & Juvenile Justice	552	712	630	82
Governor	3,260	3,260	2,865	395
Lieutenant Governor	532	532	479	53
Records Info & Archival Mgmt.	2,476	2,509	2,449	60
Secretary of State	3,771	4,547	4,517	30
New Mexico State Personnel	4,082	4,082	3,966	116
State Treasurer	3,555	3,555	3,493	62
Public Employees Labor Relations Board	214	214	209	5
Enterprise Services	444	613	377	236
Elections	4,137	4,161	4,160	1
Compliance and Project Management	845	845	844	1
Administrative Hearings Office	1,659	1,659	1,605	54
Special Appropriations	24,624	24,631	21,879	2,752
Total General Control	355,289	363,965	239,593	124,372
Health and Human Services				
Administration	13,630	14,768	13,446	1,322
Financial Oversight	181,331	181,282	156,690	24,592
Epidemiology and Response	28,189	31,298	27,909	3,389
Laboratory Services	12,904	12,504	11,720	784
Program Area 6 - Facilities	120,022	120,105	116,037	4,068
Developmental Disabilities Support	159,444	163,593	162,631	962
Health Certification, Licensing and Oversight	12,047	12,047	10,620	1,427
Program Support	51,927	53,105	51,202	1,903
Child Support Enforcement	30,472	30,472	28,134	2,338
Medical Assistance Program	5,259,000	5,272,207	5,194,873	77,334
Income Support Program	984,567	1,000,741	914,486	86,255
Resource Management	8,727	8,618	6,659	1,959
Water Quality	28,625	28,562	18,911	9,651
Environmental Health	14,093	14,338	11,437	2,901
Environmental Protection	22,596	22,705	19,730	2,975
Program Support	19,242	19,242	18,012	1,230
Juvenile Justice Facilities	75,445	78,377	74,795	3,582
Protective Services	145,719	148,569	148,247	322
Program Support	4,015	4,240	3,647	593

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2018

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Health and Human Services (Continued)				
Consumer and Elder Rights	\$ 4,193	\$ 4,545	\$ 4,087	\$ 458
Adult Protective Services	13,425	12,917	12,179	738
Community Involvement	38,872	38,760	36,094	2,666
Office of African-American Affairs	729	729	675	54
Commission For Deaf and Hard of Hearing	5,607	5,607	4,255	1,352
Martin Luther King Jr., Commission	293	293	258	35
Blind Services Program	8,156	8,156	7,086	1,070
Indian Affairs Department	2,490	2,510	1,893	617
Workers' Compensation Administration	11,274	11,274	10,821	453
Governor's Commission On Disability	1,518	1,518	1,419	99
Brain Injury Advisory Council	194	194	193	1
Veterans' Services Department	4,843	4,757	4,344	413
Developmental Disabilities Planning Council	1,263	1,276	1,134	142
Office of Guardianship	5,177	5,343	4,935	408
Medicaid Behavioral Health	539,874	532,874	494,332	38,542
Behavioral Health Services	57,644	63,252	60,480	2,772
Workforce Transition Services	9,722	9,722	8,601	1,121
Labor Relations	3,987	4,631	4,097	534
Workforce Technology	14,555	14,665	14,270	395
Business Services	13,642	13,642	13,506	136
Program Support	22,849	24,707	22,507	2,200
Uninsured Employers Fund	891	891	707	184
Early Childhood Services	236,849	253,894	250,190	3,704
Early Childhood Services	2,750	3,225	2,893	332
Early Childhood Services	16,867	17,596	17,033	563
Special Revenue	7,350	4,004	2,766	1,238
Early Childhood Services	47,215	47,240	33,183	14,057
Veterans Retirement Facility	14,696	14,846	14,834	12
Special Appropriations	7,817	7,817	6,738	1,079
Total Health and Human Services	8,266,737	8,327,658	8,024,696	302,962
Highways & Transportation				
Construction Program	527,838	1,194,903	532,297	662,606
Maintenance Program	233,795	272,115	225,676	46,439
Program Support	42,166	42,166	35,284	6,882
MODAL	64,378	93,787	49,475	44,312
Total Highways and Transportation	868,177	1,602,971	842,732	760,239
Judicial				
Supreme Court Law Library	1,510	1,510	1,492	18
New Mexico Compilation Commission	1,853	1,853	1,540	313
Judicial Standards Commission	818	818	817	1
Court of Appeals	5,719	5,719	5,687	32
Supreme Court	3,302	3,302	3,302	-
Supreme Court Building Commission	931	1,006	1,002	4
First Judicial District Court	8,046	8,135	7,754	381
Second Judicial District Court	27,094	27,542	26,425	1,117
Third Judicial District Court	7,520	7,540	7,418	122
Fourth Judicial District Court	2,484	2,500	2,494	6
Fifth Judicial District Court	7,176	7,244	7,143	101
Sixth Judicial District Court	3,491	3,419	3,399	20
Seventh Judicial District Court	2,778	2,778	2,733	45
Eighth Judicial District Court	3,230	3,230	3,167	63
Ninth Judicial District Court	4,134	4,098	4,083	15

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED) For the Year Ended June 30, 2018 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Judicial (Continued)				
Tenth Judicial District Court	\$ 954	\$ 954	\$ 908	\$ 46
Eleventh Judicial District Court	7,214	7,312	7,210	102
Twelfth Judicial District Court	3,599	3,596	3,531	65
Thirteenth Judicial District Court	8,322	8,572	8,453	119
Bernalillo County Metropolitan Court	26,471	26,291	25,776	515
First Judicial District Attorney	5,611	5,612	5,586	26
Second Judicial District Attorney	19,075	19,292	18,938	354
Third Judicial District Attorney	5,507	5,576	5,434	142
Fourth Judicial District Attorney	3,098	3,098	3,068	30
Fifth Judicial District Attorney	5,316	5,316	5,261	55
Sixth Judicial District Attorney	3,088	3,034	3,017	17
Seventh Judicial District Attorney	2,475	2,475	2,420	55
Eighth Judicial District Attorney	2,683	2,683	2,682	1
Ninth Judicial District Attorney	2,982	2,957	2,949	8
Tenth Judicial District Attorney	1,249	1,249	1,245	4
Eleventh Judicial District Attorney-Division I	4,412	4,417	4,038	379
Twelfth Judicial District Attorney	3,365	3,365	3,334	31
Thirteenth Judicial District Attorney	5,195	5,195	4,794	401
Administrative Office of the District Attorneys	2,508	2,602	2,459	143
Eleventh Judicial District Attorney-Division II	2,367	2,403	2,354	49
Administrative Support	13,169	13,444	11,340	2,104
Administrative Support	8,837	8,837	7,881	956
Statewide Judiciary Automation	31,334	31,353	30,749	604
Special Court Services	-	-	-	-
Administrative Support	48,850	49,347	48,740	607
Special Appropriations	15,388	15,388	13,406	1,982
Total Judicial	313,155	315,062	304,029	11,033
Legislative				
Leg Analysis/Oversight Program	4,101	4,101	4,060	41
Education Study Committee	1,233	1,233	1,205	28
Special Appropriations	12,177	12,177	10,776	1,401
Total Legislative	17,511	17,511	16,041	1,470
Public Safety				
Program Support	8,159	8,159	5,510	2,649
Law Enforcement	118,369	120,303	111,543	8,760
Program Support	12,569	11,883	11,731	152
Inmate Management and Control	271,831	273,417	271,651	1,766
Community Offender Management	32,917	33,054	32,400	654
Parole Board	476	476	454	22
Juvenile Parole Board	13	13	12	1
Victim Compensation	3,223	3,473	2,815	658
Federal Grant Administration	16,634	17,205	9,701	7,504
National Guard Support	22,723	23,668	20,562	3,106
Crisis Response	-	-	-	-
Homeland Security and Emergency Management Department	23,226	24,737	12,197	12,540
Motor Transportation Program	-	-	-	-
State Law Enforcement Support Program	20,615	21,414	17,819	3,595
Special Appropriations	94,069	94,069	9,236	84,833
Total Public Safety	624,824	631,871	505,631	126,240

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED) For the Year Ended June 30, 2018 (In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Regulation and Licensing				
Economic Development	\$ 6,129	\$ 14,366	\$ 8,043	\$ 6,323
Film	706	706	686	20
Program Support	1,710	1,710	1,615	95
Job Creation & Job Growth	-	-	-	-
Program Support	1,074	1,098	1,089	9
Outreach	2,262	2,245	1,764	481
Marketing and Promotion	10,509	10,502	10,485	17
Construction Industries and Manufactured Housing	8,571	8,631	8,248	383
Financial Institutions and Securities	3,715	3,715	2,417	1,298
Alcohol and Gaming	923	951	937	14
Program Support	3,623	3,623	3,342	281
Policy and Regulation	6,755	6,772	6,634	138
Public Safety	64,892	64,745	59,909	4,836
Program Support	1,564	1,597	1,508	89
Special Revenues	65,367	65,181	5,136	60,045
Board of Examiners for Architects	387	387	316	71
New Mexico Border Authority	501	623	497	126
Medical Board	1,900	1,900	1,841	59
Board of Nursing	2,076	2,330	2,178	152
ASD/PEPS	798	798	707	91
Gaming Control Board	5,158	5,158	5,046	112
State Racing Commission	3,742	3,742	3,441	301
Board of Veterinary Medicine	332	347	342	5
Office of Military Base Planning and Support	227	227	84	143
Program Thirty-three	-	-	-	-
Program Thirty-four	-	-	-	-
Spaceport Authority	5,843	5,843	4,811	1,032
Special Revenue	8,339	8,339	8,298	41
Insurance Operations Program	10,291	12,604	9,712	2,892
Patient Compensation Program	-	-	-	-
Boards and Commission	12,587	12,856	10,780	2,076
Securities Division	1,939	1,921	1,580	341
Special Appropriations	7,213	7,213	663	6,550
Total Regulation and Licensing	239,133	250,130	162,109	88,021
Total Expenditures and Other Financing Uses	13,789,923	14,644,078	13,138,119	\$ 1,505,959
Net Change in Fund Balance	\$ -	\$ -	\$ 346,503	

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2018

(In Thousands)

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance (Budgetary Basis) \$ 346,503

Differences:

Taxes - Bud Refs other than 118 and 918	5,183,974
Investment Income - Bud Refs 118 and 918	5,945
Rent and Royalties - Bud Refs other than 118 and 918	676,081
Charges for Services - Bud Refs other than 118 and 918	2,157
Licenses, Fees and Permits - Bud Refs other than 118 and 918	74,327
Assessments - Bud Refs other than 118 and 918	391
Misc. and Other Revenue - Bud Refs other than 118 and 918	8,871
Federal Revenue - Bud Refs other than 118 and 918	440,590
Transfers In - Bud Refs other than 118 and 918	1,784,846
Non Budgeted - Transfers In - Component Units	40,628
Transfers In - Bud Refs other than 118 and 918 (Ref. Bond Proceeds)	6
NonBudgeted Revenue - Sale of Capital Assets	1,751
NonBudgeted Revenue - Tobacco Settlement - 497101	33,689
Expenses - Bud Refs other than 118 and 918	(730,617)
Transfers Out - Bud Refs other than 118 and 918	(6,833,347)
NonBudgeted Expenditure - 569000 In-Kind Expenditure	(32,944)
NonBudgeted Expenditure - 566100 (Reversions)	(122,151)
Non Budgeted Expenditure - 555102 (OFU - NonBudgeted)	(6,961)
NonBudgeted Expenditure Adj. - 577100 (General Fund Allotments)	89
NonBudgeted Expenditure Adj. - 577200 (General Fund Allotments-CUs)	112
NonBudgeted Expenditure - 560300 (Refunds)	(3)
975001 - Indirect Memo Expense Account	(22)
No Function - Expenditures	(10,470)
Function Exclusions - Expenditures	(89)
A Code Expenditures not included in Budgetary Comparison Actuals	(11,111)

**Total Net Change in Fund Balance as Reported on the Statement of
Revenues, Expenditures, and Changes in Fund Balances**

\$ 852,245

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2018

(In Thousands)

Budget Process

The State Legislature makes annual appropriations, which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget (Modified Accrual Budgetary Basis) and a financial control system, which permits a budget to actual expenditures comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Program appropriation unit is identified in the State's accounting records and in the budgetary schedules as P-Codes, such as "P523 Child Support Enforcement." Budgeted program appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements represent the final authorized amounts. Administrative line item expenditures (personnel, contractual, and other) may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed the approved budget for the program appropriation. Chapter 6-3, NMSA 1978, sets forth the process used to develop the budget for the State of New Mexico. The process is as follows:

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

Budgetary Basis of Accounting

The budget is adopted on the modified accrual basis of accounting, per statute; however, accounts payable which are not recorded in a timely manner (before the statutory fiscal year-end deadline) will not be paid from the current year appropriation, and they are thus not recorded as a budgetary expenditure. Instead, they must be paid out of the next year's budget. This budgetary basis is not consistent with generally accepted accounting principles (GAAP). Balances remaining at the end of the fiscal year from appropriations made from the State General Fund shall revert to the appropriate fund, unless otherwise indicated in the appropriations act or otherwise provided by law. Encumbrances do not carry over to the next year for operating budgets.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2018

(In Thousands)

Multiple Year Appropriation – Capital Projects Budgets and Special Appropriation Budgets

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

Budget to GAAP Reconciliation

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

In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities for the operating budgets. Expenditures are classified in the financial control system based on whether the appropriation is from the operating or multiple year budgets (special or capital). Expenditures funded by the operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are fixed asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures. Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated.

Because of perspective differences between this budgetary comparison and the general fund statement of revenues, expenditures, and changes in fund balance, this schedule is presented as required supplementary information (RSI.)

The State's component appropriation accounts do not adopt an annual appropriated budget; however, the expenditures of the component appropriations by law must equal the individual amounts appropriated in the various appropriation acts. Other activities designated as non-appropriated (not budgeted) by the Legislature are the Severance Tax Fund, the Land Grant Fund., and the following Enterprise Funds: State Fair Commission, Environment Department, State Infrastructure Bank, and Unemployment Insurance Funds.

Excess of Expenses/Expenditures Over Budget

For the fiscal year ended June 30, 2018, there were none of the State agency's Pcode reporting expenses/expenditures exceeding budget authority.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30 , 2018	Fiscal Year Ended June 30 , 2017	Fiscal Year Ended June 30 , 2016	Fiscal Year Ended June 30 , 2015	Fiscal Year Ended June 30 , 2014
Total Pension Liability					
Service Cost	\$ 376,310	\$ 405,561	\$ 390,221	\$ 389,053	\$ 418,996
Interest	1,462,669	1,452,723	1,393,557	1,335,950	1,286,996
Benefit Changes	-	-	-	-	-
Difference Between Expected and Actual Experience	113,712	(584,186)	330,751	59,112	-
Changes of Assumptions	545,510	(62,778)	424,792	-	(91,857)
Benefit Payments	(1,133,418)	(1,084,818)	(1,024,399)	(966,237)	(905,329)
Refunds of Contributions	(50,288)	(44,396)	(44,938)	(46,010)	(47,377)
Net Change in Total Pension Liability	1,314,495	82,106	1,469,984	771,868	661,429
Total Pension Liability - Beginning	20,068,144	19,986,038	18,516,054	17,744,187	17,082,758
Total Pension Liability - Ending	21,382,639	20,068,144	19,986,038	18,516,055	17,744,187
Plan Net Position					
Contributions - Employer	319,499	332,473	324,752	317,164	370,765
Contributions - Member	282,847	272,829	265,529	258,920	174,037
Net Investment Income	1,004,227	1,500,759	47,445	251,488	2,118,285
Benefit Payments	(1,133,418)	(1,084,818)	(1,024,399)	(966,236)	(905,329)
Administrative Expenses	(12,667)	(11,506)	(10,754)	(9,886)	(10,336)
Refunds of Contributions	(50,288)	(44,396)	(44,938)	(46,010)	(47,377)
Other	2,110	471	12,318	25,296	17,006
Net Change in Plan Net Position	412,310	965,812	(430,047)	(169,264)	1,717,051
Plan Net Position - Beginning	14,798,917	13,826,658	14,255,528	14,424,793	12,707,741
Prior Period Adjustments	(745)	6,447	1,177	-	-
Plan Net Position - beginning, restated	14,798,172	13,833,105	14,256,705	14,424,793	12,707,741
Plan Net Position - Ending	15,210,482	14,798,917	13,826,658	14,255,529	14,424,793
Net Pension Liability - Ending	\$ 6,172,157	\$ 5,269,227	\$ 6,159,380	\$ 4,260,526	\$ 3,319,394

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability					
Service Cost	\$ 4,488	\$ 5,492	\$ 3,245	\$ 3,344	\$ 3,793
Interest	9,867	9,066	10,238	9,900	10,798
Benefit Changes	-	-	-	-	(16,059)
Difference Between Expected and Actual Experience	(1,358)	(2,474)	4,737	755	-
Changes of Assumptions	(2,892)	(17,241)	46,155	-	(1,004)
Benefit Payments	(10,585)	(10,096)	(9,813)	(9,373)	(8,770)
Refunds of Contributions	-	(11)	(45)	(40)	(52)
Net Change in Total Pension Liability	(480)	(15,264)	54,517	4,586	(11,294)
Total Pension Liability - Beginning	176,291	191,555	137,038	132,452	143,746
Total Pension Liability - Ending	175,811	176,291	191,555	137,038	132,452
Plan Net Position					
Contributions - Employer	4,723	4,524	4,237	4,196	3,741
Contributions - Member	1,632	1,636	1,582	1,579	1,086
Net Investment Income	6,020	9,012	232	1,512	13,197
Benefit Payments	(10,585)	(10,096)	(9,813)	(9,373)	(8,770)
Administrative Expenses	(75)	(69)	(64)	(60)	(64)
Refunds of Contributions	-	(11)	(45)	(40)	(53)
Other	-	-	72	33	486
Net Change in Plan Net Position	1,715	4,996	(3,799)	(2,153)	9,623
Plan Net Position - Beginning	89,616	84,932	88,988	91,142	81,519
Prior Period Adjustments	-	(312)	(257)	-	-
Plan Net Position - beginning, restated	89,616	84,620	88,731	91,142	81,519
Plan Net Position - Ending	91,331	89,616	84,932	88,989	91,142
Net Pension Liability - Ending	\$ 84,480	\$ 86,675	\$ 106,623	\$ 48,050	\$ 41,310

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability					
Service Cost	\$ 1,354	\$ 1,537	\$ 1,118	\$ 948	\$ 1,428
Interest	3,487	3,192	3,452	3,445	3,689
Benefit Changes	-	-	-	-	(7,528)
Difference Between Expected and Actual Experience	(237)	(1,539)	1,571	6,703	-
Changes of Assumptions	2,874	(8,114)	8,832	-	(7,644)
Benefit Payments	(3,951)	(3,966)	(3,976)	(3,956)	(3,690)
Refunds of Contributions	(63)	-	(15)	(5)	(15)
Net Change in Total Pension Liability	3,464	(8,890)	10,982	7,135	(13,760)
Total Pension Liability - Beginning	65,628	74,518	63,536	56,401	70,161
Total Pension Liability - Ending	69,092	65,628	74,518	63,536	56,401
Plan Net Position					
Contributions - Employer	1,232	1,282	1,280	937	793
Contributions - Member	580	603	587	490	266
Net Investment Income	2,156	3,290	70	579	5,199
Benefit Payments	(3,951)	(3,966)	(3,977)	(3,956)	(3,690)
Administrative Expenses	(27)	(25)	(24)	(23)	(24)
Refunds of Contributions	(63)	-	(15)	(5)	(15)
Other	14	3	27	(19)	217
Net Change in Plan Net Position	(59)	1,187	(2,052)	(1,997)	2,746
Plan Net Position - Beginning	32,226	31,039	33,187	35,185	32,439
Prior Period Adjustments	(73)	-	(98)	-	-
Plan Net Position - beginning, restated	32,153	31,039	33,089	35,185	32,439
Plan Net Position - Ending	32,094	32,226	31,038	33,187	35,185
Net Pension Liability - Ending	\$ 36,998	\$ 33,402	\$ 43,480	\$ 30,349	\$ 21,216

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability					
Service Cost	\$ 2,204	\$ 2,337	\$ 1,440	\$ 1,251	\$ 1,254
Interest	3,555	3,584	3,376	3,105	2,872
Benefit Changes	-	-	-	-	-
Difference Between Expected and Actual Experience	(2,504)	(4,101)	(498)	874	-
Changes of Assumptions	1,363	-	1,976	-	408
Benefit Payments	(2,319)	(222)	(1,836)	(1,633)	(1,419)
Refunds of Contributions	-	(2,031)	-	-	-
Net Change in Total Pension Liability	2,299	(433)	4,458	3,597	3,115
Total Pension Liability - Beginning	48,503	48,936	44,478	40,881	37,766
Total Pension Liability - Ending	50,802	48,503	48,936	44,478	40,881
Plan Net Position					
Contributions - Employer	750	750	750	750	750
Contributions - Member	-	-	-	-	-
Net Investment Income	4,512	6,682	206	1,094	8,920
Benefit Payments	(2,319)	(2,031)	(1,835)	(1,633)	(1,419)
Administrative Expenses	(58)	(52)	(47)	(43)	(44)
Refunds of Contributions	-	-	-	-	-
Other	1	1	51	12	404
Net Change in Plan Net Position	2,886	5,350	(875)	180	8,611
Plan Net Position - Beginning	66,401	61,049	62,104	61,923	53,312
Prior Period Adjustments	-	-	(179)	-	-
Plan Net Position - beginning, restated	66,401	61,049	61,925	61,923	53,312
Plan Net Position - Ending	69,287	66,399	61,050	62,103	61,923
Net Pension Liability - Ending	\$ (18,485)	\$ (17,896)	\$ (12,114)	\$ (17,626)	\$ (21,042)

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability					
Service Cost	\$ 494,876	\$ 357,631	\$ 356,874	\$ 346,956	\$ 350,248
Interest	1,375,676	1,424,586	1,367,647	1,321,048	1,254,730
Benefit Changes	-	-	-	-	-
Difference Between Expected and Actual Experience	(184,090)	(207,789)	42,492	(86,722)	(114,508)
Changes of Assumptions	659,788	4,371,800	-	299,085	-
Benefit Payments	(1,107,441)	(1,052,675)	(1,012,731)	(957,185)	(907,214)
Refunds of Contributions	-	-	-	-	-
Net Change in Total Pension Liability	1,238,809	4,893,553	754,282	923,182	583,256
Total Pension Liability - Beginning	23,622,825	18,729,272	17,974,990	17,051,807	16,468,551
Total Pension Liability - Ending	24,861,634	23,622,825	18,729,272	17,974,989	17,051,807
Plan Net Position					
Contributions - Employer	388,724	395,844	396,989	395,130	362,463
Contributions - Member	287,324	292,809	295,946	294,561	271,514
Net Investment Income	900,132	1,350,389	364,571	429,738	1,444,233
Benefit Payments	(1,107,441)	(1,052,675)	(1,012,731)	(957,183)	(907,214)
Administrative Expenses	(9,908)	(9,848)	(9,661)	(10,598)	(16,619)
Refunds of Contributions	-	-	-	-	-
Other	2,116	-	-	-	-
Net Change in Plan Net Position	460,947	976,519	35,115	151,648	1,154,377
Plan Net Position - Beginning	12,509,356	11,532,838	11,497,724	11,346,076	10,191,699
Prior Period Adjustments	-	-	-	-	-
Plan Net Position - beginning, restated	12,509,357	11,532,838	11,497,724	11,346,076	10,191,699
Plan Net Position - Ending	12,970,303	12,509,357	11,532,839	11,497,724	11,346,076
Net Pension Liability - Ending	\$ 11,891,331	\$ 11,113,468	\$ 7,196,433	\$ 6,477,266	\$ 5,705,731

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET OPEB LIABILITY NEW MEXICO RETIREE HEALTH CARE AUTHORITY

For the Last Ten Years (a) Ending June 30,

(In Thousands)

	Fiscal Year Ended June 30 , 2018	Fiscal Year Ended June 30 , 2017
Service Cost	\$ 188,372	\$ 265,229
Interest	199,584	187,563
Benefit Changes	-	-
Difference Between Expected and Actual Experience	(145,524)	(210,436)
Changes of Assumptions	(225,363)	(958,756)
Claims and Premiums	(122,199)	(113,698)
Net Change in Total Pension Liability	(105,130)	(830,098)
Total Pension Liability - Beginning	5,111,142	5,941,240
Total Pension Liability - Ending	5,006,012	5,111,142
Contributions - Employer	85,402	85,858
Contributions - Member	210,650	196,393
Net Investment Income	49,758	67,760
Claims and Premiums	(321,480)	(294,393)
Administrative Expenses	(3,672)	(4,180)
Other	57,530	55,556
Net Change in Plan Net Position	78,188	106,994
Plan Net Position - Beginning	579,469	472,475
Prior Period Adjustments	-	-
Plan Net Position - beginning, restated	579,469	472,475
Plan Net Position - Ending	657,657	579,469
	<u>\$ 4,348,355</u>	<u>\$ 4,531,673</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 21,382,639	\$ 20,068,143	\$ 19,986,038	\$ 18,516,055	\$ 17,744,187
Plan Net Position	15,210,483	14,798,918	13,826,658	14,255,529	14,424,793
Net Pension Liability	<u>\$ 6,172,156</u>	<u>\$ 5,269,225</u>	<u>\$ 6,159,380</u>	<u>\$ 4,260,526</u>	<u>\$ 3,319,394</u>
Percentage of Plan Net Position to Total Pension Liability	<u>71.13%</u>	<u>73.74%</u>	<u>69.18%</u>	<u>76.99%</u>	<u>81.29%</u>
Covered Payroll	<u>\$ 2,265,036</u>	<u>\$ 2,193,889</u>	<u>\$ 2,326,943</u>	<u>\$ 2,248,254</u>	<u>\$ 2,102,265</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>272.50%</u>	<u>240.18%</u>	<u>264.70%</u>	<u>189.50%</u>	<u>157.90%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 175,810	\$ 176,291	\$ 191,555	\$ 137,038	\$ 132,452
Plan Net Position	91,331	89,616	84,932	88,988	91,141
Net Pension Liability	<u>\$ 84,479</u>	<u>\$ 86,675</u>	<u>\$ 106,623</u>	<u>\$ 48,050</u>	<u>\$ 41,311</u>
Percentage of Plan Net Position to Total Pension Liability	<u>51.95%</u>	<u>50.83%</u>	<u>44.34%</u>	<u>64.94%</u>	<u>68.81%</u>
Covered Payroll	<u>\$ 15,126</u>	<u>\$ 15,493</u>	<u>\$ 15,612</u>	<u>\$ 15,084</u>	<u>\$ 13,163</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>558.50%</u>	<u>559.45%</u>	<u>682.95%</u>	<u>318.54%</u>	<u>313.83%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 69,090	\$ 65,628	\$ 74,519	\$ 63,536	\$ 56,401
Plan Net Position	32,093	32,225	31,038	33,187	35,185
Net Pension Liability	<u>\$ 36,997</u>	<u>\$ 33,403</u>	<u>\$ 43,481</u>	<u>\$ 30,349</u>	<u>\$ 21,216</u>
Percentage of Plan Net Position to Total Pension Liability	<u>46.45%</u>	<u>49.10%</u>	<u>41.65%</u>	<u>52.23%</u>	<u>62.38%</u>
Covered Payroll	<u>\$ 5,638</u>	<u>\$ 5,633</u>	<u>\$ 5,243</u>	<u>\$ 5,066</u>	<u>\$ 3,516</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>656.17%</u>	<u>592.97%</u>	<u>829.29%</u>	<u>599.09%</u>	<u>603.49%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 50,802	\$ 48,503	\$ 48,936	\$ 44,478	\$ 40,881
Plan Net Position	69,287	66,401	61,050	62,103	61,923
Net Pension Liability	<u>\$ (18,485)</u>	<u>\$ (17,898)</u>	<u>\$ (12,114)</u>	<u>\$ (17,625)</u>	<u>\$ (21,042)</u>
Percentage of Plan Net Position to Total Pension Liability	<u>136.39%</u>	<u>136.90%</u>	<u>124.76%</u>	<u>139.63%</u>	<u>151.47%</u>
Covered Payroll	<u>\$ N/A</u>				
Net Pension Liability as a Percentage of Covered Payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 24,861,632	\$ 23,622,824	\$ 18,729,272	\$ 17,974,989	\$ 17,051,807
Plan Net Position	12,970,301	12,509,356	11,532,838	11,497,723	11,346,076
Net Pension Liability	<u>\$ 11,891,331</u>	<u>\$ 11,113,468</u>	<u>\$ 7,196,433</u>	<u>\$ 6,477,266</u>	<u>\$ 5,705,731</u>
Percentage of Plan Net Position to Total Pension Liability	<u>52.17%</u>	<u>52.95%</u>	<u>61.58%</u>	<u>63.97%</u>	<u>66.54%</u>
Covered Payroll	<u>\$ 2,678,215</u>	<u>\$ 2,728,362</u>	<u>\$ 2,740,527</u>	<u>\$ 2,730,320</u>	<u>\$ 2,718,101</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>444.00%</u>	<u>407.33%</u>	<u>262.59%</u>	<u>237.23%</u>	<u>209.92%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY NEW MEXICO RETIREE HEALTH CARE AUTHORITY For the Last Ten Years (a) Ending June 30, (In Thousands)

	Ended June 30, 2018	Ended June 30, 2017
Total OPEB Liability	\$ 5,006,012	\$ 5,111,142
Plan Net Position	<u>657,657</u>	<u>579,469</u>
Net OPEB Liability	<u>\$ 4,348,355</u>	<u>\$ 4,531,673</u>
Percentage of Plan Net Position to Total OPEB Liability	<u>13.14%</u>	<u>11.34%</u>
Covered Payroll	<u>\$ 4,290,617</u>	<u>\$ 4,165,647</u>
Net OPEB Liability as a Percentage of Covered Payroll	<u>101.35%</u>	<u>108.79%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY THE UNIVERSITY OF NEW MEXICO

For the Last Ten Years (a) Ending June 30,
(Amounts are Actual)

	2018	2017
Total OPEB liability		
Service cost	\$ 3,526,500	\$ 3,019,400
Interest	9,469,800	9,058,700
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(6,444,700)	7,114,000
Benefit payments	(4,841,600)	(4,818,100)
Net change in total OPEB liability	\$ 1,710,000	\$ 14,374,000
Total OPEB liability – beginning	153,089,700	138,715,700
Total OPEB liability – ending (a)	\$ 154,799,700	\$ 153,089,700
Plan fiduciary net position		
Contributions – employer	\$ 7,467,800	\$ 7,675,100
Contributions – member	2,625,900	2,856,600
Net investment income	1,615,600	895,000
Benefit payments	(4,841,600)	(4,818,100)
Administrative expense	-	-
Net change in plan fiduciary net position	\$ 6,867,700	\$ 6,608,600
Plan fiduciary net position – beginning	17,044,500	10,435,900
Plan fiduciary net position – ending (b)	\$ 23,912,200	\$ 17,044,500
University's net OPEB liability – ending (a) - (b)	\$ 130,887,500	\$ 136,045,200
Plan fiduciary net position as a percentage of the total OPEB liability	15.45%	11.13%
Covered-employee payroll	\$ 350,452,500	\$ 383,432,900
University's net OPEB liability as a percentage of covered-employee payroll	37.35%	35.48%

Notes to Schedule:

Changes of assumptions: In 2017, the assumed discount rate increased from 6.14% at June 30, 2016 to 6.42% as of June 30, 2017.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY NEW MEXICO STATE UNIVERSITY For the Last Ten Years (a) Ending June 30, (Amounts are Actual)

	2018
Total OPEB liability	
Service Cost	\$ 4,936,250
Interest	5,291,343
Current Recognized deferred outflows/(inflows):	
Changes of assumptions or other inputs	(5,357,825)
Benefit payments	<u>(5,523,530)</u>
Net change in total OPEB liability	\$ (653,762)
Total OPEB liability-beginning	<u>\$ 134,552,969</u>
Total OPEB liability-ending	<u>\$ 133,899,207</u>
Covered-employee payroll	\$ 150,205,439
Total OPEB liability as a percentage of covered-employee payroll	89 %

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY For the Last Ten Years (a) Ending June 30, (Amounts are Actual)

	2018	2017
Total OPEB Liability		
Service cost	\$ 2,697,731	\$ 2,149,935
Interest cost	1,225,228	1,194,327
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(3,354,656)	3,706,743
Benefit payments	(1,490,341)	(930,054)
Net change in total OPEB liability	(922,038)	6,120,951
Total OPEB liability, beginning	31,886,882	25,765,931
Total OPEB liability, ending ^(a)	30,964,844	31,886,882
Plan fiduciary net position		
Contributions: employer	4,998,780	4,936,193
Contributions: member	3,706,201	3,628,635
Net investment income	208,410	29,580
Benefit payments	(1,490,341)	(930,054)
Administrative expenses	(378,843)	(388,416)
Other	(6,132,822)	(5,963,176)
Net change in plan fiduciary position	911,385	1,312,762
Plan fiduciary net position, beginning	2,744,083	1,431,321
Plan fiduciary net position, ending ^(b)	3,655,468	2,744,083
Net OPEB liability, ending ^{(a) - (b)}	\$ 27,309,376	\$ 29,142,799
Plan fiduciary net position as a percentage of the total OPEB liability	11.8%	8.6%
Covered-employee payroll	\$ 28,142,927	\$ 27,958,526
Institute's net OPEB liability as a percentage of covered-employee payroll	97%	104%

Notes to Schedule:

Benefit changes: None

Changes in assumption: In 2017, the assumed discount rate increase from 3.62% at June 30, 2016 to 4.35% as of June 30, 2017.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Statutory Required Contributions	\$ 319,499	\$ 332,473	\$ 324,752	\$ 317,164	\$ 370,766
Actual Employer Contributions	<u>319,499</u>	<u>332,473</u>	<u>324,752</u>	<u>317,164</u>	<u>370,766</u>
Annual Contribution Deficiency	<u>\$ -</u>				
Covered Payroll	<u>\$ 2,265,036</u>	<u>\$ 2,193,889</u>	<u>\$ 2,326,943</u>	<u>\$ 2,248,254</u>	<u>\$ 2,102,265</u>
Annual Contribution as a Percentage of Covered Payroll	<u>14.11%</u>	<u>15.15%</u>	<u>13.96%</u>	<u>14.11%</u>	<u>17.64%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Statutory Required Contributions	\$ 285,560	\$ 274,906	\$ 283,377	\$ 291,683	\$ 311,082
Actual Employer Contributions	285,560	274,906	283,377	291,683	311,082
Annual Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,049,738	\$ 1,994,280	\$ 1,935,014	\$ 1,993,517	\$ 2,081,259
Annual Contribution as a Percentage of Covered Payroll	13.93%	13.78%	14.64%	14.63%	14.95%

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Statutory Required Contributions	\$ 4,908	\$ 4,975	\$ 4,816	\$ 4,919	\$ 6,413
Actual Employer Contributions	4,723	4,524	4,237	4,196	3,741
Annual Contribution Deficiency (Excess)	<u>\$ 185</u>	<u>\$ 451</u>	<u>\$ 579</u>	<u>\$ 723</u>	<u>\$ 2,672</u>
Covered Payroll	<u>\$ 15,126</u>	<u>\$ 15,493</u>	<u>\$ 15,612</u>	<u>\$ 15,084</u>	<u>\$ 13,163</u>
Annual Contribution as a Percentage of Covered Payroll	<u>31.22%</u>	<u>29.20%</u>	<u>27.14%</u>	<u>27.82%</u>	<u>28.42%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION JUDICIAL RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutory Required Contributions	\$ 7,235	\$ 5,835	\$ 5,784	\$ 5,658	\$ 4,690
Actual Employer Contributions	<u>3,527</u>	<u>3,266</u>	<u>3,824</u>	<u>3,699</u>	<u>4,058</u>
Annual Contribution Deficiency (Excess)	<u>\$ 3,708</u>	<u>\$ 2,569</u>	<u>\$ 1,961</u>	<u>\$ 1,959</u>	<u>\$ 632</u>
Covered Payroll	<u>\$ 13,226</u>	<u>\$ 12,691</u>	<u>\$ 12,267</u>	<u>\$ 13,042</u>	<u>\$ 13,011</u>
Annual Contribution as a Percentage of Covered Payroll	<u>26.67%</u>	<u>25.74%</u>	<u>31.17%</u>	<u>28.36%</u>	<u>31.19%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Statutory Required Contributions	\$ 1,588	\$ 1,576	\$ 1,463	\$ 1,967	\$ 1,992
Actual Employer Contributions	<u>1,232</u>	<u>1,282</u>	<u>1,280</u>	<u>937</u>	<u>793</u>
Annual Contribution Deficiency (Excess)	<u>\$ 356</u>	<u>\$ 294</u>	<u>\$ 183</u>	<u>\$ 1,030</u>	<u>\$ 1,199</u>
Covered Payroll	<u>\$ 5,638</u>	<u>\$ 5,633</u>	<u>\$ 5,243</u>	<u>\$ 5,066</u>	<u>\$ 3,516</u>
Annual Contribution as a Percentage of Covered Payroll	<u>21.85%</u>	<u>22.76%</u>	<u>24.42%</u>	<u>18.49%</u>	<u>22.56%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION MAGISTRATE RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Statutory Required Contributions	\$ 2,286	\$ 1,793	\$ 2,014	\$ 1,698	\$ 1,151
Actual Employer Contributions	805	676	895	825	1,000
Annual Contribution Deficiency (Excess)	<u>\$ 1,481</u>	<u>\$ 1,117</u>	<u>\$ 1,119</u>	<u>\$ 873</u>	<u>\$ 151</u>
Covered Payroll	<u>\$ 3,137</u>	<u>\$ 3,214</u>	<u>\$ 3,405</u>	<u>\$ 3,520</u>	<u>\$ 4,129</u>
Annual Contribution as a Percentage of Covered Payroll	<u>25.67%</u>	<u>21.04%</u>	<u>26.27%</u>	<u>23.45%</u>	<u>24.23%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Statutory Required Contributions	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Actual Employer Contributions	750	750	750	750	750
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Annual Contribution as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Statutory Required Contributions	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Actual Employer Contributions	750	750	750	750	750
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Annual Contribution as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Statutory Required Contributions	\$ 546,593	\$ 477,840	\$ 465,341	\$ 450,951	\$ 479,884
Actual Employer Contributions	388,724	395,844	396,989	395,130	362,463
Annual Contribution Deficiency (Excess)	<u>\$ 157,869</u>	<u>\$ 81,996</u>	<u>\$ 68,352</u>	<u>\$ 55,821</u>	<u>\$ 117,421</u>
Covered Payroll	<u>\$ 2,678,215</u>	<u>\$ 2,728,362</u>	<u>\$ 2,740,527</u>	<u>\$ 2,730,320</u>	<u>\$ 2,718,101</u>
Annual Contribution as a Percentage of Covered Payroll	<u>14.51%</u>	<u>14.51%</u>	<u>14.49%</u>	<u>14.47%</u>	<u>13.34%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Statutory Required Contributions	\$ 480,700	\$ 400,461	\$ 377,885	\$ 357,220	\$ 375,431
Actual Employer Contributions	299,658	253,845	308,368	313,282	323,621
Annual Contribution Deficiency (Excess)	<u>\$ 181,042</u>	<u>\$ 146,616</u>	<u>\$ 69,517</u>	<u>\$ 43,938</u>	<u>\$ 51,810</u>
Covered Payroll	<u>\$ 2,706,170</u>	<u>\$ 2,495,300</u>	<u>\$ 2,523,800</u>	<u>\$ 2,575,800</u>	<u>\$ 2,585,700</u>
Annual Contribution as a Percentage of Covered Payroll	<u>11.07%</u>	<u>10.17%</u>	<u>12.22%</u>	<u>12.16%</u>	<u>12.52%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB NEW MEXICO RETIREE HEALTH CARE AUTHORITY For the Last Ten Years (a) Ending June 30, (In Thousands)

	Fiscal Year	
	2018	2017
Statutory Required Contributions	\$ 85,402	\$ 85,858
Actual Employer Contributions	85,402	85,858
Annual Contribution Deficiency	\$ -	\$ -
Covered Payroll	\$ 4,290,617	\$ 4,165,647
Annual Contribution as a Percentage of Covered Payroll	1.99%	2.06%

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB THE UNIVERSITY OF NEW MEXICO

For the Last Ten Years (a) Ending June 30

(Amounts are Actual)

	2018	2017
Actuarially determined contribution	\$ 7,322,500	\$ 7,467,800
Contributions in relation to the actuarially determined contribution	7,322,500	7,467,800
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 321,166,700	\$ 350,452,500
Contributions as a percentage of covered-employee payroll	2.28%	2.13%

Notes to Schedule:

Valuation date January 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal - level % of salary

Asset valuation method Market value of assets

Inflation 3%

Healthcare cost trend rates
Pre-Medicare: 6.5% initially, reduced by decrements to a rate of 5% after six years
Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5% after seven years
Dental: 4%

Salary increases 2%

Investment rate of return 8%, net of OPEB plan investment expenses, including inflation.

Retirement age 62

Mortality RP-2014 headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2016

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY

For the Last Ten Years (a) Ending June 30,

(Amounts are Actual)

	2018	2017
Actuarially determined contribution	\$ 4,808,364	\$ 4,998,780
Contributions in relation to the actuarially determined contribution	<u>4,808,364</u>	<u>4,998,780</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$28,337,003	\$ 28,142,927
Contributions as a percentage of payroll	17.0%	17.8%

Notes to Schedule:

Valuation date January 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal – level % of salary

Asset valuation method Market value of assets

Inflation 2.5%

Healthcare cost trend rates Pre-Medicare: 6% initially, reduced by decrements to a rate of 5.0% after six years
Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5.0% after six years
Dental: 3.0%

Salary increases 3.0%

Investment rate of return 6.0%

Retirement age 64

Mortality RP-2006 headcount-weighted mortality table with fully generational Mortality improvement projections from the central year using Scale MP-2017.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - PENSION PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,

	Fiscal Year				
	2018	2017	2016	2015	2014
Annual Money-weighted Rate of Return, Net of Investment Expenses	6.49%	10.60%	0.70%	1.70%	17.40%

* Information for prior years not available.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - PENSION EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Fiscal Year</u> <u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Money-weighted Rate of Return, Net of Investment Expenses	<u>8.38%</u>	<u>11.91%</u>	<u>2.68%</u>	<u>4.06%</u>	<u>14.71%</u>	<u>11.12%</u>	<u>1.87%</u>	<u>19.30%</u>

* Information for prior years not available.

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - OPEB
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
For the Last Ten Years (a) Ending June 30,**

	<u>Fiscal Year</u>	
	<u>2018</u>	<u>2017</u>
Annual Money-weighted Rate of Return, Net of Investment Expenses	<u>9.06%</u>	<u>13.98%</u>

* Information for prior years not available.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - OPEB THE UNIVERSITY OF NEW MEXICO For the Last Ten Years (a) Ending June 30,

The schedule of investment returns presents multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore, only two years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.77%	11.26%

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - OPEB
NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
For the Last Ten Years (a) Ending June 30,**

The schedule of Institute's OPEB investment returns present multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore, only two years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	9.40%	11.3 %

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

ALL RETIREMENT SYSTEMS

Fiscal Year Ending June 30, 2018

(In Thousands)

	<u>PERS</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Valuation date	June 30, 2017				
Actuarial cost method	Entry Age Normal				
Amortization method	Level Percent of Pay	Level Percent of Pay, Open	Level Percent of Payroll, Open	Level Dollar, Open	30 years, Open-Ended Amortization. Level
Amortization period	Solved for Based on Statutory Rates	30 years	30 years	30 years	30 years, open ended.
Asset valuation method	4 Year Smoothed Market	5 Year Smoothed Market			
Actuarial Assumptions:					
Investment Rate of Return	7.25%	7.25%	7.25%	7.25%	7.25%
SEIR		6.08%	5.21%		
Projected Benefit Payment	100 years	89 years	86 years	100 years	Thru 2050
Payroll Growth	3.00%	3.00%	3.00%	N/A	-
Projected Salary Increases	3.25%-13.5%	4.00%	3.50%	N/A	2.50% Inflation, plus .75% Prod, Inc.
Includes Inflation At	2.50%	2.50%	2.50%	2.50%	3.00%
Mortality Assumption	RPH-2014 Blue Collar Mortality Table	RP-2000 White Collar Mortality Table			
Discount Rate	7.25%	6.08%	5.21%	N/A	5.69%
Municipal Bond Rate	3.89%	3.89%	3.89%	N/A	3.62%

All percentages are stated at an annual rate.

Investment rate of return is net of investment expenses.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS NEW MEXICO RETIREE HEALTH CARE AUTHORITY Fiscal Year Ending June 30, 2018 (In Thousands)

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

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	30 Year Open-Ended Amortization, with the initial payment determined as if the future payments would theoretically increase each year on a level percent of pay basis
Amortization period	30 Years, Open ended
Asset valuation method	Market Value
Investment Rate of Return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Discount rate	3.81%
Projected payroll increases	3.50% to 12.50% based on years of service, including inflation
Health care cost trend rate:	
Prescription Drug & Medical (Under Age 65, Age 65, and Over)	8.0% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs.

Note: Certain amounts in the above schedule were corrected for rounding errors and certain prior-year amounts were restated.

The Following Presents Required Supplementary Information for the Employer Reporting of
Pension and OPEB Amounts

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2018

(In Thousands)

<u>PERA - State-Funded Divisions</u>	<u>Measurement Date</u>			
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
State proportion of the net pension liability	\$ 2,767,431	\$ 3,156,785	\$ 2,243,965	\$ 1,795,898
State proportionate share of the net pension liability	52.52%	51.25%	52.70%	54.10%
State covered payroll (b)	\$ 1,030,651	\$ 1,192,558	\$ 1,184,830	\$ 1,137,325
State proportionate share of the net pension liability as a percentage of its covered payroll	268.51%	264.71%	189.39%	157.91%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	76.99%	81.29%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

PERA - Judicial Fund	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	\$ 86,675	\$ 106,623	\$ 48,050	\$ 41,311
State proportionate share of the net pension liability	100.00%	100.00%	100.00%	100.00%
State covered payroll (b)	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
State proportionate share of the net pension liability as a percentage of its covered payroll	559.45%	682.95%	318.54%	313.83%
Plan fiduciary net position as a percentage of the total pension liability	50.83%	44.34%	64.94%	68.81%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

PERA - Magistrate Fund	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	\$ 33,403	\$ 43,481	\$ 30,349	\$ 21,216
State proportionate share of the net pension liability	100.00%	100.00%	100.00%	100.00%
State covered payroll (b)	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
State proportionate share of the net pension liability as a percentage of its covered payroll	592.99%	829.29%	599.09	603.49%
Plan fiduciary net position as a percentage of the total pension liability	49.10%	41.65%	52.23%	62.38%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2018
(In Thousands)

PERA - Volunteer Firefighters Fund	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability (asset)	\$ (17,898)	\$ (12,114)	\$ (17,625)	\$ (21,042)
State proportionate share of the net pension liability	100.00%	100.00%	100.00%	100.00%
State covered payroll (b)	*	*	*	*
State proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

* There is no covered payroll. The State Legislature provides a contribution of \$750 thousand per year.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

<u>ERB - State Agencies</u>	<u>Measurement Date</u>			
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
State proportion of the net pension liability	\$ 30,486	\$ 21,580	\$ 22,015	\$ 19,127
State proportionate share of the net pension liability	0.27%	0.30%	0.34%	0.34%
State covered payroll (b)	\$ 7,367	\$ 8,564	\$ 9,280	\$ 9,242
State proportionate share of the net pension liability as a percentage of its covered payroll	413.82%	251.99%	237.23%	206.96%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

ERB - Educational Institutions	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	\$ 3,200,504	\$ 2,061,616	\$ 1,868,432	\$ 1,665,276
State proportionate share of the net pension liability	28.80%	28.65%	28.85%	29.19%
State covered payroll (b)	\$ 785,768	\$ 784,874	\$ 787,588	\$ 930,167
State proportionate share of the net pension liability as a percentage of its covered payroll	407.31%	262.67%	237.23%	179.03%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	<u>Measurement Date</u>	
<u>Retiree Health Care - State-Funded Divisions</u>	<u>June 30, 2017</u>	
State proportion of the net OPEB liability	\$	1,093,162
State proportionate share of the net OPEB liability		24.12%
State covered payroll (b)	\$	1,035,550
State proportionate share of the net OPEB liability as a percentage of its covered payroll		105.56%
Plan fiduciary net position as a percentage of the total OPEB liability		11.34%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,

(In Thousands)

	<u>Measurement Date</u>	
<u>Retiree Health Care - Educational Institutions</u>	<u>June 30, 2017</u>	
State proportion of the net OPEB liability	\$	130,892
State proportionate share of the net OPEB liability		2.89%
State covered payroll (b)	\$	123,997
State proportionate share of the net OPEB liability as a percentage of its covered payroll		105.56%
Plan fiduciary net position as a percentage of the total OPEB liability		11.34%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

The Following Presents Required Supplementary Information for the State as Employer

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS

For the Last Ten Years (a) Ending June 30, 2018

(In Thousands)

<u>PERA - State-Funded Divisions</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
Contractually required contributions	\$ 174,957	\$ 184,801	\$ 171,144	\$ 176,397
Contributions in relation to contractually required contributions	174,957	184,801	171,144	176,397
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State covered payroll	\$ 1,030,651	\$ 1,192,558	\$ 1,184,830	\$ 1,137,393
Contributions as a percentage of covered payroll	16.98%	15.50%	14.44%	15.51%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2018

(In Thousands)

<u>PERA - Judicial Fund</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Contractually required contributions	\$ 4,908	\$ 4,975	\$ 4,816	\$ 4,919	\$ 6,413
Contributions in relation to contractually required contributions	4,723	4,524	4,237	4,196	3,741
Contribution deficiency	<u>\$ 185</u>	<u>\$ 451</u>	<u>\$ 579</u>	<u>\$ 723</u>	<u>\$ 2,672</u>
State covered payroll	\$ 15,126	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
Contributions as a percentage of covered payroll	31.23%	29.20%	27.14%	27.82%	28.42%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2018

(In Thousands)

PERA - Magistrate Fund	FY2018	FY2017	FY2016	FY2015	FY2014
Contractually required contributions	\$ 1,588	\$ 1,576	\$ 1,463	\$ 1,967	\$ 1,992
Contributions in relation to contractually required contributions	1,232	1,282	1,280	937	793
Contribution deficiency	<u>\$ 356</u>	<u>\$ 294</u>	<u>\$ 183</u>	<u>\$ 1,030</u>	<u>\$ 1,199</u>
State covered payroll	\$ 5,638	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
Contributions as a percentage of covered payroll	21.85%	22.76%	24.42%	18.49%	22.56%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2018

(In Thousands)

<u>PERA - Volunteer Firefighters Fund</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Statutorily determined contribution *	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Contributions in relation to statutorily determined contributions	750	750	750	750	750
Contribution deficiency	<u>\$ -</u>				
State covered payroll	*	*	*	*	*
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

* There is no covered payroll. The State Legislature provides a contribution of \$750 thousand per year.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2018

(In Thousands)

<u>ERB - State Agencies</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
Contractually required contributions	\$ 1,112	\$ 1,190	\$ 1,343	\$ 1,215
Contributions in relation to contractually required contributions	1,112	1,190	1,343	1,215
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State covered payroll	7,367	8,564	9,280	9,240
Contributions as a percentage of covered payroll	15.09%	13.90%	14.47%	13.15%

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STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2018

(In Thousands)

ERB - Educational Institutions	FY2018	FY2017	FY2016	FY2015
Contractually required contributions	\$ 111,586	\$ 113,728	\$ 109,475	\$ 129,246
Contributions in relation to contractually required contributions	111,586	113,728	113,979	105,788
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,504)</u>	<u>\$ 23,458</u>
Educational Institutions' covered payroll	785,768	783,792	787,588	929,829
Contributions as a percentage of covered payroll	14.20%	14.51%	14.47%	11.38%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2018

(In Thousands)

<u>Retiree Health Care - State-Funded Divisions</u>	<u>FY2018</u>
Contractually required contributions	\$ 20,602
Contributions in relation to contractually required contribution	20,602
Contribution deficiency	<u>\$ -</u>
State covered payroll	\$ 1,030,100
Contributions as a percentage of covered payroll	2.00%

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(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2018

(In Thousands)

<u>Retiree Health Care - Educational Institutions</u>	<u>FY2018</u>
Contractually required contributions	\$ 2,575
Contributions in relation to contractually required contribution	2,575
Contribution deficiency	<u>\$ -</u>
State covered payroll	\$ 128,727
Contributions as a percentage of covered payroll	2.00%

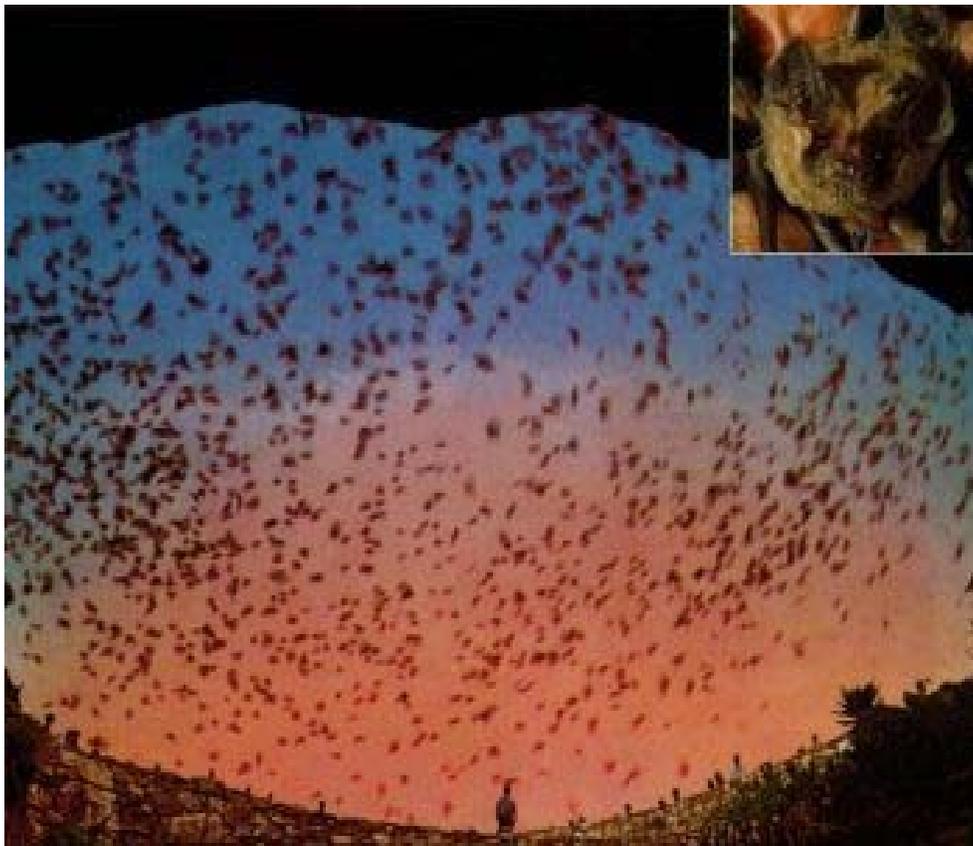
(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION



FLIGHT OF THE BATS, CARLSBAD CAVERNS
SOURCE - WWW.PINTEREST.COM

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR PROPRIETARY FUNDS COMBINING FINANCIAL STATEMENTS

Enterprise Funds

Enterprise funds report the activities for which fees are charged to external users for goods and services. Enterprise Funds are presented beginning on page 209.

Internal Service Funds

Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public. Internal Service Funds are presented beginning on page 221.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR ENTERPRISE FUNDS COMBINING FINANCIAL STATEMENTS

Industries for the Blind – The New Mexico Commission for the Blind’s mission is to encourage and enable the State’s blind citizens to achieve vocational, economic, and social equality. This proprietary fund is used to provide career training and other assistance for New Mexico’s blind citizens and entails the operations of the Albuquerque Training Center.

Corrections Industries Revolving Fund – This fund is used to account for certain activities of the Corrections Industries Division of the Department of Corrections. These activities include the manufacture of furniture and textiles, production of agricultural crops, and data entry services.

Environment Department – This fund is used to account for revolving loans for wastewater and drinking water facilities.

New Mexico Magazine – New Mexico Magazine is a program of the Department of Tourism. The fund accounts for the publishing and distribution of the monthly New Mexico Magazine.

New Mexico Public Schools Insurance Authority (NMPSIA) – NMPSIA is a self-insurance pool that provides various benefits and risk coverage to participating public schools, school board members and public school employees, plus retired board members and employees. Coverage provided includes property, casualty, workers’ compensation, health, life, and disability.

State Infrastructure Bank – The State Infrastructure Bank is a proprietary fund administered by the Department of Transportation. The fund is used to account for loans made for road projects.

Miners’ Colfax Medical Center – Miners’ Colfax Medical Center is a State owned medical facility in Raton, New Mexico. The current organization is a result of a merger between the Miners’ Hospital and Northern Colfax County Hospital. Miners’ Colfax operates a 33-bed acute care hospital; a 49 bed extended care facility and various outpatient clinics in Raton, New Mexico. Miners’ Colfax has programs that serve both miners and non-miners. Information for the fiscal year ended June 30, 2018 was not available for this entity, so FY14 information has been provided.

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

State Fair Commission – This fund administers the operations of the annual New Mexico State Fair and the use of the Fairgrounds facilities during the year

Department of Cultural Affairs – This fund administers the enterprise operations of the Department of Cultural Affairs.

Education Trust Board – The Education Trust Board of New Mexico operates as a self-sustaining entity which is administratively connected to the NM Department of Higher Education. This fund administers New Mexico’s Section 529 College Savings Plans under rules promulgated by the Board. The financial statements of the two savings plans are presented as a private purpose fiduciary trust fund.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

June 30, 2018

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ -	\$ 2	\$ -	\$ -	\$ 5,983	\$ -
Investment in the State General Fund Investment Pool	151	1,211	157,824	1,667	602	20,494
Investment in the Local Government Investment Pool	-	-	-	-	80,193	-
Prepaid Expenses and Other Assets	-	1	-	66	256	-
Due From Other Funds	-	-	-	-	-	-
Receivables, Net	27	1,988	11,656	74	7,434	628
Investments	-	-	-	-	-	-
Inventories	-	1,007	-	4	-	-
Total Current Assets	<u>178</u>	<u>4,209</u>	<u>169,480</u>	<u>1,811</u>	<u>94,468</u>	<u>21,122</u>
Noncurrent Assets:						
Restricted Cash and Cash Equivalent	-	-	-	-	-	-
Loans Receivable	-	-	177,417	-	-	-
Investments	-	-	-	-	27,235	-
Nondepreciable Capital Assets	-	-	-	-	237	-
Capital Assets, Net	33	888	-	-	62	-
Total Noncurrent Assets	<u>33</u>	<u>888</u>	<u>177,417</u>	<u>-</u>	<u>27,534</u>	<u>-</u>
Total Assets	<u>211</u>	<u>5,097</u>	<u>346,897</u>	<u>1,811</u>	<u>122,002</u>	<u>21,122</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - OPEB	2	23	-	9	13	-
Deferred Outflows - Pension	47	595	-	224	328	-
Total Deferred Outflows	<u>49</u>	<u>618</u>	<u>-</u>	<u>233</u>	<u>341</u>	<u>-</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2018

(In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 708	\$ 447,798	\$ 1,451	-	-	\$ 455,942
Investment in the State General Fund						
Investment Pool	4,271	-	1,181	478	505	188,384
Investment in the Local Government						
Investment Pool	-	-	-	-	8,534	88,728
Prepaid Expenses and Other Assets	-	-	-	-	54	377
Due From Other Funds	-	-	-	-	-	-
Receivables, Net	4,733	44,508	34	-	382	71,463
Investments	-	-	-	-	-	-
Inventories	837	-	-	-	-	1,848
Total Current Assets	10,549	492,306	2,666	478	9,475	806,742
Noncurrent Assets:						
Restricted Cash and Cash Equivalent	-	-	-	-	-	-
Loans Receivable	-	-	-	-	-	177,417
Investments	1,001	-	-	-	-	28,236
Nondepreciable Capital Assets	710	-	820	-	-	1,767
Capital Assets, Net	24,050	-	40,156	19	-	65,208
Total Noncurrent Assets	25,761	-	40,976	19	-	272,628
Total Assets	36,310	492,306	43,642	497	9,475	1,079,370
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - OPEB	189	-	31	-	3	270
Deferred Outflows - Pension	4,843	-	804	-	75	6,916
Total Deferred Outflows	5,032	-	835	-	78	7,186

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2018

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
LIABILITIES						
Current Liabilities:						
Deficiency in SGFIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	5	905	-	83	272	-
Accrued Liabilities	7	57	-	28	40	-
Unearned Revenue	-	10	1,100	142	105	-
Due to Other Funds	-	-	-	-	-	-
Funds Held for Others	-	-	-	-	-	-
Bonds Payable - Current Portion	-	-	-	-	-	-
Other Liabilities - Current Portion	-	80	-	654	28,823	-
Total Current Liabilities	12	1,052	1,100	907	29,240	-
Noncurrent Liabilities:						
Bonds Payable	-	-	-	-	-	-
Net Pension Liability	244	3,086	-	1,161	1,698	-
Net OPEB Liability	97	1,229	-	462	676	-
Other Liabilities	-	-	-	264	69,985	-
Total Noncurrent Liabilities	341	4,315	-	1,887	72,359	-
Total Liabilities	353	5,367	1,100	2,794	101,599	-
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - OPEB	22	280	-	105	154	-
Deferred Inflows - Pension	21	265	-	100	146	-
	43	545	-	205	300	-
NET POSITION						
Net Investment in Capital Assets	33	888	-	-	299	-
Restricted for:						
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Unemployment and Insurance	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Other Purposes	167	3,157	345,797	70	30,519	21,122
Unrestricted (Deficit)	(336)	(4,242)	-	(1,025)	(10,374)	-
Total Net Position	\$ (136)	\$ (197)	\$ 345,797	\$ (955)	\$ 20,444	\$ 21,122

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2018

(In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
LIABILITIES						
Current Liabilities:						
Deficiency in SGFIP	\$ -	\$ 29	\$ -	\$ -	\$ -	\$ 29
Accounts Payable	813	64	313	197	44	2,696
Accrued Liabilities	754	5,674	79	-	8	6,647
Unearned Revenue	-	11,520	-	-	-	12,877
Due to Other Funds	-	-	40	-	-	40
Funds Held for Others	224	73	110	-	-	407
Bonds Payable - Current Portion	1,005	-	-	-	-	1,005
Other Liabilities - Current Portion	699	374	5,151	-	12	35,793
Total Current Liabilities	3,495	17,734	5,693	197	64	59,494
Noncurrent Liabilities:						
Bonds Payable	9,025	-	-	-	-	9,025
Net Pension Liability	25,102	-	4,168	-	391	35,850
Net OPEB Liability	9,998	-	1,660	-	156	14,278
Other Liabilities	120	-	-	-	-	70,369
Total Noncurrent Liabilities	44,245	-	5,828	-	547	129,522
Total Liabilities	47,740	17,734	11,521	197	611	189,016
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - OPEB	2,276	-	378	-	35	3,250
Deferred Inflows - Pension	2,152	-	357	-	33	3,074
	4,428	-	735	-	68	6,324
NET POSITION						
Net Investment in Capital Assets	14,688	-	40,976	19	-	56,903
Restricted for:						
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Unemployment and Insurance Loans	-	-	-	-	-	-
Other Purposes	1,838	474,572	1,287	-	9,410	887,939
Unrestricted (Deficit)	(27,352)	-	(10,042)	281	(536)	(53,626)
Total Net Position	\$ (10,826)	\$ 474,572	\$ 32,221	\$ 300	\$ 8,874	\$ 891,216

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2018 (In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
OPERATING REVENUES						
Charges for Services	\$ 3,840	\$ 11,318	\$ -	\$ 2,884	\$ 373,489	\$ -
Unemployment Insurance	-	-	-	-	-	-
Federal Revenue	-	-	6,474	-	-	-
Loan and Other Income	-	-	4,171	-	-	185
Other Operating Revenues	65	-	2,154	-	-	-
Total Operating Revenues	3,905	11,318	12,799	2,884	373,489	185
OPERATING EXPENSES						
Benefits, Claims, and Premiums	-	-	-	-	4,293	-
General and Administrative Expenses	210	3,175	1,526	2,628	350,680	-
Insurance Losses	-	-	-	-	-	-
Depreciation Expense	19	161	-	-	23	-
Other Operating Expenses	3,749	8,238	-	33	-	-
Total Operating Expenses	3,978	11,574	1,526	2,661	354,996	-
Operating Income (Loss)	(73)	(256)	11,273	223	18,493	185
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Income	-	8	-	-	2,858	-
Interest Expense on Capital Asset- related Debt	-	-	-	-	-	-
Government Grants and Contracts	-	-	-	-	-	-
Other Revenue (Expenses)	5	299	-	-	819	-
Total Nonoperating Revenues (Expenses)	5	307	-	-	3,677	-
Income (Loss) Before Transfers	(68)	51	11,273	223	22,170	185
CAPITAL CONTRIBUTIONS AND ENDOWMENTS						
Capital Grants and Gifts	-	-	-	-	-	-
TRANSFERS						
Transfers In	-	-	-	-	1,356	-
Transfer In Components of State	-	-	-	-	-	-
Transfer Out Components of State	-	-	-	-	-	-
Transfers Out	-	(225)	(937)	-	(1,356)	-
Total Transfers	-	(225)	(937)	-	-	-
Change in Net Position	(68)	(174)	10,336	223	22,170	185
Net Position - Beginning, as Restated	(68)	(23)	335,461	(1,178)	(1,726)	20,937
Net Position - Ending	\$ (136)	\$ (197)	\$ 345,797	\$ (955)	\$ 20,444	\$ 21,122

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED) For the Year Ended June 30, 2018 (In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
OPERATING REVENUES						
Charges for Services	\$ 22,032	\$ 243	\$ 11,469	\$ -	\$ 2,623	\$ 427,898
Unemployment Insurance	-	167,975	-	-	-	167,975
Federal Revenue	7,794	4,545	-	-	-	18,813
Loan and Other Income	121	9,800	-	-	-	14,277
Other Operating Revenues	50	3,718	923	3	-	6,913
Total Operating Revenues	29,997	186,281	12,392	3	2,623	635,876
OPERATING EXPENSES						
Benefits, Claims, and Premiums	-	166,040	-	-	-	170,333
General and Administrative Expenses	32,470	-	13,761	-	2,317	406,767
Insurance Losses	-	-	-	-	-	-
Depreciation Expense	2,052	-	2,596	7	-	4,858
Other Operating Expenses	284	-	-	-	-	12,304
Total Operating Expenses	34,806	166,040	16,357	7	2,317	594,262
Operating Income (Loss)	(4,809)	20,241	(3,965)	(4)	306	41,614
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Income	14	-	-	-	109	2,989
Interest Expense on Capital Asset- related Debt	-	-	-	-	-	-
Government Grants and Contracts	587	-	-	-	-	587
Other Revenue (Expenses)	-	-	-	-	-	1,123
Total Nonoperating Revenues (Expenses)	601	-	-	-	109	4,699
Income (Loss) Before Transfers	(4,208)	20,241	(3,965)	(4)	415	46,313
CAPITAL CONTRIBUTIONS AND ENDOWMENTS						
Capital Grants and Gifts	-	-	-	-	-	-
TRANSFERS						
Transfers In	12,722	-	262	-	-	14,340
Transfer In Components of State	-	-	-	-	-	-
Transfer Out Components of State	-	-	-	-	-	-
Transfers Out	(6,000)	-	-	-	-	(8,518)
Total Transfers	6,722	-	262	-	-	5,822
Change in Net Position	2,514	20,241	(3,703)	(4)	415	52,135
Net Position - Beginning, as Restated	(13,340)	454,331	35,924	304	8,459	839,081
Net Position - Ending	\$ (10,826)	\$ 474,572	\$ 32,221	\$ 300	\$ 8,874	\$ 891,216

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2018 (In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	Public Schools Insurance Authority	State Infrastructure Bank
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from:						
Fees for Service	\$ 4,196	\$ -	\$ -	\$ 2,927	\$ 367,475	\$ -
Sale of Products	-	11,132	-	-	-	-
Gifts, Grants, and Contracts	-	-	4,948	-	-	-
Loan and Note Repayments	-	-	15,490	-	(285,429)	-
Unemployment Insurance	-	-	-	-	-	-
Other Sources	-	-	3,453	-	-	177
Cash Payments to or for:						
Suppliers	(4,112)	(9,657)	-	(2,048)	(47,000)	-
Employees	(102)	(1,760)	-	(621)	-	-
Unemployment Benefits	-	-	-	-	-	-
Loans, Loan Losses, Insurance Losses	-	-	-	-	-	-
Other Payments	-	-	(24,128)	-	(22,149)	94
Net Cash Provided (Used) by Operating Activities	(18)	(285)	(237)	258	12,897	271
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	-	-	1,356	-
Transfers Out	-	(225)	(937)	-	(1,356)	-
Gifts for Other Than Capital Purposes	-	-	-	-	-	-
Intergovernmental Receipts	-	-	1,100	-	-	-
Other Noncapital Financing	5	-	-	-	819	-
Net Cash Provided by Noncapital Financing Activities	5	(225)	163	-	819	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	-	(186)	-	-	-	-
Capital Gifts, Grants, and Contracts	-	-	-	-	-	-
Capital Debt Service Payments - Principal	-	-	-	-	-	-
Capital Debt Service Payments - Interest	-	-	-	-	-	-
Capital Contributions and Debt Proceeds	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-
Other Capital Financing	-	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(186)	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts of Interest and Dividends of Investments	-	8	-	-	1,062	-
Purchase of Investments	-	-	-	-	-	-
Receipts of Rent	-	260	-	-	-	-
Proceeds from Sale and Maturity of Investments	-	-	-	-	-	-
Net Cash Provided (Used) by Investing Activities	-	268	-	-	1,062	-
Net Increase (Decrease) in Cash and Cash Equivalents at Beginning of Year	(13)	(428)	(74)	258	14,778	271
Cash and Cash Equivalents at End of Year	164	1,641	157,898	1,408	72,000	20,223
Cash and Cash Equivalents at End of Year	\$ 151	\$ 1,213	\$ 157,824	\$ 1,667	\$ 86,778	\$ 20,494
Cash and Cash Equivalents						
Unrestricted	\$ -	\$ 2	\$ -	\$ -	\$ 5,983	\$ -
Restricted	-	-	-	-	-	-
Investment in State Gen. Fund Investment Pool	151	1,211	157,824	1,667	602	20,494
Investment in Local Government Invest Pool	-	-	-	-	80,193	-
Total Cash and Cash Equivalents	\$ 151	\$ 1,213	\$ 157,824	\$ 1,667	\$ 86,778	\$ 20,494

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2018

(In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from:						
Fees for Service	\$ 23,663	\$ -	\$ 12,330	\$ -	\$ -	\$ 410,591
Sale of Products	-	-	-	-	-	11,132
Gifts, Grants, and Contracts	-	4,642	-	-	2,542	12,132
Loan and Note Repayments	-	-	-	-	-	(269,939)
Unemployment Insurance	-	175,140	-	-	-	175,140
Other Sources	4,827	9,921	-	-	-	18,378
Cash Payments to or for:						
Suppliers	(14,139)	-	(6,858)	-	-	(83,814)
Employees	(16,649)	-	(5,892)	-	(1,953)	(26,977)
Unemployment Benefits	-	(164,406)	-	-	-	(164,406)
Loans, Loan Losses, Insurance Losses	-	-	-	-	-	-
Other Payments	-	-	-	-	-	(46,183)
Net Cash Provided (Used) by Operating Activities	(2,298)	25,297	(420)	-	589	36,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	12,722	-	262	-	-	14,340
Transfers Out	(6,000)	-	-	-	-	(8,518)
Gifts for Other Than Capital Purposes	-	-	-	-	-	-
Intergovernmental Receipts	-	-	-	-	-	1,100
Other Noncapital Financing	-	-	-	-	-	824
Net Cash Provided by Noncapital Financing Activities	6,722	-	262	-	-	7,746
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	(333)	-	(421)	-	-	(940)
Capital Gifts, Grants, and Contracts	587	-	-	-	-	587
Capital Debt Service Payments - Principal	(1,076)	-	-	-	-	(1,076)
Capital Debt Service Payments - Interest	-	-	-	-	-	-
Capital Contributions and Debt Proceeds	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-
Other Capital Financing	-	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(822)	-	(421)	-	-	(1,429)
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts of Interest and Dividends of Investments	14	-	-	-	109	1,193
Purchase of Investments	-	-	-	-	-	-
Receipts of Rent	-	-	-	-	-	260
Proceeds from Sale and Maturity of Investments	-	-	-	-	-	-
Net Cash Provided (Used) by Investing Activities	14	-	-	-	109	1,453
Net Increase (Decrease) in Cash	3,616	25,297	(579)	-	698	43,824
Cash and Cash Equivalents at Beginning of Year	1,364	422,502	3,211	478	8,341	689,230
Cash and Cash Equivalents at End of Year	\$ 4,979	\$ 447,798	\$ 2,632	\$ 478	\$ 9,039	\$ 733,054
Cash and Cash Equivalents						
Unrestricted	\$ 708	\$ 447,798	\$ 1,451	\$ -	\$ -	\$ 455,943
Restricted	-	-	-	-	-	-
Investment in State Gen. Fund Investment Pool	4,271	-	1,181	478	505	188,384
Investment in Local Government Invest Pool	-	-	-	-	8,534	88,727
Total Cash and Cash Equivalents	\$ 4,979	\$ 447,798	\$ 2,632	\$ 478	\$ 9,039	\$ 733,054

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2018

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (73)	\$ (256)	\$ 11,273	\$ 223	\$ 18,493	\$ 185
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	19	161	-	-	23	-
Change in net pension liability	40	301	-	16	220	-
Change in net OPEB liability	2	26	-	9	14	-
Change in deferred outflows of resources	-	-	-	-	-	-
Change in deferred inflows of resources	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	3,331	-
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables/Due From Other Funds	291	(186)	(780)	37	(9,486)	-
Notes/Loans	-	-	(10,730)	-	-	86
Inventories	-	78	-	3	-	-
Prepaid Items/Other Assets	-	-	-	7	-	-
Claims Payable	-	-	-	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	(297)	(409)	-	(85)	285	-
Loss Adjustments	-	-	-	-	-	-
Unearned Revenue	-	-	-	48	17	-
Net Cash Provided (Used) by Operating Activities	\$ (18)	\$ (285)	\$ (237)	\$ 258	\$ 12,897	\$ 271

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2018

(In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
ECONCILIATION OF OPERATING INCOME						
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (4,809)	\$ 20,241	\$ (3,965)	\$ (4)	\$ 306	\$ 41,614
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	2,052	-	2,596	7	-	4,858
Change in net pension liability	1,719	-	474	-	349	3,119
Change in net OPEB liability	209	-	35	-	3	298
Change in deferred outflows of resources	-	-	-	-	-	-
Change in deferred inflows of resources	-	-	-	-	-	-
Bad Debt Expense	1,570	-	-	-	-	4,901
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables/Due From Other Funds	(3,077)	3,562	(7)	(3)	(81)	(9,730)
Notes/Loans	-	-	-	-	-	(10,644)
Inventories	192	-	-	-	-	273
Prepaid Items/Other Assets	-	-	-	-	43	50
Claims Payable	-	-	-	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	(154)	1,494	447	-	(31)	1,250
Loss Adjustments	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	65
Net Cash Provided (Used) by Operating Activities	\$ (2,298)	\$ 25,297	\$ (420)	\$ -	\$ 589	\$ 36,054

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR INTERNAL SERVICE FUNDS COMBINING FINANCIAL STATEMENTS June 30, 2018

Fleet Operations – This fund accounts for the operations of the Transportation Motor Pool and the State Aircraft Pool, which provide ground and air transportation services to all state agencies on a fee basis.

Risk Management – This fund provides insurance coverage for all state agencies. Areas covered include public liability, workers compensation, group health and life, unemployment compensation, surety bond, and property insurance. Agencies are charged a premium based on several factors, including history and number of employees.

Printing and Records – This fund accounts for the provision of printing services of all kinds to state agencies according to an approved fee schedule. The fund also includes services for the retention and storage of public records for all state agencies, which pay an assessment based on size and usage.

Communications Services – This fund provides voice and data telecommunications services to all state agencies, which are assessed an annual fee based on size and prior usage.

Information Processing – This fund provides automated data processing services for all state agencies, which are assessed an annual fee based on size and prior usage.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR INTERNAL SERVICE FUNDS

June 30, 2018

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Total
ASSETS						
Current Assets:						
Investment in the State General Fund						
Investment Pool	\$ 1,722	\$ 110,939	\$ 1,800	\$ (2,860)	\$ 42,171	\$ 153,772
Due From Other Funds	-	-	-	-	-	-
Receivables, Net	6	1,003	70	15,467	22	16,568
Inventories and Other Assets	-	-	4	-	13	17
Total Current Assets	1,728	111,942	1,874	12,607	42,206	170,357
Noncurrent Assets:						
Nondepreciable Capital Assets	-	-	9	-	1,566	1,575
Capital Assets, Net	4,655	5	396	21,503	26,445	53,004
Total Noncurrent Assets	4,655	5	405	21,503	28,011	54,579
Total Assets	6,383	111,947	2,279	34,110	70,217	224,936
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - OPEB	21	45	83	128	70	347
Deferred Outflows - Pension	542	1,162	2,138	3,295	1,796	8,933
Total Deferred Outflows	563	1,207	2,221	3,423	1,866	9,280
LIABILITIES						
Current Liabilities:						
Accounts Payable	436	12,874	355	2,208	2,354	18,227
Accrued Liabilities	58	119	130	327	152	786
Unearned Revenue	-	759	-	-	-	759
Due to Other Funds	-	-	6	-	-	6
Funds Held for Others	-	-	-	-	-	-
Other Liabilities	93	95,097	169	508	245	96,112
Total Current Liabilities	587	108,849	660	3,043	2,751	115,890
Noncurrent Liabilities:						
Net Pension Liability	2,809	6,022	11,082	17,079	9,308	46,300
Net OPEB Liability	1,119	2,399	4,414	6,803	3,708	18,443
Other Liabilities	10	77,511	-	-	-	77,521
Total Noncurrent Liabilities	3,938	85,932	15,496	23,882	13,016	142,264
Total Liabilities	4,525	194,781	16,156	26,925	15,767	258,154
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - OPEB	255	546	1,005	1,548	844	4,198
Deferred Inflows - Pension	241	516	950	1,464	798	3,969
Total Deferred Inflows	496	1,062	1,955	3,012	1,642	8,167
NET POSITION						
Net Investment in Capital Assets	4,655	6	411	21,503	28,012	54,587
Restricted for Other Purposes	-	-	-	4,656	44,364	49,020
Unrestricted (Deficit)	(2,730)	(82,695)	(14,022)	(18,563)	(17,702)	(135,712)
Total Net Position	\$ 1,925	\$ (82,689)	\$ (13,611)	\$ 7,596	\$ 54,674	\$ (32,105)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR INTERNAL SERVICE FUNDS For the Year Ended June 30, 2018 (In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Total
OPERATING REVENUES						
Charges for Services	\$ 6,846	\$ 415,286	\$ 2,283	\$ 50,068	\$ 9,871	\$ 484,354
Other Operating Revenues	35	1	4	211	23	274
Interest Income	-	1,092	-	-	-	1,092
Total Operating Revenues	6,881	416,379	2,287	50,279	9,894	485,720
OPERATING EXPENSES						
General and Administrative Expenses	6,548	426,786	9,256	36,106	10,087	488,783
Depreciation Expense	1,116	10	73	3,905	3,078	8,182
Other Operating Expenses	(204)	367	58	-	-	221
Total Operating Expenses	7,460	427,163	9,387	40,011	13,165	497,186
Operating Income (Loss)	(579)	(10,784)	(7,100)	10,268	(3,271)	(11,466)
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Income	-	-	-	-	155	155
Gain (Loss) on Sale of Capital Assets	107	-	160	-	-	267
Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	107	-	160	-	155	422
Income (Loss) Before Transfers	(472)	(10,784)	(6,940)	10,268	(3,116)	(11,044)
TRANSFERS						
Transfers In	1,098	5,085	3,639	2,671	-	12,493
Transfers Out	(393)	(7,973)	(76)	-	-	(8,442)
Total Transfers	705	(2,888)	3,563	2,671	-	4,051
Special Item	-	-	-	-	-	-
Change in Net Position	233	(13,672)	(3,377)	12,939	(3,116)	(6,993)
Net Position - Beginning	1,692	(69,017)	(10,234)	(5,343)	57,790	(25,112)
Net Position - Ending	\$ 1,925	\$ (82,689)	\$ (13,611)	\$ 7,596	\$ 54,674	\$ (32,105)

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR INTERNAL SERVICE FUNDS

June 30, 2018

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from:						
Fees for Service	\$ 7,446	\$ 412,856	\$ 2,301	\$ 48,367	\$ 10,068	\$ 481,038
Other Sources	35	(5,076)	169	(11,434)	-	(16,306)
Cash Payments to or for:						
Suppliers	(4,357)	(361,066)	(2,126)	(28,495)	(5,268)	(401,312)
Employees	(1,636)	(60,679)	(3,260)	(9,417)	(4,146)	(79,138)
Net Cash Provided (Used) by Operating Activities	1,488	(13,965)	(2,916)	(979)	654	(15,718)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	1,098	5,085	3,639	2,671	-	12,493
Transfers Out	(393)	(7,973)	(76)	-	-	(8,442)
Net Cash Provided (Used) by Noncapital Financing Activities	705	(2,888)	3,563	2,671	-	4,051
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Sale of Capital Assets	107	-	-	-	-	107
Other	-	-	-	(17,080)	26,026	8,946
Acquisition of Capital Assets	(885)	-	(333)	-	(10,663)	(11,881)
Net Cash Provided (Used) by Capital and Related Financing Activities	(778)	-	(333)	(17,080)	15,363	(2,828)
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts of Interest and Dividends of Investments	-	-	-	-	155	155
Net Cash Provided (Used) by Investing Activities	-	-	-	-	155	155
Net Increase (Decrease) in Cash and Cash Equivalents at Beginning of Year, as Restated	1,415	(16,853)	314	(15,388)	16,172	(14,340)
Cash and Cash Equivalents at End of Year	307	127,792	1,486	12,528	25,999	168,112
Cash and Cash Equivalents at End of Year	\$ 1,722	\$ 110,939	\$ 1,800	\$ (2,860)	\$ 42,171	\$ 153,772
Cash and Cash Equivalents						
Investment in the State General Fund Investment Pool	1,722	110,939	1,800	(2,860)	42,171	153,772
Total Cash and Cash Equivalents	\$ 1,722	\$ 110,939	\$ 1,800	\$ (2,860)	\$ 42,171	\$ 153,772
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (579)	\$ (10,784)	\$ (7,100)	\$ 10,268	\$ (3,271)	\$ (11,466)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	1,116	10	73	3,905	3,077	8,181
Change in net pension liability	260	193	3,758	435	1,242	5,888
Change in net OPEB liability	23	50	92	142	78	385
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables/Due From Other Funds	600	(440)	16	(1,912)	174	(1,562)
Inventories	-	-	5	-	-	5
Prepaid Items/Other Assets	-	-	161	-	-	161
Insurance Claims Payable	-	(7,644)	-	-	-	(7,644)
Accounts Payable/Accrued Liabilities/Due To Other Funds	68	4,650	79	(13,817)	(646)	(9,666)
Net Cash Provided (Used) by Operating Activities	\$ 1,488	\$ (13,965)	\$ (2,916)	\$ (979)	\$ 654	\$ (15,718)

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS FINANCIAL STATEMENTS

Public Employees Retirement Association - (PERA) – PERA is comprised of four separate systems which offer an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators.

Educational Employees' Retirement System (EERS) – EERS is a qualified, defined benefit, governmental retirement plan established and administered by the State of New Mexico to provide pension benefits for all state certified employees, teachers and other employees of the State educational institutions, junior colleges, and technical vocational institutes.

New Mexico Retiree Health Care Authority (RHCA) – RHCA is a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that provides comprehensive core group health insurance for persons who have retired from public service with entities in the State of New Mexico.

Deferred Compensation Plan (IRC 457) – The State of New Mexico offers its employees a deferred compensation plan (Plan) under Chapters 10-7-A-1 to 10-7A-12, NMSA 1978, the “Deferred Compensation Act,” is in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Public Employee’s Retiree Association is the trustee of the Plan; however, the Plan is administered by a third party administrator acting under contract with PERA.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

June 30, 2018

(In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
ASSETS					
Cash and Short-Term Investments	\$ 781,509	\$ 213,856	\$ -	\$ -	\$ 995,365
Investment in State General Fund Investment Pool	16,358	8,463	27,886	46	52,753
Investment in Local Government Investment Pool	-	102	-	-	102
Investments:					
U.S. Gov't. and Agency Securities	611,127	400,277	-	-	1,011,404
International Securities	297,986	2,299,120	160,096	-	2,757,202
Corporate Equity Securities	4,944,100	2,552,553	148,231	593,575	8,238,459
Corporate and Municipal Bonds	2,834,106	401,192	158,974	-	3,394,272
Partnerships and Other Investments	6,406,331	7,000,054	169,615	-	13,576,000
Securities Lending Collateral Invest.	367,258	-	-	-	367,258
Receivables:					
Brokers	579,240	127,145	-	-	706,385
Accrued Interest and Other	-	15,256	-	-	15,256
Accounts Receivable	25,391	86,031	18,185	994	130,601
Participant Loans	-	-	-	12,295	12,295
Capital Assets, Net	11,094	1,984	1,489	-	14,567
Total Assets	16,874,500	13,106,033	684,476	606,910	31,271,919
LIABILITIES					
Accounts Payable	7,932	5,439	4,557	-	17,928
Accrued Liabilities	282	235	67	3	587
Due to Brokers	1,093,658	128,123	-	-	1,221,781
Unearned Revenue	-	-	393	-	393
Deposits Held in Trust	1,945	60	-	-	2,005
Other Liabilities	367,490	1,875	21,804	7	391,176
Total Liabilities	1,471,307	135,732	26,821	10	1,633,870
NET POSITION					
Restricted for:					
Pension Benefits	15,403,193	12,970,301	-	-	28,373,494
Other Employee Benefits	-	-	657,655	-	657,655
Defined Contribution	-	-	-	606,900	606,900
Net Position	\$ 15,403,193	\$ 12,970,301	\$ 657,655	\$ 606,900	\$ 29,638,049

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS For the Year Ended June 30, 2018 (In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
ADDITIONS					
Contributions:					
Employee Contributions	\$ 285,060	\$ 287,373	\$ 167,949	\$ -	\$ 740,382
Employer Contributions	326,205	388,724	129,042	-	843,971
Member Contributions	-	-	-	40,032	40,032
Other	8	-	-	-	8
Total Contributions	611,273	676,097	296,991	40,032	1,624,393
Investment Income (Loss):					
Net Increase in Fair Value of Investments	776,574	845,832	49,606	44,426	1,716,438
Interest and Dividends	302,780	138,513	231	3,055	444,579
	1,079,354	984,345	49,837	47,481	2,161,017
Less Investment Expense	62,440	84,214	-	-	146,654
Net Investment Income	1,016,914	900,131	49,837	47,481	2,014,363
Other Additions:					
Other Operating Revenues	2,205	2,066	56,511	82	60,864
Total Other Additions	2,205	2,066	56,511	82	60,864
Total Additions	1,630,392	1,578,294	403,339	87,595	3,699,620
DEDUCTIONS					
Benefits and Claims	1,150,272	1,069,597	-	48,221	2,268,090
Refunds	50,352	37,844	427	-	88,623
General and Administrative Expenses	12,177	9,642	324,293	1,317	347,429
Other Operating Expenses	739	266	432	34	1,471
Total Deductions	1,213,540	1,117,349	325,152	49,572	2,705,613
Special Item	-	-	-	-	-
Change in Net Position	416,852	460,945	78,187	38,023	994,007
Net Position - Beginning, as Restated	14,986,341	12,509,356	579,468	568,877	28,644,042
Net Position - Ending	\$ 15,403,193	\$ 12,970,301	\$ 657,655	\$ 606,900	\$ 29,638,049

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS EXTERNAL INVESTMENT TRUST FUNDS FINANCIAL STATEMENTS

State Investment Council – The State Investment Council (Council) is responsible for the investment activities of certain State of New Mexico Trust Funds. Pursuant to New Mexico law, the Council created the following investment pools: Large Capitalization Active, Large Capitalization Index, Core Bonds, Structured Credit, Mid\Small Capitalization, Non-U.S. Equity Securities, Non-U.S. Emerging Markets, and Absolute Bonds. The investment pools provide long-term investment opportunities for state agencies and designated institutions that have funds available for a long-term investment program that will extend for more than one year. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by State entities are presented in both the Governmental Funds and Proprietary Funds as assets of those respective entities.

State Treasurer – The Office of the State Treasurer holds and invests monies for other state agencies and local governments through the Local Governmental Investment Pool. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by the State are presented in both the Governmental Funds and Proprietary Funds as assets of those respective entities.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION EXTERNAL INVESTMENT TRUST FUNDS

June 30, 2018

(In Thousands)

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,388	\$ 27,379	\$ 28,767
Investment in Local Government			
Investment Pool	-	-	-
Investments	84,832	555,156	639,988
Receivables	4,674	1,189	5,863
Total Assets	<u>90,894</u>	<u>583,724</u>	<u>674,618</u>
LIABILITIES			
Intergovernmental Payables	-	-	-
Other Liabilities	7,441	-	7,441
Total Liabilities	<u>7,441</u>	<u>-</u>	<u>7,441</u>
NET POSITION			
Held in Trust for			
External Investment Pool Participants	83,453	583,724	667,177
Net Position	<u>\$ 83,453</u>	<u>\$ 583,724</u>	<u>\$ 667,177</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION EXTERNAL INVESTMENT TRUST FUNDS For the Year Ended June 30, 2018 (In Thousands)

	State Investment Council	State Treasurer	Total
ADDITIONS			
Pool Participant Deposits	\$ 5,234	\$ 539,479	\$ 544,713
Investment Income (Loss):			
Net Increase (Decrease) in Fair Value of Investments	7,117	191	7,308
Interest and Dividends	5,246	6,834	12,080
Total Additions	17,597	546,504	564,101
DEDUCTIONS			
General and Administrative Expenses	135	216	351
Distributions	10,076	628,778	638,854
Total Deductions	10,211	628,994	639,205
Change in Net Position	7,386	(82,490)	(75,104)
Net Position - Beginning	76,067	666,214	742,281
Net Position - Ending	\$ 83,453	\$ 583,724	\$ 667,177

* The pool participant deposits reported for the State Treasurer above is net of actual pool participant deposits and withdrawals.

** Includes reduction of interfund investments.

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS PRIVATE PURPOSE TRUST FUNDS FINANCIAL STATEMENTS

Scholarship Fund – This grouping includes scholarship trust funds administered by the Higher Education Department and the Public Education Department.

Higher Education Savings Fund – The 529 Higher Education Savings Plan is a variable return college savings program that enables individuals to save and invest in order to fund future higher education expenses of a child or beneficiary. The program is designed to be a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and is maintained by the Education Trust Board.

Water Trust Fund – The Water Trust Fund accounts for monies appropriated, donated, or otherwise accrued in the fund for the water project fund, which is administered by the State Investment Council.

Bartlett Trust Fund – The Cultural Affairs Department is the administrator of a trust fund which was privately endowed for the benefit of the Museum of International Folk Art.

Children’s Trust Fund - This fund accounts for a part of marriage license fees as well as private donations for the purpose of advocacy of children and prevention of child abuse and neglect.

Children’s Trust Fund Next Generation – This fund accumulates resources for programs that provide positive child and youth development activities.

Office of Superintendent of Insurance – This fund is comprised to two funds:

- a) Patient’s Compensation Fund – This is a medical malpractice insurance risk – assuming fund mandated by the Medical Malpractice Act.
- b) Trust Fund for Policyholders and Creditors of insurance companies which have entered into receivership.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS

June 30, 2018

(In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Total
ASSETS								
Cash and Cash Equivalents	\$ 20	\$ 2,481	\$ 1,343	\$ -	\$ -	\$ -	\$ 1,995	\$ 5,839
Investment in State General Fund Investment Pool	2,263	-	-	106	1,909	515	25,009	29,802
Investments:								
Investment Pools	91	2,463,260	44,890	-	4,138	1,386	594,371	3,108,136
Receivables:								
Brokers	-	-	815	-	-	-	-	815
Accrued Interest and Other	-	2,447	-	-	-	-	-	2,447
Accounts Receivable	-	3,714	83	-	10	-	-	3,807
Other Receivables	-	-	-	-	-	-	-	-
Total Assets	2,374	2,471,902	47,131	106	6,057	1,901	621,375	3,150,846
LIABILITIES								
Accounts Payable	-	-	-	-	-	-	1,126	1,126
Accrued Liabilities	-	6,086	-	-	-	-	3	6,089
Due to Brokers	-	-	-	-	-	-	-	-
Other Liabilities	-	-	1,422	-	-	-	93,266	94,688
Total Liabilities	-	6,086	1,422	-	-	-	94,395	101,903
NET POSITION								
Held in Trust for Other Purposes	2,374	2,465,816	45,709	106	6,057	1,901	526,980	3,048,943
Net Position	\$ 2,374	\$ 2,465,816	\$ 45,709	\$ 106	\$ 6,057	\$ 1,901	\$ 526,980	\$ 3,048,943

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2018

(In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Total
ADDITIONS								
Member Contributions	\$ -	\$ 1,842,874	\$ -	\$ -	\$ -	\$ -	\$ 224,772	\$ 2,067,646
Total Contributions	-	1,842,874	-	-	-	-	224,772	2,067,646
Investment Income:								
Net Increase (Decrease) in Fair Value of Investments	103	45,287	3,281	-	106	41	6,732	55,550
Interest and Dividends	44	74,357	956	1	16	4	167	75,545
	147	119,644	4,237	1	122	45	6,899	131,095
Less Investment Expense	-	-	-	-	-	-	-	-
Net Investment Income	147	119,644	4,237	1	122	45	6,899	131,095
Other Additions:								
Other Operating Revenues	-	-	-	-	97	-	38,055	38,152
Total Other Additions	-	-	-	-	97	-	38,055	38,152
Total Additions	147	1,962,518	4,237	1	219	45	269,726	2,236,893
DEDUCTIONS								
Distributions	-	1,921,938	4,000	-	-	-	-	1,925,938
Payments	1,475	-	-	-	-	-	665	2,140
General and Administrative Expenses	1	11,396	37	11	-	-	270,507	281,952
Total Deductions	1,476	1,933,334	4,037	11	-	-	271,172	2,210,030
Change in Net Position	(1,329)	29,184	200	(10)	219	45	(1,446)	26,863
Net Position - Beginning, as Restated	3,703	2,436,632	45,509	116	5,838	1,856	528,426	3,022,080
Net Position - Ending	\$ 2,374	\$ 2,465,816	\$ 45,709	\$ 106	\$ 6,057	\$ 1,901	\$ 526,980	\$ 3,048,943

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES- AGENCY FUND

Year Ended June 30, 2018

(In Thousands)

Agency Funds – Agency funds report amounts which are held for other persons or governments in a fiduciary capacity before final distribution or resolution.

	Balance July 1,2017 as Restated	Additions	Deletions	Balance June 30 , 2018
Assets				
Cash and Cash Equivalents	\$ 30,107	\$ 8,764	\$ 18,559	\$ 20,312
Investment in State General Fund Investment Pool	178,392	112,291,067	112,411,654	57,805
Investment in Local Government Investment Pool	2,623	1,386	669	3,340
Investments	4,367	-	3,003	1,364
Due from Other Parties	75	3,479	3,553	1
Receivables, Net	162,733	4,444,321	4,257,011	350,044
Total Assets	<u>\$ 378,297</u>	<u>\$ 116,749,017</u>	<u>\$ 116,694,449</u>	<u>\$ 432,866</u>
Liabilities				
Accounts Payable	\$ 504	\$ 2,846,090	\$ 2,845,844	\$ 750
Accrued Liabilities	72	751	734	89
Due to Component Units	13,979	17,625	17,758	13,846
Due to Other Parties	1	2,144,005	2,144,006	-
Intergovernmental Payables	318,977	510,442	443,223	386,196
Deposits Held in Trust	39,174	12,811,982	12,823,616	27,540
Other Liabilities	5,590	78,512	79,657	4,445
Total Liabilities	<u>\$ 378,297</u>	<u>\$ 18,409,407</u>	<u>\$ 18,354,838</u>	<u>\$ 432,866</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS

June 30, 2018

(In Thousands)

Non-major Component Units

There were seventeen non-major component units at June 30, 2018. They are as follows: UNM Alumni Association; UNM Lobo Club; UNM Anderson School of Management Foundation; New Mexico Institute of Mining and Technology Research Foundation; New Mexico Highlands University (NMHU) Foundation; NMHU Stable Isotopes Corporation; Western New Mexico University Foundation; Eastern New Mexico University (ENMU) Foundation; ENMU Roswell Foundation; ENMU Ruidoso Foundation; Northern New Mexico College Foundation; New Mexico Military Institute Foundation; New Mexico School for the Visually Impaired Foundation; Cumbres & Toltec Scenic Railroad Commission; New Mexico Renewable Transmission Authority; the New Mexico Small Business Investment Corporation and State Charter Schools.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS

June 30, 2018

(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM- Anderson Schools of Mgt. Foundation	New Mexico Institute of Mining and Technology Res. Foundation	New Mexico Highlands University Foundation	NMHU - Stable Isotopes Corporation	Western New Mexico University Foundation	Eastern New Mexico University Foundation	ENMU - Roswell Foundation
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ 693	\$ 4,196	\$ 1,887	\$ 1,791	\$ 745	\$ -	\$ 772	\$ 609	\$ 68
Investment in Local Government Investment Pool	8,190	-	-	-	-	-	-	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	266	-	-
Investments	-	-	2,289	18,134	-	-	-	-	-
Due From Primary Government	-	-	83	-	-	-	-	-	-
Due From Other Components	-	-	-	-	-	-	-	-	-
Receivables, Net	10	-	772	650	74	-	-	79	-
Loans Receivable, Current	-	20	-	-	-	-	-	-	-
Prepaid Expenses	23	8	45	-	3	-	-	2	-
Inventory	-	-	59	-	-	-	-	-	-
Total Current Assets	8,916	4,224	5,135	20,575	822	-	1,038	690	68
Noncurrent Assets:									
Restricted Cash and Cash Equivalents	-	-	-	-	572	-	-	-	-
Restricted Investments	-	-	-	5,253	-	-	-	-	-
Loans Receivable, Net	-	-	-	742	-	-	-	-	-
Due From Primary Government	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	7,996	-	8,408	19,715	10,171
Other Noncurrent Assets	-	-	-	-	247	-	827	148	-
Nondepreciable Capital Assets	-	-	-	-	5,915	-	8	-	-
Other Capital Assets, Net	-	-	-	1,508	1,096	-	1	-	-
Total Noncurrent Assets	-	-	-	7,503	15,826	-	9,244	19,863	10,171
Total Assets	8,916	4,224	5,135	28,078	16,648	-	10,282	20,553	10,239
DEFERRED OUTFLOWS OF RESOURCES									
Deferred Charge on Refunding	-	-	-	-	-	-	-	-	-
Deferred Outflows - OPEB	-	-	-	-	-	-	-	-	-
Deferred Outflows - Pension	-	-	-	-	-	-	-	-	-
Total Deferred Outflows	-	-	-	-	-	-	-	-	-

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED)

June 30, 2018

(In Thousands)

	ENMU - Ruidoso Foundation	Northern New Mexico College Foundation	New Mexico Military Institute Foundation	New Mexico School for Visually Impaired Foundation	Cumbres & Toltec Scenic RR Commission	NM Renewable Transmission Authority	NM Small Bus Investment Corp.	Charter Schools	Total Nonmajor Component Units
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ 177	\$ 540	\$ 598	\$ 67	\$ 2,536	\$ 32	\$ 2,969	\$ 50,745	68,425
Investment in Local Government									
Investment Pool	-	-	-	-	-	-	-	-	8,190
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	12,144	12,410
Investments	-	-	-	-	-	-	8,358	90	28,871
Due From Primary Government	-	-	-	-	-	-	-	-	83
Due From Other Components	-	-	-	-	-	-	-	-	-
Receivables, Net	5	23	53	-	638	100	1,015	5,535	8,954
Loans Receivable, Current	-	-	-	-	-	-	-	-	20
Prepaid Expenses	-	-	3	-	26	-	1	433	544
Inventory	-	-	-	-	232	-	-	-	291
Total Current Assets	182	563	654	67	3,432	132	12,343	68,947	127,788
Noncurrent Assets:									
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	-	572
Restricted Investments	-	-	33,704	-	-	-	-	-	38,957
Loans Receivable, Net	-	-	-	-	-	-	18,442	-	19,184
Due From Primary Government	-	-	-	-	-	-	-	-	-
Investments	183	3,680	18,514	115	-	-	9,756	-	78,538
Other Noncurrent Assets	-	-	1,862	-	-	-	-	-	3,084
Nondepreciable Capital Assets	-	-	-	-	1,561	-	-	22,254	29,738
Other Capital Assets, Net	-	-	2	-	13,358	-	-	62,888	78,853
Total Noncurrent Assets	183	3,680	54,082	115	14,919	-	28,198	85,142	248,926
Total Assets	365	4,243	54,736	182	18,351	132	40,541	154,089	376,714
DEFERRED OUTFLOWS OF RESOURCES									
Deferred Charge on Refunding	-	-	-	-	-	-	-	-	-
Deferred Outflows - OPEB	-	-	-	-	-	-	-	1,384	1,384
Deferred Outflows - Pension	-	-	-	-	-	-	-	108,951	108,951
Total Deferred Outflows	-	-	-	-	-	-	-	110,335	110,335

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED)

June 30, 2018

(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM- Anderson Schools of Mgt. Foundation	New Mexico Institute of Mining and Technology Res. Foundation	New Mexico Highlands University Foundation	NMHU - Stable Isotopes Corporation	Western New Mexico University Foundation	Eastern New Mexico University Foundation	ENMU - Roswell Foundation
LIABILITIES									
Current Liabilities:									
Accounts Payable	63	12	76	6	15	-	4	111	-
Accrued Liabilities	-	-	-	1,387	2	-	-	236	-
Unearned Revenue	-	-	667	-	-	-	-	-	-
Due to Primary Government	-	2,200	815	-	-	-	179	-	-
Due to Other Component Unit	-	-	-	-	-	-	-	-	-
Funds Held for Others	-	-	-	-	-	-	266	-	-
Bonds Payable	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	183	-	-	-	-
Total Current Liabilities	63	2,212	1,558	1,393	200	-	449	347	-
Noncurrent Liabilities:									
Bonds Payable	-	-	-	-	-	-	-	-	-
Due to Primary Government	-	-	-	-	-	-	-	-	-
Net Pension Liability	-	-	-	-	-	-	-	-	-
Net OPEB Liability	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	17	3,446	-	-	-	-
Total Noncurrent Liabilities	-	-	-	17	3,446	-	-	-	-
Total Liabilities	63	2,212	1,558	1,410	3,646	-	449	347	-
DEFERRED INFLOWS OF RESOURCES									
Unearned Revenue	-	1,011	-	-	-	-	-	-	-
Deferred Inflows - OPEB Liability	-	-	-	-	-	-	-	-	-
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	-	-
Total Deferred Inflows	-	1,011	-	-	-	-	-	-	-
NET POSITION									
Net Investment in Capital Assets	-	-	-	1,508	5,732	-	9	148	-
Restricted:									
Nonexpendable	-	-	-	3,916	4,434	-	9,437	9,143	2,956
Expendable:									
Debt Service	-	-	-	-	-	-	-	-	-
Other Purposes	-	-	490	2,770	1,295	-	261	9,925	3,072
Unrestricted Net Position (Deficit)	8,853	1,001	3,087	18,474	1,541	-	126	990	4,211
Total Net Position (Deficit)	\$ 8,853	\$ 1,001	\$ 3,577	\$ 26,668	\$ 13,002	\$ -	\$ 9,833	\$ 20,206	\$ 10,239

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED)

(In Thousands)

	ENMU - Ruidoso Foundation	Northern New Mexico College Foundation	New Mexico Military Institute Foundation	New Mexico School for Visually Impaired Foundation	Cumbres & Toltec Scenic RR Commission	NM Renewable Transmission Authority	NM Small Bus Investment Corp.	Charter Schools	Total Nonmajor Component Units
LIABILITIES									
Current Liabilities:									
Accounts Payable	10	-	6	2	561	15	-	3,281	4,162
Accrued Liabilities	-	-	16	-	-	-	-	12,374	14,015
Unearned Revenue	-	20	-	-	1,151	-	-	191	2,029
Due to Primary Government	-	251	384	-	-	-	-	-	3,829
Due to Other Component Unit	-	-	-	-	-	-	-	-	-
Funds Held for Others	-	-	-	-	-	-	-	-	266
Bonds Payable	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	405	-	40	-	-	-	628
Total Current Liabilities	10	271	811	2	1,752	15	-	15,846	24,929
Noncurrent Liabilities:									
Bonds Payable	-	-	-	-	-	-	-	-	-
Due to Primary Government	-	-	-	-	-	-	-	-	-
Net Pension Liability	-	-	-	-	-	-	-	263,329	263,329
Net OPEB Liability	-	-	-	-	-	-	-	73,177	73,177
Other Liabilities	-	-	-	-	10	-	-	78,912	82,385
Total Noncurrent Liabilities	-	-	-	-	10	-	-	415,418	418,891
Total Liabilities	10	271	811	2	1,762	15	-	431,264	443,820
DEFERRED INFLOWS OF RESOURCES									
Unearned Revenue	-	-	-	-	83	-	-	-	1,094
Deferred Inflows - OPEB Liability	-	-	-	-	-	-	-	16,655	16,655
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	7,436	7,436
Total Deferred Inflows	-	-	-	-	83	-	-	24,091	25,185
NET POSITION									
Net Investment in Capital Assets	-	-	-	-	14,919	-	-	13,243	35,559
Restricted:									
Nonexpendable	141	3,680	20,456	-	-	-	-	25,902	80,065
Expendable:									
Debt Service	-	-	-	-	-	-	-	-	-
Other Purposes	84	-	14,270	120	-	117	40,541	-	72,945
Unrestricted Net Position (Deficit)	130	292	19,199	60	1,587	-	-	(230,076)	(170,525)
Total Net Position (Deficit)	\$ 355	\$ 3,972	\$ 53,925	\$ 180	\$ 16,506	\$ 117	\$ 40,541	\$ (190,931)	18,044

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS

June 30, 2018

(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM Anderson Schools of Mgt. Foundation	New Mexico Institute of Mining and Technology Res. Foundation	New Mexico Highlands University Foundation	NMHU - Stable Isotopes Foundation	Western New Mexico University Foundation	Eastern New Mexico University Foundation	ENMU - Roswell Foundation
Expenses	\$ 1,069	\$ 4,779	\$ 1,226	\$ 2,507	\$ 1,129	\$ 43	\$ 425	\$ 1,759	\$ 213
Program Revenues:									
Charges for Services	6	-	1,013	-	-	29	-	-	-
Operating Grants and Contributions	574	5,663	434	1,931	1,332	-	229	265	193
Total Program Revenues	580	5,663	1,447	1,931	1,332	29	229	265	193
Nonoperating Revenues:									
Grant Revenue	-	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	(489)	884	221	(576)	203	(14)	(196)	(1,494)	(20)
Other Revenues & Expenses:									
Payment from State of New Mexico	-	-	-	-	-	-	-	-	-
Payment to State of New Mexico	-	-	-	-	-	-	-	-	-
Other	210	-	-	-	(9)	-	279	2,514	173
Investment Income	236	42	137	2,105	391	469	724	2,616	730
Total General Revenues	446	42	137	2,105	382	469	1,003	5,130	903
Change in Net Position	(43)	926	358	1,529	585	455	807	3,636	883
Net Position - Beginning, as Restated	8,896	75	3,219	25,139	12,417	(455)	9,026	16,570	9,356
Net Position - Ending (Deficit)	\$ 8,853	\$ 1,001	\$ 3,577	\$ 26,668	\$ 13,002	\$ -	\$ 9,833	\$ 20,206	\$ 10,239

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2018

(In Thousands)

	ENMU - Ruidoso Foundation	Northern New Mexico College Foundation	New Mexico Military Institute Foundation	New Mexico School for Visually Impaired Foundation	Cumbres & Toltec Scenic RR Commission	NM Renewable Transmission Authority	NM Small Business Investment Corp.	Charter Schools	Total Nonmajor Component Units
Expenses	\$ 63	\$ 428	\$ 1,901	\$ 27	\$ 6,066	\$ 181	\$ 325	\$ 209,440	\$ 231,581
Program Revenues:									
Charges for Services	-	-	298	-	4,832	-	-	1,376	7,554
Operating Grants and Contributions	92	189	729	31	2,153	260	-	29,666	43,741
Total Program Revenues	92	189	1,027	31	6,985	260	-	31,042	51,295
Nonoperating Revenues:									
Grant Revenue	-	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	29	(239)	(874)	4	919	79	(325)	(178,398)	(180,286)
Other Revenues & Expenses:									
Payment from State of New Mexico	-	-	-	-	-	-	1,627	138,040	139,667
Payment to State of New Mexico	-	-	-	-	-	-	-	-	-
Other	-	231	-	11	12	-	-	13,553	16,974
Investment Income	5	168	4,134	8	3	1	784	-	12,553
Total General Revenues	5	399	4,134	19	15	1	2,411	151,593	169,194
Change in Net Position	34	160	3,260	23	934	80	2,086	(26,805)	(11,092)
Net Position - Beginning, as Restated	321	3,812	50,665	157	15,572	37	38,455	(164,126)	29,136
Net Position - Ending (Deficit)	\$ 355	\$ 3,972	\$ 53,925	\$ 180	\$ 16,506	\$ 117	\$ 40,541	\$ (190,931)	\$ 18,044

STATE OF NEW MEXICO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

STATISTICAL SECTION



RODEO DE SANTA FE
SOURCE - WWW.RODEOSANTAFE.ORG

STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

INDEX TO STATISTICAL SECTION

The Statistical Section provides additional historical context and detail to aid in using the information in the financial statements, notes to the financial statements and required supplementary information for the primary government of the State of New Mexico in understanding and assessing the State's overall financial health.

Financial Trends Information

These schedules present trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.

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STATE OF NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State of New Mexico Comprehensive Annual Financial Report.

Note: The statements which comprise the Statistical Section have not been audited.

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STATE OF NEW MEXICO

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017	2016	* 2015	2014
Governmental Activities					
Net Investment in Capital Assets	\$ 5,866,806	\$ 5,904,225	\$ 5,930,820	\$ 5,356,468	\$ 5,164,435
Restricted	25,740,851	23,268,593	18,311,421	12,658,737	6,925,810
Unrestricted	(4,690,920)	(3,311,310)	(326,978)	7,158,005	1,464,494
Total Governmental Activities Net Position	\$ 26,916,737	\$ 25,861,508	\$ 23,915,263	\$ 25,173,210	\$ 13,554,739
Business-type Activities					
Net Investment in Capital Assets	\$ 1,755,991	\$ 1,742,100	\$ 1,654,692	\$ 1,589,677	\$ 1,517,364
Restricted	1,319,357	1,251,369	1,317,251	987,021	2,919,494
Unrestricted	(1,547,651)	(846,458)	(975,829)	(827,718)	139,334
Total Business-type Activities Net Position	\$ 1,527,697	\$ 2,147,011	\$ 1,996,114	\$ 1,748,980	\$ 4,576,192
Primary Government					
Net Investment in Capital Assets	\$ 7,622,797	\$ 7,646,325	\$ 7,585,511	\$ 6,946,145	\$ 6,681,799
Restricted	27,060,209	24,519,962	19,628,672	13,645,758	9,845,304
Unrestricted	(6,238,571)	(4,157,768)	(1,302,806)	6,330,287	1,603,828
Total Primary Government Net Position	\$ 28,444,435	\$ 28,008,519	\$ 25,911,377	\$ 26,922,190	\$ 18,130,931

* Implementation of GASB 68 - Effective FY15

STATE OF NEW MEXICO

SCHEDULE A-1

(Accrual Basis of Accounting)

	Fiscal Year				
	2013	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated
Governmental Activities					
Net Investment in Capital Assets	\$ 5,552,572	\$ 6,463,198	\$ 6,671,011	\$ 6,994,968	\$ 6,995,306
Restricted	4,774,368	5,542,541	5,685,913	4,868,634	4,530,761
Unrestricted	2,417,608	450,731	261,333	(108,104)	606,498
Total Governmental Activities Net Position	\$ 12,744,548	\$ 12,456,470	\$ 12,618,257	\$ 11,755,498	\$ 12,132,565
Business-type Activities					
Net Investment in Capital Assets	\$ 1,507,921	\$ 1,488,738	\$ 1,491,224	\$ 1,453,705	\$ 1,381,260
Restricted	2,143,068	1,471,752	1,978,206	1,841,424	1,853,252
Unrestricted	697,511	1,256,024	767,876	731,394	659,451
Total Business-type Activities Net Position	\$ 4,348,500	\$ 4,216,514	\$ 4,237,306	\$ 4,026,523	\$ 3,893,963
Primary Government					
Net Investment in Capital Assets	\$ 7,060,493	\$ 7,951,936	\$ 8,162,235	\$ 8,448,673	\$ 8,376,566
Restricted	6,917,436	7,014,293	7,664,119	6,710,058	6,384,013
Unrestricted	3,115,119	1,706,755	1,029,209	623,290	1,265,949
Total Primary Government Net Position	\$ 17,093,048	\$ 16,672,984	\$ 16,855,563	\$ 15,782,021	\$ 16,026,528

STATE OF NEW MEXICO

CHANGES IN NET POSITION

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014 as Restated
Program Expenses					
Governmental Activities:					
General Control	\$ 1,244,170	\$ 1,722,399	\$ 1,706,181	\$ 993,220	\$ 918,870
Culture, Recreation, and Natural Resources	247,368	247,510	239,104	203,319	228,000
Highway and Transportation	805,736	824,522	987,512	1,051,567	1,230,707
Judicial	306,806	304,097	315,829	255,761	242,449
Legislative	24,068	26,834	23,184	29,626	23,751
Public Safety	534,228	552,421	498,391	480,286	457,119
Regulation and Licensing	175,084	124,269	118,405	126,917	112,770
Health and Human Services	7,982,533	7,756,544	8,008,413	7,401,005	6,284,737
Education	3,167,364	3,286,148	3,554,909	4,024,669	3,223,837
Unemployment Benefits	-	-	-	-	-
Interest	123,439	115,594	123,083	131,154	127,001
Special Items					
Indian Water Rights Settlement	-	-	12,436	15,561	-
Arizona Water Settlement	-	-	-	-	-
Reduction of Receivable, Internal Service Fund	-	-	-	977	-
Total Governmental Activities Expenses	<u>14,610,796</u>	<u>14,960,338</u>	<u>15,587,447</u>	<u>14,714,062</u>	<u>12,849,241</u>
Business-type Activities:					
Educational Institutions	3,645,245	3,383,288	3,126,892	3,041,713	2,901,959
Public Schools Insurance	354,996	383,282	395,579	363,373	349,589
Environmental Loans	1,526	1,949	2,266	441	294
Lottery					
Miners' Colfax Medical Center	34,807	33,180	31,295	24,967	29,650
Unemployment Insurance	166,040	178,334	195,506	193,479	261,763
State Fair	16,357	16,124	14,841	15,417	14,671
Other Business-type Activities	20,536	18,869	16,524	18,199	11,409
Special Items - Expo	-	-	866	-	-
Total Business-type Activity Expenses	<u>4,239,507</u>	<u>4,015,026</u>	<u>3,783,769</u>	<u>3,657,589</u>	<u>3,569,335</u>
Total Primary Government Expenses	<u>\$ 18,850,303</u>	<u>\$ 18,975,364</u>	<u>\$ 19,371,216</u>	<u>\$ 18,371,651</u>	<u>\$ 16,418,576</u>

In fiscal year 2011, the New Mexico Lottery Authority was determined to be a discrete component unit. Prior to fiscal year 2011, the New Mexico Lottery Authority was considered to be a blended component unit and was presented as a nonmajor proprietary fund.

+In 2010, the President of the United States signed into law the American Recovery and Reinvestment Act (ARRA) of 2010. The State accounts for all ARRA revenue and expenditures under fund 89000, which is classified as a special revenue fund. Under ARRA, the State received federal unemployment monies that were accounted for in fund 89000. The Unemployment expenditures reported in the governmental activities represent funds from ARRA.

*In fiscal year 2006, the Unemployment fund was determined to be a nonmajor propriety fund.

STATE OF NEW MEXICO

SCHEDULE A-2

(Accrual Basis of Accounting)

	Fiscal Year				
	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated
Program Expenses					
Governmental Activities:					
General Control	\$ 1,254,250	\$ 1,311,355	\$ 1,217,362	\$ 1,197,734	\$ 1,313,985
Culture, Recreation, and Natural Resources	187,209	308,748	226,366	227,367	216,328
Highway and Transportation	1,023,696	945,406	905,469	1,007,714	939,111
Judicial	235,363	230,465	237,705	244,824	252,343
Legislative	25,774	24,047	26,147	25,474	27,766
Public Safety	469,359	441,675	449,734	456,583	505,599
Regulation and Licensing	104,919	145,748	105,199	117,728	132,021
Health and Human Services	5,777,302	5,603,724	5,631,423	5,995,540	5,297,968
Education	3,215,643	3,117,733	3,180,978	3,325,810	3,277,536
Unemployment Benefits	-	-	15,809	11,537	1,986
Interest	110,413	119,779	154,043	130,997	117,338
Special Items					
Indian Water Rights Settlement	-	91,400	-	-	-
Arizona Water Settlement	-	-	-	-	-
Reduction of Receivable, Internal Service Fund	-	101,735	-	-	-
Total Governmental Activities Expenses	<u>12,403,928</u>	<u>12,441,815</u>	<u>12,150,235</u>	<u>12,741,308</u>	<u>12,081,981</u>
Business-type Activities:					
Educational Institutions	2,845,355	2,768,492	2,761,289	2,678,999	2,668,110
Public Schools Insurance	331,783	322,904	320,762	298,852	334,740
Environmental Loans	673	874	14,908	7,581	863
Lottery	-	-	-	99,997	101,750
Miners' Colfax Medical Center	23,229	22,608	24,706	24,896	26,908
Unemployment Insurance	356,558	546,600	742,883	781,494	368,957
State Fair	14,613	16,115	16,031	18,916	20,025
Other Business-type Activities	9,934	10,387	11,988	8,726	9,909
Special Items - Expo	-	-	-	-	-
Total Business-type Activity Expenses	<u>3,582,145</u>	<u>3,687,980</u>	<u>3,892,567</u>	<u>3,919,461</u>	<u>3,531,262</u>
Total Primary Government Expenses	<u>\$ 15,986,073</u>	<u>\$ 16,129,795</u>	<u>\$ 16,042,802</u>	<u>\$ 16,660,769</u>	<u>\$ 15,613,243</u>

STATE OF NEW MEXICO

CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014 as Restated
Program Revenues					
Governmental Activities:					
Charges for Services					
General Control	\$ 1,958,862	\$ 1,581,393	\$ 1,457,352	\$ 1,880,869	\$ 796,337
Culture, Recreation, and Natural Resources	70,071	64,956	63,474	59,392	94,694
Highway and Transportation	111,792	109,835	110,754	105,215	301,126
Judicial	17,706	17,011	15,620	6,243	5,040
Legislative	-	-	-	-	-
Public Safety	12,641	9,326	9,345	9,162	26,711
Regulation and Licensing	41,178	34,304	35,218	45,558	75,308
Health and Human Services	173,479	159,894	147,373	135,431	365,016
Education	6,862	7,346	7,362	8,726	7,535
Operating Grants and Contributions	6,850,440	6,595,050	6,855,527	6,356,248	4,932,895
Capital Grants and Contributions	-	-	-	-	400,212
Total Governmental Activities	<u>9,243,031</u>	<u>8,579,115</u>	<u>8,702,025</u>	<u>8,606,844</u>	<u>7,004,874</u>
Program Revenues					
Business-type Activities:					
Charges for Services					
Educational Institutions	1,665,364	1,642,869	1,521,460	1,567,129	1,380,232
Public Schools Insurance	373,489	378,957	363,949	351,731	342,725
Lottery	-	-	-	-	-
Environmental Loans	-	-	-	-	3,905
Miners' Colfax Medical Center	22,031	21,396	26,672	17,450	25,025
Unemployment Insurance	243	235	361	-	215,699
State Fair	11,469	11,722	11,928	11,556	12,142
Other Business-type Activities	20,666	17,280	13,954	16,304	10,523
Nonmajor Enterprise Funds					
Operating Grants and Contributions	697,032	896,071	595,057	627,067	771,706
Capital Grants and Contributions	12,437	11,607	6,906	12,524	25,541
Total Business-type Activities	<u>2,802,731</u>	<u>2,980,137</u>	<u>2,540,287</u>	<u>2,603,761</u>	<u>2,787,498</u>
Program Revenues					
Total Primary Government					
Program Revenues	<u>\$ 12,045,762</u>	<u>\$ 11,559,252</u>	<u>\$ 11,242,312</u>	<u>\$ 11,210,605</u>	<u>\$ 9,792,372</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (5,367,765)	\$ (6,381,223)	\$ (6,885,422)	\$ (6,107,218)	\$ (5,844,367)
Business-type Activities	<u>(1,436,776)</u>	<u>(1,034,888)</u>	<u>(1,243,482)</u>	<u>(1,053,828)</u>	<u>(781,837)</u>
Total Primary Government Net Expense	<u>\$ (6,804,541)</u>	<u>\$ (7,416,112)</u>	<u>\$ (8,128,904)</u>	<u>\$ (7,161,046)</u>	<u>\$ (6,626,204)</u>

- Implementation of GASB 68 – Effective FY15

STATE OF NEW MEXICO

SCHEDULE A-2 (CONTINUED)

(Accrual Basis of Accounting)

	Fiscal Year				
	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated
Program Revenues					
Governmental Activities:					
Charges for Services					
General Control	\$ 784,337	\$ 305,992	\$ 187,280	\$ 196,030	\$ 246,637
Culture, Recreation, and Natural Resources	89,063	134,163	125,711	151,080	174,137
Highway and Transportation	185,593	268,612	272,038	78,887	162,366
Judicial	109,660	177,156	151,097	172,084	206,442
Legislative	-	-	-	-	-
Public Safety	263,568	363,078	355,965	328,297	494,388
Regulation and Licensing	65,646	95,278	138,848	90,715	110,738
Health and Human Services	133,060	167,230	275,408	361,077	101,945
Education	5,329	4,899	6,252	279	2,071
Operating Grants and Contributions	4,777,647	4,578,609	5,220,477	5,331,479	4,272,942
Capital Grants and Contributions	210,500	447,962	369,813	376,259	388,792
Total Governmental Activities					
Program Revenues	<u>6,624,403</u>	<u>6,542,979</u>	<u>7,102,889</u>	<u>7,086,187</u>	<u>6,160,458</u>
Business-type Activities:					
Charges for Services					
Educational Institutions	1,359,675	1,289,871	1,169,885	1,116,796	1,104,240
Public Schools Insurance	321,549	322,593	326,622	322,741	320,132
Lottery	-	-	-	143,539	142,316
Environmental Loans	4,423	4,384	4,215	-	-
Miners' Colfax Medical Center	21,784	23,455	22,442	20,588	15,650
Unemployment Insurance	223,057	216,824	-	-	35
State Fair	12,142	13,831	11,983	13,859	14,489
Other Business-type Activities	10,562	10,260	11,218	11,883	8,812
Nonmajor Enterprise Funds					
Operating Grants and Contributions	751,861	1,041,706	1,306,820	1,188,887	692,833
Capital Grants and Contributions	8,392	16,132	998	26,966	29,682
Total Business-type Activities					
Program Revenues	<u>2,713,445</u>	<u>2,939,056</u>	<u>2,854,183</u>	<u>2,845,259</u>	<u>2,328,189</u>
Total Primary Government					
Program Revenues	<u>\$ 9,337,848</u>	<u>\$ 9,482,035</u>	<u>\$ 9,957,072</u>	<u>\$ 9,931,446</u>	<u>\$ 8,488,647</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (5,779,525)	\$ (5,898,836)	\$ (5,047,346)	\$ (5,655,121)	\$ (5,921,523)
Business-type Activities	<u>(868,700)</u>	<u>(748,924)</u>	<u>(1,038,384)</u>	<u>(1,074,202)</u>	<u>(1,203,073)</u>
Total Primary Government Net Expense	<u>\$ (6,648,225)</u>	<u>\$ (6,647,760)</u>	<u>\$ (6,085,730)</u>	<u>\$ (6,729,323)</u>	<u>\$ (7,124,596)</u>

STATE OF NEW MEXICO

CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014 as Restated
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,581,590	\$ 1,418,070	\$ 1,320,154	\$ 1,451,288	\$ 1,236,674
Corporate Income Tax	(67,093)	76,274	118,502	262,600	196,762
Gross Receipts Taxes	2,541,586	2,168,168	2,109,889	4,238,670	2,133,540
Business Privilege	2,212,070	1,863,055	1,622,513		
Unemployment Insurance	14,529	7,200	18,970		
Other Taxes	7,154	3,545	7,055	33,424	2,048,944
Investment Income	1,949,723	2,548,331	909,846	1,212,060	1,351,182
Non Operating Investment Income and Other	155	68	34		
Other Revenue (Expense)	234,541	901,405	629,959	129,035	355,202
Special Item - Potential Loss SGFIP	-	-	-	100,000	(30,000)
Special Item - AZ Water Settlement	-	-	9,040	9,040	-
Transfers	(727,311)	(709,044)	(1,084,495)	(797,559)	(687,979)
Total Governmental Activities	7,746,944	8,277,073	5,661,468	6,638,558	6,604,325
Business-type Activities:					
Taxes					
Other Taxes	167,975	205,143	342,488	269,593	-
Investment Income (Loss)	14,276	13,742	9,838	9,292	220,411
Non Operating Investment Income and Other	27,865	47,928	21,465		
Other Revenue	260,061	125,360	242,772	244,201	140,737
Transfers	727,311	709,043	831,243	797,559	687,979
Total Business-type Activities	1,197,489	1,101,216	1,447,806	1,320,645	1,049,127
Total Primary Government	\$ 8,944,432	\$ 9,378,290	\$ 7,109,274	\$ 7,959,203	\$ 7,653,452
Change in Net Position					
Governmental Activities	2,379,179	1,895,849	(1,223,953)	531,340	759,958
Business-type Activities	(239,287)	66,328	204,324	266,817	267,290
Total Primary Government	\$ 2,139,893	\$ 1,962,178	\$ (1,019,629)	\$ 798,157	\$ 1,027,248

STATE OF NEW MEXICO

SCHEDULED A-2 (CONTINUED)

(Accrual Basis of Accounting)

	Fiscal Year				
	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,236,015	\$ 1,189,273	\$ 1,088,300	\$ 956,560	\$ 918,090
Corporate Income Tax	277,029	270,118	238,452	125,101	192,487
Gross Receipts Taxes	1,985,601	522,847	444,717	737,996	1,831,946
Business Privilege					
Unemployment Insurance					
Other Taxes	1,736,620	3,362,391	3,145,105	2,547,648	1,864,838
Investment Income	1,208,035	708,673	1,618,785	1,252,935	(373,965)
Non Operating Investment Income and Other					
Other Revenue (Expense)	271,525	304,819	103,917	183,159	134,477
Special Item - Potential Loss SGFIP	-	-	-	-	-
Special Item - AZ Water Settlement	-	-	-	-	-
Transfers	(647,222)	(544,880)	(704,549)	(723,795)	(763,662)
Total Governmental Activities	6,067,603	5,813,241	5,934,727	5,079,604	3,804,211
Business-type Activities:					
Taxes					
Other Taxes	-	-	207,140	188,465	193,380
Investment Income (Loss)	214,413	70,774	261,972	220,917	(188,463)
Non Operating Investment Income and Other					
Other Revenue	139,051	27,713	75,506	103,066	93,204
Transfers	647,222	629,645	704,549	723,795	763,662
Total Business-type Activities	1,000,686	728,132	1,249,167	1,236,243	861,783
Total Primary Government	\$ 7,068,289	\$ 6,541,373	\$ 7,183,894	\$ 6,315,847	\$ 4,665,994
Change in Net Position					
Governmental Activities	288,078	(85,595)	887,381	(575,517)	(2,117,312)
Business-type Activities	131,986	(20,792)	210,783	162,041	(341,290)
Total Primary Government	\$ 420,064	\$ (106,387)	\$ 1,098,164	\$ (413,476)	\$ (2,458,602)

STATE OF NEW MEXICO

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017	2016 as Restated	2015	2014
General Fund					
Nonspendable	\$ 61,378	\$ 59,626	\$ 64,166	\$ 52,433	\$ 54,809
Restricted	1,159,544	835,483	890,206	916,201	864,359
Committed	38,294	388,030	250,021	695,182	220,535
Assigned	11,572	9,088	9,989	16,395	9,881
Unassigned	882,313	4,895	(120,451)	189,932	626,317
Total General Fund	\$ 2,153,101	\$ 1,297,122	\$ 1,093,931	\$ 1,870,143	\$ 1,775,901
All Other Governmental Funds					
Post-GASB 54 Implementation					
Nonspendable	\$ -	\$ -	\$ -	\$ 10,000,000	\$ 5,687,834
Restricted	24,621,478	22,503,741	20,783,582	10,987,671	318,808
Committed	514	1,959	11,315	10,758	1,190,318
Assigned	0	-	-	-	-
Unassigned (Deficit)	(2,821)	(3,329)	(9,342)	-	-
Total All Other Governmental Funds	\$ 24,619,171	\$ 22,502,371	\$ 20,785,555	\$ 20,998,429	\$ 7,196,960
All Governmental Funds					
Post-GASB 54 Implementation					
Nonspendable	\$ 61,378	\$ 59,626	\$ 64,166	\$ 10,052,433	\$ 5,742,643
Restricted	25,781,022	23,339,224	21,673,788	11,903,872	1,183,167
Committed	38,808	389,989	261,336	705,940	1,410,853
Assigned	11,572	9,088	9,989	16,395	9,881
Unassigned (Deficit)	879,492	1,566	(129,793)	189,932	626,317
Total All Governmental Funds	\$ 26,772,272	\$ 23,799,493	\$ 21,879,486	\$ 22,868,572	\$ 8,972,861

* Implementation of GASB 54 - Effective FY10

STATE OF NEW MEXICO

SCHEDULE A-3

(Modified Accrual Basis of Accounting)

	Fiscal Year					
	#	2013	2012	2011 as Restated	* 2010 as Restated	2009 as Restated
General Fund						
Nonspendable	\$	5,968	\$ 6,157	\$ 8,636	\$ 7,549	\$ -
Restricted		67,315	194,988	237,097	184,417	-
Committed		23,159	10,082	56,219	15,562	-
Assigned		488	293	7,866	2,790	-
Unassigned		769,738	604,813	310,765	177,521	-
Total General Fund	\$	866,668	\$ 816,333	\$ 620,583	\$ 387,839	\$ -
All Other Governmental Funds						
Post-GASB 54 Implementation						
Nonspendable	\$	5,006,506	\$ 4,651,829	\$ 4,755,242	\$ 4,049,274	\$ -
Restricted		540,063	821,792	752,599	311,917	-
Committed		1,413,633	1,320,787	1,497,949	2,039,275	-
Assigned		989	-	3,745	4,997	-
Unassigned (Deficit)		18,242	(43,407)	(190,255)	(63,938)	-
Total All Other Governmental Funds	\$	6,979,433	\$ 6,751,001	\$ 6,819,280	\$ 6,341,525	\$ -
All Governmental Funds						
Post-GASB 54 Implementation						
Nonspendable	\$	5,012,474	\$ 4,657,986	\$ 4,763,878	\$ 4,056,823	\$ -
Restricted		607,378	1,016,780	989,696	496,334	-
Committed		1,436,792	1,330,869	1,554,168	2,054,837	-
Assigned		1,477	293	11,611	7,787	-
Unassigned (Deficit)		787,980	561,406	120,510	113,583	-
Total All Governmental Funds	\$	7,846,101	\$ 7,567,334	\$ 7,439,863	\$ 6,729,364	\$ -

STATE OF NEW MEXICO

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017 as Restated	2016	2015	2014
Revenues					
Taxes	\$ 6,401,737	\$ 5,472,102	\$ 5,197,084	\$ 5,923,849	\$ 5,626,421
Federal	6,848,354	6,595,840	6,856,707	6,363,684	5,338,059
Interest and Other Investment Income (Loss)	1,948,254	2,540,517	912,262	1,211,998	1,521,022
Rentals and Royalties	1,403,151	1,002,692	888,424	1,281,002	647,438
Charges for Services	173,087	164,565	119,509	124,674	162,757
Licenses, Fees, and Permits	319,293	294,482	307,532	295,282	364,594
Assessments *	12,803	13,820	14,389	-	-
Other Revenues	257,393	781,248	633,628	202,935	363,411
Total Revenues	17,364,072	16,865,266	14,929,535	15,403,424	14,023,702
Expenditures					
Current:					
Culture, Recreation, and Natural Resources	228,675	230,478	223,328	210,368	185,317
Education	3,166,486	3,285,298	3,554,249	4,025,302	3,220,213
General Control	550,302	981,271	1,600,674	487,468	403,590
Health and Human Services	7,975,718	7,737,341	7,996,609	7,355,734	6,270,002
Highways and Transportation	420,625	448,401	740,977	462,267	591,824
Judicial	300,587	298,224	306,727	250,360	236,575
Legislative	23,992	26,725	23,022	27,696	21,810
Public Safety	515,112	535,834	482,558	470,406	440,897
Regulation and Licensing	169,142	116,252	111,747	121,567	108,442
Unemployment Benefits	-	-	-	-	-
Land Grant	-	-	-	-	-
Severance Tax	-	-	-	-	183,216
Capital Outlay	405,338	352,204	118,018	444,308	507,435
Debt Service:					
Principal	382,549	298,168	282,120	284,766	407,074
Interest	190,182	123,810	109,886	128,197	150,738
Bond Issuance Costs	-	-	-	-	-
Provision for Potential Loss in the State General Fund Investment Pool	-	-	-	-	-
Total Expenditures	14,328,708	14,434,007	15,549,915	14,268,439	12,727,133
Excess (Deficiency) of Revenues Over Expenditures	3,035,365	2,431,259	(620,380)	1,134,985	1,296,569
Other Financing Sources (Uses)					
Bonds Issued	539,370	45,815	474,018	141,635	371,440
Bond Premium	154,128	5,463	82,239	43,146	50,051
Refunding Bond Issue	420,096	-	181,395	79,405	-
Proceeds from the Sale of Capital Assets	1,751	1,226	1,803	1,136	2,053
Operating Transfers In	8,604,858	8,030,490	7,182,543	7,233,253	6,789,132
Operating Transfers Out	(9,336,219)	(8,739,680)	(7,918,883)	(8,035,458)	(7,483,788)
Payment to Refunded Bond Escrow Agent	(450,865)	-	(208,143)	(96,083)	-
Nonoperating Revenues (Expenditures)	-	-	-	-	-
Note Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	(66,882)	(656,686)	(205,028)	(632,966)	(271,112)
Special Item					
Reduction of Loss Contingency	-	-	-	93,479	(30,000)
Native American Water Rights Settlement	-	-	(12,436)	-	-
Arizona Water Settlement	-	-	(9,040)	-	-
Total Special Items	-	-	(21,476)	93,479	(30,000)
Total Other Financing and Special Items	(66,882)	(656,686)	(226,504)	(539,487)	(301,112)
Net Change in Fund Balances	\$ 2,968,482	\$ 1,774,573	\$ (846,884)	\$ 595,498	\$ 995,457
Debt Service as a Percentage of Noncapital Expenditures	4.1%	3.0%	2.5%	3.0%	4.6%

STATE OF NEW MEXICO

SCHEDULE A-4

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated	2009
Revenues					
Taxes	\$ 5,235,786	\$ 5,321,538	\$ 4,926,279	\$ 4,407,236	\$ 4,769,862
Federal	4,981,084	5,035,279	5,558,515	5,722,781	4,661,734
Interest and Other Investment Income (Loss)	1,247,937	708,470	1,618,502	1,252,709	(375,149)
Rentals and Royalties	568,227	651,576	479,546	445,547	654,578
Charges for Services	160,931	155,089	212,816	241,411	69,934
Licenses, Fees, and Permits	364,371	361,671	356,897	212,328	288,697
Assessments *	-	-	-	-	-
Other Revenues	332,323	212,326	135,360	179,906	129,301
Total Revenues	12,890,659	12,445,949	13,287,915	12,461,918	10,198,957
Expenditures					
Current:					
Culture, Recreation, and Natural Resources	193,639	223,858	211,032	210,552	200,747
Education	3,214,923	3,117,042	3,180,447	3,325,183	3,276,575
General Control	494,668	413,807	376,279	421,810	430,195
Health and Human Services	5,756,574	5,625,669	5,623,871	5,907,586	5,291,005
Highways and Transportation	398,836	330,574	307,454	429,522	372,406
Judicial	229,405	223,942	232,136	238,608	246,565
Legislative	23,954	22,381	24,651	24,128	26,401
Public Safety	454,250	428,331	437,529	442,777	485,937
Regulation and Licensing	101,355	108,457	99,528	110,411	129,504
Unemployment Benefits	-	-	15,809	11,537	1,986
Land Grant	37,757	45,005	1,132	1,673	-
Severance Tax	176,173	183,423	8,318	2,772	-
Capital Outlay	583,782	612,156	721,706	710,727	864,676
Debt Service:					
Principal	317,991	139,847	347,486	332,447	230,504
Interest	130,755	249,345	227,115	139,666	113,284
Bond Issuance Costs	-	204	10,225	7,023	984
Provision for Potential Loss in the State General Fund Investment Pool	-	101,735	-	-	-
Total Expenditures	12,114,062	11,825,776	11,824,718	12,316,422	11,670,769
Excess (Deficiency) of Revenues Over Expenditures	776,597	620,173	1,463,197	145,496	(1,471,812)
Other Financing Sources (Uses)					
Bonds Issued	137,220	105,780	39,205	432,693	196,330
Bond Premium	45,400	27,668	129,344	56,025	28,082
Refunding Bond Issue	220,400	75,715	776,220	174,990	-
Proceeds from the Sale of Capital Assets	1,950	5,208	1,420	1,154	-
Operating Transfers In	6,135,227	6,414,978	6,611,286	7,418,136	8,119,988
Operating Transfers Out	(6,774,851)	(7,033,153)	(7,643,610)	(8,336,960)	(9,269,658)
Payment to Refunded Bond Escrow Agent	(261,769)	(88,898)	(668,590)	(72,570)	(95,290)
Nonoperating Revenues (Expenditures)	(5,211)	-	-	-	-
Note Proceeds	-	-	2,025	80,534	-
Total Other Financing Sources (Uses)	(501,634)	(492,702)	(752,700)	(245,998)	(1,020,548)
Special Item					
Reduction of Loss Contingency	-	-	-	-	-
Native American Water Rights Settlement	-	-	-	-	-
Arizona Water Settlement	-	-	-	-	-
Total Special Items	-	-	-	-	-
Total Other Financing and Special Items	(501,634)	(492,702)	(752,700)	(245,998)	(1,020,548)
Net Change in Fund Balances	\$ 274,963	\$ 127,471	\$ 710,497	\$ (100,502)	\$ (2,492,360)
Debt Service as a Percentage of Noncapital Expenditures	3.9%	3.5%	5.2%	4.1%	3.2%

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
REVENUES					
Taxes and License Fees					
General and Selective Sales Taxes:					
Gross Receipts	\$ 2,381,082	\$ 2,013,548	\$ 1,975,416	\$ 2,095,153	\$ 1,992,035
Compensating	56,102	48,529	46,882	71,840	78,271
Tobacco (Luxury)	78,368	77,887	79,819	82,348	78,479
Alcoholic Beverage	23,811	7,376	6,732	26,263	26,357
Insurance	213,597	227,464	207,904	189,953	115,067
Fire Protection	1,020	0	15,069	15,156	16,082
Racing	1,084	1,096	1,130	670	821
Private Car	860	663	703	660	620
Motor Vehicle and Other Excise Tax	154,008	145,238	150,395	138,701	133,275
Gaming Tax	62,054	59,523	63,050	70,409	66,455
Leased Vehicles Gross Receipts and Surcharge	5,528	5,489	5,536	5,236	5,204
Gasoline Tax	358	(380)	867	(1,152)	1,227
Telecommunications Relay Surcharge	58	59	69	123	86
Boat Excise Tax	347	325	195	184	184
Other Tax	7,180	3,635.00	-	-	99
Total General and Selective Sales Tax	<u>2,985,458</u>	<u>2,590,452</u>	<u>2,553,767</u>	<u>2,695,544</u>	<u>2,514,262</u>
Income Taxes					
Gross Withholding	923,665	872,299	1,200,151	1,179,123	1,116,249
Final Settlements	614,620	504,741	508,566	535,298	506,245
Less:					
Transfer - Retiree Health Care	(26,256)	(28,306)	(29,519)	(26,678)	(24,141)
Transfer - PIT Suspense and Others	(376,467)	(364,244)	(359,043)	(355,541)	(351,365)
Refunds - TAA Suspense	-	-	-	-	-
Net Personal Income Taxes	<u>1,538,285</u>	<u>1,377,040</u>	<u>1,320,155</u>	<u>1,332,202</u>	<u>1,246,988</u>
Corporate Taxes	106,601	70,156	118,502	254,477	196,762
Less Refunds	-	-	-	-	-
Net Corporate Income Taxes	<u>106,601</u>	<u>70,156</u>	<u>118,502</u>	<u>254,477</u>	<u>196,762</u>
Estate Taxes	-	0	1	1	32
Fiduciary Taxes	-	0	7,053	7,510	7,951
Total Income Taxes	<u>1,644,886</u>	<u>1,447,196</u>	<u>1,445,711</u>	<u>1,594,190</u>	<u>1,451,733</u>
Severance Taxes					
Oil and Gas School Tax	450,787	304,262	236,818	375,423	500,659
7% Oil Conservation	22,885	17,368	11,375	20,091	27,244
Resources Excise	8,569	9,649	11,203	13,345	13,013
Natural Gas Processors	10,841	10,307	20,354	18,594	16,197
Total Severance Taxes	<u>493,081</u>	<u>341,586</u>	<u>279,750</u>	<u>427,453</u>	<u>557,113</u>
Total Taxes	<u>5,123,425</u>	<u>4,379,234</u>	<u>4,279,228</u>	<u>4,717,187</u>	<u>4,523,108</u>

STATE OF NEW MEXICO

SCHEDULE B-1

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
REVENUES					
Taxes and License Fees					
General and Selective Sales Taxes:					
Gross Receipts	\$ 1,917,660	\$ 1,928,469	\$ 1,822,457	\$ 1,634,367	\$ 1,831,946
Compensating	50,911	62,066	69,135	50,935	69,947
Tobacco (Luxury)	86,058	85,360	88,158	45,731	49,580
Alcoholic Beverage	26,240	26,129	25,673	25,593	25,837
Insurance	107,520	114,076	132,659	130,347	121,893
Fire Protection	18,316	18,812	17,583	4,995	30,809
Racing	942	852	413	564	614
Private Car	563	553	480	382	532
Motor Vehicle and Other Excise Tax	125,504	114,707	103,653	92,264	100,497
Gaming Tax	63,073	65,527	65,787	65,116	69,207
Leased Vehicles Gross Receipts and Surcharge	5,125	5,366	5,047	5,663	4,901
Gasoline Tax	(4,516)	5,539	792	1,472	(1,241)
Telecommunications Relay Surcharge	91	98	121	114	104
Boat Excise Tax	257	453	494	543	534
Other Tax	4	19	73	88	112
Total General and Selective Sales Tax	2,397,748	2,428,026	2,332,525	2,058,174	2,305,272
Income Taxes					
Gross Withholding	1,077,952	1,151,866	1,042,323	1,020,104	982,766
Final Settlements	517,862	355,734	382,690	337,782	387,901
Less:					
Transfer - Retiree Health Care	(21,876)	(19,853)	(18,047)	(15,935)	(14,996)
Transfer - PIT Suspense and Others	(340,381)	(346,289)	(352,633)	(384,055)	(450,902)
Refunds - TAA Suspense	-	-	-	-	(365)
Net Personal Income Taxes	1,233,557	1,141,458	1,054,333	957,896	904,404
Corporate Taxes	267,157	281,047	229,818	125,101	253,345
Less Refunds	-	-	-	-	(60,858)
Net Corporate Income Taxes	267,157	281,047	229,818	125,101	192,487
Estate Taxes	-	-	12	(1)	36
Fiduciary Taxes	7,388	9,011	42,589	(1,336)	13,650
Total Income Taxes	1,508,102	1,431,516	1,326,752	1,081,660	1,110,577
Severance Taxes					
Oil and Gas School Tax	379,899	399,589	376,104	324,544	370,354
7% Oil Conservation	20,775	21,452	19,371	16,353	18,260
Resources Excise	13,486	12,018	10,139	9,368	11,237
Natural Gas Processors	24,197	23,343	18,182	40,437	40,341
Total Severance Taxes	438,357	456,402	423,796	390,702	440,192
Total Taxes	4,344,207	4,315,944	4,083,073	3,530,536	3,856,041

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
REVENUES (CONTINUED)					
Taxes and License Fees (Continued)					
License Fees					
Manufactured Housing	\$ 432	\$ 419	\$ 375	\$ 753	\$ 357
Corporate Filing	4,042	3,437	3,327	4,020	4,262
Alcoholic Beverages and Gaming	4,075	4,186	4,028	3,931	3,770
Financial Institutions	3,564	3,480	3,455	3,556	3,195
Corporate Special	-	2,984	2,955	3,308	3,672
Construction Industries	5,543	4,700	6,092	6,199	3,902
Gaming License and Permit Fees	6,365	577	353	416	373
Securities Receipts	22,267	22,399	22,016	21,267	20,201
Public Utilities	14,538	11,021	12,040	12,129	11,759
Health Facilities Fees	-	-	-	-	-
Pipeline Fees	207	137	153	196	65
Motor Vehicles Miscellaneous Fees	401	-	20	100	111
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
Total License Fees	<u>61,434</u>	<u>53,339</u>	<u>54,814</u>	<u>55,875</u>	<u>51,667</u>
Total Taxes and License Fees	<u>5,184,860</u>	<u>4,432,573</u>	<u>4,334,042</u>	<u>4,773,062</u>	<u>4,574,775</u>
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund Income	-	-	555,103	502,757	449,382
Earnings on State Balances	5,945	(3,230)	25,224	24,160	42,293
Severance Tax Permanent Fund Earnings	-	-	193,510	182,723	170,473
Total Interest Earnings	<u>5,945</u>	<u>(3,230)</u>	<u>773,837</u>	<u>709,640</u>	<u>662,148</u>
Rents and Royalties					
Federal Mineral Leasing	564,232	435,692	47,817	42,235	569,860
Land Office	111,845	71,490	390,005	542,184	47,481
Total Rents and Royalties	<u>676,077</u>	<u>507,182</u>	<u>437,822</u>	<u>584,419</u>	<u>617,341</u>

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
REVENUES (CONTINUED)					
Taxes and License Fees (Continued)					
License Fees					
Manufactured Housing	\$ 336	\$ 420	\$ 549	\$ 579	\$ 590
Corporate Filing	3,151	2,864	2,850	2,777	2,821
Alcoholic Beverages and Gaming	4,544	3,856	3,840	4,419	3,627
Financial Institutions	3,107	2,917	3,109	3,082	3,148
Corporate Special	3,963	4,096	1,125	3,512	4,883
Construction Industries	4,034	5,052	5,682	6,580	6,052
Gaming License and Permit Fees	362	392	262	387	420
Securities Receipts	19,065	18,765	18,374	17,838	17,031
Public Utilities	11,275	11,056	13,734	10,892	11,333
Health Facilities Fees	-	-	-	-	-
Pipeline Fees	50	41	74	60	34
Motor Vehicles Miscellaneous Fees	125	136	150	139	159
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
Total License Fees	<u>50,012</u>	<u>49,595</u>	<u>49,749</u>	<u>50,265</u>	<u>50,098</u>
Total Taxes and License Fees	<u>4,394,219</u>	<u>4,365,539</u>	<u>4,132,822</u>	<u>3,580,801</u>	<u>3,906,139</u>
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund Income	440,876	461,737	446,227	437,128	433,497
Earnings on State Balances	35,925	17,618	17,633	22,126	67,754
Severance Tax Permanent Fund Earnings	176,173	183,424	184,571	187,072	191,292
Total Interest Earnings	<u>652,974</u>	<u>662,779</u>	<u>648,431</u>	<u>646,326</u>	<u>692,543</u>
Rents and Royalties					
Federal Mineral Leasing	459,631	502,574	411,819	355,302	507,229
Land Office	44,632	92,508	65,620	67,702	36,442
Total Rents and Royalties	<u>504,263</u>	<u>595,082</u>	<u>477,439</u>	<u>423,004</u>	<u>543,671</u>

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND (CONTINUED)

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Miscellaneous Receipts and Fees					
Environment Department Filing Fees	\$ 1,260	\$ 747	\$ 1,241	\$ 4,212	\$ 1,322
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	68,092	62,717	64,413	67,178	67,582
Media Lease Payments	-	22	18	19	18
MVD Penalty Assessments	4,632	4,271	4,009	5,658	5,982
Fines and Forfeitures	3,932	4,241	4,514	5,241	5,567
Birth and Death Certificates	1,260	1,184	1,043	1,019	1,010
District Judge Receipts	1,146	1,096	947	925	936
Notary Public Fees	658	743	984	681	628
Court of Appeals	-	-	-	-	-
Legislative Receipts	13	26	14	28	18
Workmen's Compensation Fees	390	7	3	5	268
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	-	0	15,297	7,641	3,936
Small County Assistance	-	0	11	5,809	3,748
Supreme Court Fees	1	1	1	1	-
Unclaimed Property	20,113	23,030	19,789	24,644	21,516
Public Defender Reimbursement	80	176	201	269	354
Small Cities Assistance	-	-	-	-	-
Total Miscellaneous Receipts and Fees	<u>101,576</u>	<u>98,260</u>	<u>112,485</u>	<u>123,330</u>	<u>112,885</u>
Other Revenues					
Miscellaneous Nonrecurring	173	970	39,616	36,136	29,509
Transfers - Reversions	-	366,208	56,367	59,163	101,751
Total Other Revenues	<u>173</u>	<u>367,178</u>	<u>95,983</u>	<u>95,299</u>	<u>131,260</u>
Total Other Revenue Sources	<u>783,772</u>	<u>969,390</u>	<u>1,420,127</u>	<u>1,512,688</u>	<u>1,523,634</u>
Total Revenues	<u>\$ 5,968,631</u>	<u>\$ 5,401,963</u>	<u>\$ 5,754,169</u>	<u>\$ 6,285,750</u>	<u>\$ 6,098,409</u>

Source: General Fund Financial Audit (30600) - Schedule of Revenue by Source
Department of Finance and Administration General Fund Report

* Alcohol is down due to sending a portion to the lottery scholarship fund

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
Miscellaneous Receipts and Fees					
Environment Department Filing Fees	\$ 3,350	\$ 2,048	\$ 5,201	\$ 4,412	\$ 8,551
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	70,709	68,189	65,891	64,118	65,385
Media Lease Payments	21	19	17	31	23
MVD Penalty Assessments	6,018	5,705	5,737	6,078	6,873
Fines and Forfeitures	5,708	6,052	7,104	7,276	8,756
Birth and Death Certificates	1,045	1,075	1,051	1,032	1,068
District Judge Receipts	1,051	1,064	1,196	1,260	1,202
Notary Public Fees	648	1,386	607	580	614
Court of Appeals	-	-	-	-	-
Legislative Receipts	35	20	46	29	54
Workmen's Compensation Fees	4	4	15	-	70
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	4,576	8,291	9,089	9,920	6,953
Small County Assistance	1,537	3,576	3,346	-	4,013
Supreme Court Fees	-	-	1	-	-
Unclaimed Property	16,833	15,452	18,352	11,757	13,538
Public Defender Reimbursement	446	411	414	429	533
Small Cities Assistance	-	-	-	1,546	-
Total Miscellaneous Receipts and Fees	<u>111,981</u>	<u>113,292</u>	<u>118,067</u>	<u>108,468</u>	<u>117,633</u>
Other Revenues					
Miscellaneous Nonrecurring	39,921	42,604	55,825	55,039	33,942
Transfers - Reversions	81,167	68,077	73,499	394,354	331,995
Total Other Revenues	<u>121,088</u>	<u>110,681</u>	<u>129,324</u>	<u>449,393</u>	<u>365,937</u>
Total Other Revenue Sources	<u>1,390,306</u>	<u>1,481,834</u>	<u>1,373,261</u>	<u>1,627,191</u>	<u>1,719,784</u>
Total Revenues	<u>\$ 5,784,525</u>	<u>\$ 5,847,373</u>	<u>\$ 5,506,083</u>	<u>\$ 5,207,992</u>	<u>\$ 5,625,923</u>

STATE OF NEW MEXICO

REVENUE BASE

Last Ten Calendar Years
(In Thousands)

SCHEDULE B-2

	Fiscal Year				
	2018	2017	2016	2015	2014
Taxable Gross Receipts					
Agriculture, Forestry and Fishing	\$ 126,940	\$ 111,430	\$ 106,156	\$ 84,720	\$ 54,047
Mining	4,834,724	2,213,846	2,328,158	4,144,544	2,998,455
Construction	7,428,957	6,312,982	6,537,914	6,331,176	4,257,409
Manufacturing	1,617,171	1,315,416	1,607,798	2,238,013	1,607,519
Transportation	836,920	571,482	668,207	867,443	543,996
Communications and Utilities	5,161,295	4,673,015	5,281,589	5,134,386	1,908,054
Wholesale Trade	2,698,455	1,786,231	2,030,984	2,544,689	1,790,115
Retail Trade	13,041,456	11,045,865	12,063,308	12,553,764	9,268,342
Finance, Insurance and Real Estate	2,032,733	1,559,574	1,613,419	1,630,999	1,106,612
Services and Other	22,338,845	17,675,223	19,824,081	19,219,587	15,112,166
Public Administration	425,736	587,747	665,833	673,442	378,243
Total Taxable Gross Receipts	\$ 60,543,232	\$ 47,852,811	\$ 52,727,447	\$ 55,422,763	\$ 39,024,958
State Gross Receipts Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%
Personal Income by Industry					
Federal Civilian	\$ 3,209	\$ 3,220	\$ 3,103	\$ 3,110	\$ 2,948
Federal Military	1,331	1,321	1,265	1,215	1,268
State and Local Government	9,423	9,379	9,836	9,860	9,590
Farm Earnings	853	889	664	1,088	1,769
Forestry, Fishing, and Related Activities	165	170	142	145	150
Mining	3,069	2,532	2,393	3,035	3,167
Utilities	496	490	533	503	491
Construction	3,665	3,368	3,146	3,111	3,042
Manufacturing	1,666	1,372	1,606	2,118	2,089
Wholesale Trade	1,506	1,517	1,491	1,442	1,441
Retail	3,612	3,667	3,670	3,546	3,505
Transportation and Warehousing	1,684	1,550	1,503	1,569	1,508
Information	812	812	859	927	790
Financial, Insurance, Real Estate, Rental, and Leasing	2,921	2,732	2,652	2,725	2,448
Services	20,840	19,782	19,465	18,166	17,790
Other ¹	30,195	27,992	28,063	27,490	26,432
Total Personal Income	\$ 85,447	\$ 80,793	\$ 80,391	\$ 80,050	\$ 78,428
Highest Income Tax Rate	4.9%	4.9%	4.9%	4.9%	4.9%

¹Other personal income includes dividends, interest and rent, residence adjustment, personal current transfer receipts and deduction for insurance contributions.

²Data for 2012 is based on fiscal year.

Source: New Mexico Department of Taxation and Revenue Department, RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code.

Department of Commerce Bureau of Economic Analysis, SQ5N - Personal Income by Major Source and Earnings by Major NAICS Industry Report.

Note: 2009 Personal income by industry information was updated as of December 2010

STATE OF NEW MEXICO

SCHEDULE B-2 (CONTINUED)

	Fiscal Year				
	2013	2012	2011 as Restated	2010 as Restated	2009 as Restated
Taxable Gross Receipts					
Agriculture, Forestry and Fishing	\$ 61,294	\$ 57,791	\$ 59,602	\$ 51,681	\$ 74,487
Mining	3,668,701	3,431,242	3,239,185	1,860,940	2,337,619
Construction	5,562,314	5,271,994	5,326,763	3,982,945	7,033,071
Manufacturing	2,015,743	1,833,576	1,643,653	1,038,527	1,256,553
Transportation	780,150	686,364	679,289	546,715	642,205
Communications and Utilities	4,907,802	4,803,345	4,648,079	3,445,649	3,443,372
Wholesale Trade	2,335,113	2,280,235	2,207,054	1,573,254	2,341,445
Retail Trade	12,160,633	12,024,304	11,912,593	9,292,428	12,146,384
Finance, Insurance and Real Estate	1,377,056	1,218,396	1,131,560	784,486	1,047,492
Services and Other	17,413,350	17,395,771	17,558,765	14,674,794	18,276,343
Public Administration	622,335	597,549	692,754	151,857	544,108
Total Taxable Gross Receipts	\$ 50,904,491	\$ 49,600,567	\$ 49,099,297	\$ 37,403,276	\$ 49,143,079
State Gross Receipts Tax Rate	5.1%	5.1%	5.1%	5.3%	5.0%
Personal Income by Industry					
Federal Civilian	\$ 2,965	\$ 3,351	\$ 3,331	\$ 3,395	\$ 3,166
Federal Military	1,367	1,632	1,596	1,447	1,250
State and Local Government	9,229	8,934	8,640	8,643	8,678
Farm Earnings	1,472	1,203	1,389	1,034	575
Forestry, Fishing, and Related Activities	150	132	99	115	108
Mining	3,151	2,410	2,045	2,040	1,891
Utilities	520	522	442	460	468
Construction	2,978	2,888	2,868	2,651	2,840
Manufacturing	2,178	2,344	2,272	2,197	2,094
Wholesale Trade	1,451	1,444	1,382	1,482	1,426
Retail	3,412	3,417	3,274	3,219	3,190
Transportation and Warehousing	1,464	1,408	1,318	1,221	1,220
Information	881	878	832	862	1,220
Financial, Insurance, Real Estate, Rental, and Leasing	2,404	2,139	2,361	2,036	2,065
Services	17,652	17,731	17,233	9,215	9,077
Other ¹	24,537	22,791	22,931	27,694	27,407
Total Personal Income	\$ 75,811	\$ 73,224	\$ 72,013	\$ 67,711	\$ 66,675
Highest Income Tax Rate	4.9%	4.9%	4.9%	4.9%	4.9%

STATE OF NEW MEXICO

REVENUE PAYERS BY INDUSTRY – TAXABLE SALES, SERVICES, AND USE TAX PURCHASES

SCHEDULE B-3

Most Current Calendar Year and Historical Comparison
(In Thousands)

	Fiscal Year 2018				Calendar Year 2009			
	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total
Agriculture, Forestry and Fishing	1,662	0.5%	\$ 126,940	0.2%	1,252	0.4%	\$ 74,487	0.2%
Mining	4,142	1.2%	4,834,724	8.0%	2,368	0.8%	2,337,619	4.8%
Construction	35,903	10.1%	7,428,957	12.3%	34,377	11.5%	7,033,071	14.3%
Manufacturing	17,609	5.0%	1,617,171	2.7%	11,329	3.8%	1,256,553	2.6%
Transportation	5,475	1.5%	836,920	1.4%	4,060	1.4%	642,205	1.3%
Communications and Utilities	24,134	6.8%	5,161,295	8.5%	17,456	5.8%	3,443,372	7.0%
Wholesale Trade	20,762	5.8%	2,698,455	4.5%	18,143	6.1%	2,341,445	4.8%
Retail Trade	68,460	19.3%	13,041,456	21.5%	61,878	20.6%	12,146,384	24.6%
Finance, Insurance and Real Estate	20,924	5.9%	2,032,733	3.4%	13,621	4.5%	1,047,492	2.1%
Services and Other	154,479	43.6%	22,338,845	36.8%	134,703	44.9%	18,276,343	37.2%
Public Administration	1,468	0.4%	425,736	0.7%	574	0.2%	544,108	1.1%
Total Number of Outlets and Total Taxable Gross Revenues	355,018	100.0%	\$ 60,543,232	100.0%	299,761	100.0%	\$ 49,143,079	100.0%
State Gross Receipts Tax Rate	5.1%				5.0%			

¹Data for 2018 is based on fiscal year.

Source: New Mexico Department of Taxation and Revenue, Monthly RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code

Source: New Mexico Department of Taxation and Revenue, Quarterly RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

STATE OF NEW MEXICO

REVENUE PAYERS – PERSONAL INCOME TAX

SCHEDULE B-4

Most Current Calendar Year and Historical Comparison
(Dollars, Except for Income Level, in Thousands)

Income Level	2008				2016*			
	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total
\$200,000 and higher	17,028	1.8%	\$ 1,724,643	37.9%	23,520	2.6%	\$ 2,191,981	40.9%
\$100,000 - \$199,999	68,629	7.4%	1,198,608	26.3%	89,180	9.8%	1,538,414	28.7%
\$75,000 - \$99,999	65,298	7.1%	543,243	11.9%	69,560	7.6%	581,927	10.9%
\$50,000 - \$74,999	113,258	12.3%	566,602	12.4%	114,020	12.6%	558,861	10.4%
\$49,999 and lower	659,218	71.4%	525,015	11.5%	611,610	67.4%	484,312	9.1%
Total	923,431	100.0%	\$ 4,558,111	100.0%	907,890	100.0%	\$ 5,355,495	100.0%

* At the time of the preparation of the 2018 New Mexico State CAFR, the 2018 and 2017 information was not available.

Source: United States Department of the Treasury, Internal Revenue Service, Tax Year 2016: Historical Table 2 (SOI Bulletin)

STATE OF NEW MEXICO

PERSONAL INCOME TAX RATES

Last Ten Fiscal Years

SCHEDULE B-5

Year	Top Tax Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Effective Rate, As Restated
		Single	Married Filing Jointly	Head of Household	
2018	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
2017	4.9%	16,000	24,000	24,000	N/A
2016	4.9%	16,000	24,000	24,000	N/A
2015	4.9%	16,000	24,000	24,000	N/A
2014	4.9%	16,000	24,000	24,000	N/A
2013	4.9%	16,000	24,000	24,000	N/A
2012	4.9%	16,000	24,000	24,000	N/A
2011	4.9%	16,000	24,000	24,000	N/A
2010	4.9%	16,000	24,000	24,000	N/A
2009	4.9%	16,000	24,000	24,000	3.4%

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STATE OF NEW MEXICO

RATIOS OF OUTSTANDING DEBT BY TYPE

SCHEDULE C-1

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year					
	#	2018	2017 as Restated	2016 as Restated	2015 as Restated	2014 as Restated
Governmental Activities						
General Obligation	\$	411,525	\$ 260,760	\$ 326,755	\$ 389,270	\$ 311,270
Enhanced E-911 Revenue Bonds		-	-	-	-	-
Severance Tax Bonds		943,670	876,115	955,045	641,415	760,080
Revenue Bonds		1,276,703	1,367,542	1,281,950	1,558,689	1,520,839
Bond Premium, Discount, Net *		304,222	200,994	279,305	257,935	-
Total Government		<u>2,936,120</u>	<u>2,705,411</u>	<u>2,843,055</u>	<u>2,847,309</u>	<u>2,592,189</u>
Business-type Activities*						
Revenue Bonds		909,046	899,736	653,372	763,824	808,463
Capital Leases		690	1,054	1,308	1,502	1,919
Total Primary Government		<u>909,736</u>	<u>900,790</u>	<u>654,680</u>	<u>765,326</u>	<u>810,382</u>
Total Debt	\$	<u>3,845,856</u>	<u>3,606,201</u>	<u>3,497,735</u>	<u>3,612,635</u>	<u>3,402,571</u>
New Mexico Personal Income	\$	86,328,400	\$ 81,483,543	\$ 80,758,305	\$ 79,104,093	\$ 76,449,091
Debt as a Percentage of Personal Income		4.5%	4.4%	4.3%	4.6%	4.5%
New Mexico Population		2,095	2,088	2,081	2,080	2,083
General Obligation Debt Per Capita	\$	196	\$ 125	\$ 157	\$ 187	\$ 149
Total Long-Term Debt Per Capita	\$	1,835	\$ 1,727	\$ 1,681	\$ 1,737	\$ 1,633

Source: State of New Mexico Comprehensive Annual Financial Report for outstanding bonded and non-bonded debt.

See Schedule for Demographics and Economic Statistics for personal income and population data. Ratios are calculated based upon personal income and population which are reported for the prior calendar year.

Note: In the past, total debt was used to calculate the above ratios. Beginning with fiscal year 2009, outstanding debt is used in the ratio calculation; therefore, all prior year balances were restated to reflect the change.

STATE OF NEW MEXICO

SCHEDULE C-1

	Fiscal Year				
	2013	2012	2011	2010 as Restated	2009 as Restated
Governmental Activities					
General Obligation	\$ 372,700	\$ 296,890	\$ 379,228	\$ 423,854	\$ 453,730
Enhanced E-911 Revenue Bonds	-	-	-	-	-
Severance Tax Bonds	683,275	798,740	884,320	1,020,550	626,715
Revenue Bonds	1,562,240	1,723,061	1,859,403	1,703,481	1,707,996
Bond Premium, Discount, Net *	-	-	-	-	-
Total Government	<u>2,618,215</u>	<u>2,818,691</u>	<u>3,122,951</u>	<u>3,147,885</u>	<u>2,788,441</u>
Business-type Activities*					
Revenue Bonds	827,812	840,831	832,306	866,692	802,924
Capital Leases	1,060	1,292	919	248	2,025
Total Primary Government	<u>828,872</u>	<u>842,123</u>	<u>833,225</u>	<u>866,940</u>	<u>804,949</u>
Total Debt	<u>\$ 3,447,087</u>	<u>\$ 3,660,814</u>	<u>\$ 3,956,176</u>	<u>\$ 4,014,825</u>	<u>\$ 3,593,390</u>
New Mexico Personal Income	\$ 72,465,608	\$ 73,822,778	\$ 72,175,501	\$ 68,361,950	\$ 66,243,018
Debt as a Percentage of Personal Income	4.8%	5.0%	5.5%	5.9%	5.4%
New Mexico Population	2,085	2,084	2,078	2,065	2,037
General Obligation Debt Per Capita	\$ 179	\$ 142	\$ 182	\$ 205	\$ 223
Total Long-Term Debt Per Capita	\$ 1,653	\$ 1,757	\$ 1,904	\$ 1,944	\$ 1,764

STATE OF NEW MEXICO

LONG-TERM LIABILITIES

SCHEDULE C-2

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017 As Restated	2016	2015	2014 As Restated
Governmental Activities					
General Obligation Bonds	\$ 411,525	\$ 260,760	\$ 326,755	\$ 429,764	\$ 311,270
Severance Tax Bonds	943,670	876,115	955,045	641,415	760,080
Revenue Bonds	1,276,703	1,367,542	1,281,950	1,423,069	1,520,839
Bond Premium, Discount, Net *	304,222	200,994	279,305	217,441	252,771
Notes Payable	-	-	14,000	5,755	1,581
Deferred Loss on Refunding, Net *	-	-	-	100,167	96,042
Claims and Judgments	172,504	180,149	195,471	100,461	259,855
Hedging Derivatives - Interest Rate Swaps	-	84,090	119,015	100,167	96,042
Native American Water Settlement Liability **	76,681	60,850	62,100	287,910	-
Contingent Liabilities	183,203	3,678	20,051	-	-
Compensated Absences	67,663	63,982	64,051	58,112	62,339
Pollution Remediation Obligation	27,479	42,651	44,278	287,910	47,129
Net Pension Liability	2,859,175	3,264,743	2,299,659	1,843,467	-
Net OPEB Liability	1,078,882	-	-	-	-
Capital Leases	50,255	51,690	53,045	53,199	-
Reserve for Losses	-	-	-	-	100,000
Other Liabilities	4,361	-	-	52,307	212,200
Total Governmental Activities	<u>7,456,323</u>	<u>6,457,243</u>	<u>5,714,725</u>	<u># 5,601,144</u>	<u>3,720,148</u>
Business-type Activities					
Revenue Bonds	\$ 909,046	\$ 899,736	\$ 653,372	\$ 695,552	\$ 808,463
Bond Premium, Discount, Net *	46,147	43,960	42,649	31,519	15,429
Compensated Absences	86,611	86,356	84,906	20,853	80,180
Reserve for Losses	92,086	89,501	87,453	-	69,988
Notes Payable	12,165	12,985	14,051	-	-
Capital Leases	690	1,054	1,308	1,023	1,919
Net OPEB Obligation	437,267	67,969	61,333	-	-
Derivative Instruments - Interest Rate Swaps	5,779	8,604	13,350	-	-
Student Loans	15,168	15,726	18,592	-	-
Environmental Cleanup	5,434	5,434	5,434	-	-
Net Pension Liability	3,259,324	2,125,341	1,913,152	-	-
Other Liabilities	81,379	11,076	-	56,579	184,094
Total Business-type Activities	<u>4,951,097</u>	<u>3,367,742</u>	<u>2,895,600</u>	<u>805,526</u>	<u>1,160,073</u>
Total Primary Government Long-term Liabilities	<u>\$ 12,407,420</u>	<u>\$ 9,824,984</u>	<u>\$ 8,610,325</u>	<u>\$ 6,406,670</u>	<u>\$ 4,880,221</u>

Note: Details regarding the liabilities listed above can be found in Note 8, Changes in Long-term Liabilities in the financial statements.

* In prior years, bond premium, discount, and loss on refunding was not stated separately.

STATE OF NEW MEXICO

SCHEDULE C-2

	Fiscal Year				
	2013	2012 As Restated	2011 As Restated	2010	2009
Governmental Activities					
General Obligation Bonds	\$ 372,700	\$ 296,890	\$ 379,288	\$ 423,854	\$ 481,812
Severance Tax Bonds	683,275	798,740	884,320	1,020,550	626,715
Revenue Bonds	1,562,240	1,723,061	1,859,403	1,703,481	1,729,205
Bond Premium, Discount, Net *	234,954	236,190	-	-	-
Notes Payable	1,598	2,454	3,715	124,205	43,781
Deferred Loss on Refunding, Net *	(91,257)	(81,982)	-	-	-
Claims and Judgments	348,753	433,547	225,248	222,821	217,426
Hedging Derivatives - Interest Rate Swaps	(91,257)	(81,982)	-	-	-
Native American Water Settlement Liability **	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-
Compensated Absences	61,201	60,946	63,934	73,483	73,757
Pollution Remediation Obligation	53,373	55,694	86,741	86,289	7,992
Net Pension Liability	-	-	-	-	-
Net OPEB Liability	-	-	-	-	-
Capital Leases	-	-	-	-	-
Reserve for Losses	-	-	-	-	-
Other Liabilities	252,003	330,217	-	501	100
Total Governmental Activities	<u>3,387,583</u>	<u>3,773,775</u>	<u>3,502,649</u>	<u>3,655,184</u>	<u>3,180,788</u>
Business-type Activities					
Revenue Bonds	\$ 827,812	\$ 840,831	\$ 832,306	\$ 866,692	\$ 809,215
Bond Premium, Discount, Net *	17,010	8,831	-	-	-
Compensated Absences	77,777	96,219	99,689	93,997	87,747
Reserve for Losses	65,471	65,472	63,406	63,901	70,286
Notes Payable	-	-	-	-	-
Capital Leases	1,060	1,292	919	238	2,075
Net OPEB Obligation	-	-	-	-	-
Derivative Instruments - Interest Rate Swaps	-	-	-	-	-
Student Loans	-	-	-	-	-
Environmental Cleanup	-	-	-	-	-
Net Pension Liability	-	-	-	-	-
Other Liabilities	79,083	56,173	52,750	45,126	50,538
Total Business-type Activities	<u>1,068,213</u>	<u>1,068,818</u>	<u>1,049,070</u>	<u>1,069,954</u>	<u>1,019,861</u>
Total Primary Government					
Long-term Liabilities	<u>\$ 4,455,796</u>	<u>\$ 4,842,593</u>	<u>\$ 4,551,719</u>	<u>\$ 4,725,138</u>	<u>\$ 4,200,649</u>

STATE OF NEW MEXICO

LEGAL DEBT MARGIN

SCHEDULE C-3

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2018	2017	2016 As Restated	2015	2014
Net Taxable Value of Property					
Subject to Taxation	\$ 60,698,949	\$ 57,451,756	\$ 56,625,171	\$ 58,412,965	\$ 56,473,465
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	606,989	574,518	566,252	584,130	564,735
General Obligation Bonds	411,525	260,760	326,755	389,270	311,270
Total General Debt Outstanding	411,525	260,760	326,755	389,270	311,270
Legal Debt Margin	\$ 195,464	\$ 313,758	\$ 239,497	\$ 194,860	\$ 253,465
Legal Debt Margin as a Percentage of the Debt Limit	32.2%	54.6%	42.3%	33.4%	44.9%

Note: The *Constitution of the State of New Mexico*, Article IX, Section 8, limits the State's outstanding general debt to a maximum of one percent of the net taxable value of all property subject to taxation within the State. The legal debt margin is the remaining borrowing authority available and is calculated by subtracting the bonded debt outstanding from the legal debt limit as calculated per Constitutional requirements.

Source: Note information regarding general bonded debt outstanding can be located within the State of New Mexico's comprehensive annual financial report per fiscal year. Property value data was provided by the Department of Finance and Administration, Local Government Division, Financial and Property Tax Data by County and Municipality. Per capita information is based upon population data located in the Demographics and Economic Statistics schedule.

STATE OF NEW MEXICO

SCHEDULE C-3

	Fiscal Year				
	2013	2012	2011 As Restated	2010	2009
Net Taxable Value of Property Subject to Taxation	\$ 54,236,936	\$ 54,129,671	\$ 51,040,955	\$ 55,046,209	\$ 50,463,804
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	542,369	541,297	510,410	550,462	504,638
General Obligation Bonds	372,700	296,890	355,500	398,580	453,730
Total General Debt Outstanding	372,700	296,890	355,500	398,580	453,730
Legal Debt Margin	\$ 169,669	\$ 244,407	\$ 154,910	\$ 151,882	\$ 50,908
Legal Debt Margin as a Percentage of the Debt Limit	31.3%	45.2%	30.4%	27.6%	10.1%

STATE OF NEW MEXICO

STATUTORY DEBT LIMIT SEVERANCE TAX BONDS

SCHEDULE C-4

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Annual Deposits into Severance Tax Bonding Fund	\$ 511,115	\$ 342,317	\$ 254,966	\$ 426,331	\$ 414,956
50.0% of Annual Deposits	<u>255,558</u>	<u>171,159</u>	<u>127,483</u>	<u>213,166</u>	<u>207,478</u>
Statutory Debt Limit Amount	<u>255,558</u>	<u>171,159</u>	<u>127,483</u>	<u>213,166</u>	<u>207,478</u>
Senior Bond Servicing Amount *	<u>142,160</u>	<u>144,766</u>	<u>16,489</u>	<u>129,042</u>	<u>125,597</u>
Statutory Debt Margin Amount	\$ <u>113,398</u>	\$ <u>26,393</u>	\$ <u>110,994</u>	\$ <u>84,124</u>	\$ <u>81,881</u>
Statutory Debt Margin as a Percentage of Debt Limit	<u>44.4%</u>	<u>15.4%</u>	<u>87.1%</u>	<u>39.5%</u>	<u>39.5%</u>

Note: The State Board of Finance is prohibited by the Severance Tax Bonding Act from issuing Senior Severance Tax Bonds unless the aggregate amount of total Senior Severance Tax Bonds outstanding, including the bonds to be issued, can be serviced with not more than 50 percent of the annual deposits into the Bonding Fund, as determined by the deposits during the fiscal year preceding the issuance of the bonds.

* Does not include payment on refunded bonds, which are paid from escrowed securities, payments on short-term debt issued by the State Treasurer and paid in the same year issued, or payments on Supplemental Bond Series.

Sources: New Mexico Office of the State Treasurer audited financial statements.

New Mexico Board of Finance, Severance Tax Bonds, Bond Series 2012A Official Statement.

STATE OF NEW MEXICO

SCHEDULE C-4

	Fiscal Year				
	2013	2012	2011	2010	2009
Annual Deposits into Severance Tax Bonding Fund	\$ 426,821	\$ 504,734	\$ 398,576	\$ 374,234	\$ 550,222
50.0% of Annual Deposits	213,411	252,367	199,288	187,117	275,111
Statutory Debt Limit Amount	213,411	252,367	199,288	187,117	275,111
Senior Bond Servicing Amount *	127,951	121,367	103,867	96,290	12,433
Statutory Debt Margin Amount	\$ 85,460	\$ 131,000	\$ 95,421	\$ 90,827	\$ 262,678
Statutory Debt Margin as a Percentage of Debt Limit	40.0%	51.9%	47.9%	48.5%	95.5%

STATE OF NEW MEXICO

PLEGDED REVENUE BOND COVERAGE

SCHEDULE C-5

Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
Severance Tax Bonds (Including Supplemental Subordinate Liens)				
2018	\$ 511,115	\$ 124,745	\$ 36,780	3.2
2017	342,317	124,745	39,485	2.1
2016	254,966	118,345	15,257	1.9
2015	426,331	-	18,301	23.3
2014	414,956	224,525	55,539	1.5
2013	426,821	115,465	33,969	2.9
2012	504,734	128,013	24,304	3.3
2011	398,576	145,546	28,497	2.3
2010	374,234	154,858	23,357	2.1
2009	550,222	113,637	20,555	4.1
Highway Infrastructure Bonds				
2018	\$ 914,621	\$ 96,925	\$ 52,907	6.1
2017	848,903	93,655	63,798	5.4
2016	791,378	68,640	64,753	5.9
2015	385,211	84,080	68,080	2.5
2014	385,116	106,610	71,053	2.2
2013	411,003	138,848	76,561	1.9
2012	785,000	243,060	220,698	1.7
2011	719,811	71,450	79,742	4.8
2010	719,811	75,795	84,697	4.5
2009	726,430	75,500	88,574	4.4
Energy and Minerals Bonds				
2018	\$ 10,136	\$ 422	\$ 120	18.7
2017	9,462	2,819	198	3.1
2016	8,970	2,008	347	3.8
2015	8,763	1,967	439	3.6
2014	13,652	2,863	645	3.9
2013	8,826	1,819	604	3.6
2012	4,900	1,738	647	2.1
2011	2,578	1,546	395	1.3
2010	2,578	1,487	755	1.1
2009	3,730	1,429	809	1.7

N/A Data not available.

Sources: NM Department of Transportation audited financial statements
 NM Office of the State Treasurer audited financial statements
 NM State Fair Commission (Expo) audited financial statements
 NM Energy, Minerals and Natural Resources audited financial statements
 NM Miner's Colfax Medical Center audited financial statements
 NM Spaceport Authority audited financial statements
 NM Department of Cultural Affairs audited financial statements

UNM audited financial statements
 NMSU audited financial statements
 ENMU audited financial statements
 WNMU audited financial statements
 NMMI audited financial statements
 NMHU audited financial statements
 NMTU audited financial statements

STATE OF NEW MEXICO

SCHEDULE C-5

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
Cultural Affairs Bonds and Loan				
2018	\$ 892	\$ 558	\$ 65	1.4
2017	1,010	699	70	1.3
2016	821	331	128	1.8
2015	835	320	139	1.8
2014	455	459	224	0.7
2013	1,100	1,432	256	0.7
2012	805	396	170	1.4
2011	795	385	178	1.4
2010	776	374	186	1.4
2009	1,000	364	193	1.8
Miners' Colfax Medical Center Bonds				
2018	\$ 6,722	\$ 980	\$ 282	5.3
2017	6,317	955	315	5.0
2016	6,651	935	337	5.2
2015	5,759	910	277	4.9
2014	5,752	835	423	4.6
2013	6,386	770	509	5.0
2012	6,302	744	535	4.9
2011	6,291	718	559	4.9
2010	6,000	694	581	4.7
2009	4,200	673	611	3.3
State Fair (EXPO) Bonds				
2018	\$ -	\$ -	\$ -	0.0
2017	-	-	-	0.0
2016	-	-	-	0.0
2015	448	689	12	0.6
2014	1,070	687	36	1.5
2013	1,070	628	70	1.5
2012	1,100	607	79	1.6
2011	1,000	587	98	1.5
2010	1,000	570	115	1.5
2009	1,000	554	130	1.5
Spaceport Authority Bonds				
2018	\$ 7,053	\$ 3,145	\$ 2,502	1.2
2017	6,763	3,020	2,629	1.2
2016	6,551	2,900	2,746	1.2
2015	6,195	2,785	2,863	1.1
2014	6,207	2,710	2,938	1.1
Debt not issued in prior years.				
Bernalillo County Metropolitan Court				
2018	\$ 3,651	\$ 2,600	\$ 1,266	0.9
2017	3,756	2,480	1,390	1.0
Reported on NMFA in Prior Years				
Educational Insititutions				
2018	\$ 867,000	\$ 42,764	\$ 38,347	10.7
2017	999,407	38,223	31,684	14.3
Reported on NMFA in Prior Years				
University of New Mexico Health Sciences				
2018	\$ 4,297	\$ 3,044	\$ 1,253	1.0
2017	3,500	2,029	1,117	1.1
Reported on UNM in Prior Years				
General Services Department				
2018	\$ 5,397	\$ 2,140	\$ 3,257	1.0
2017	3,500	2,075	1,025	1.1
Reported on UNM in Prior Years				

STATE OF NEW MEXICO

DEMOGRAPHIC AND ECONOMIC INDICATORS

SCHEDULE D-1

Last Ten Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Median Age	* Percent High School Grad or Higher (Pop=25 Yrs & >)	Public School Enrollment
2018	2,095,428	\$ 86,328,400,000	\$ 41,198	37.3	85.0	335,829
2017	2,088,070	83,127,300,000	39,811	37.2	84.6	338,370
2016	2,081,015	80,758,305,000	38,807	37.4	84.2	339,613
2015	2,080,328	79,104,093,000	38,025	37.2	84.2	340,365
2014	2,083,024	76,449,091,000	36,701	37.2	84.0	339,219
2013	2,085,193	72,465,608,000	34,752	36.9	83.6	338,223
2012	2,083,784	73,822,778,000	35,427	36.8	83.4	337,225
2011	2,077,756	72,175,501,000	34,737	36.6	83.1	328,591
2010	2,064,756	68,361,950,000	33,109	36.7	82.7	330,142
2009	2,036,802	66,243,018,000	32,523	35.5	82.1	323,882

Sources: Population, Per Capita Personal Income - New Mexico Bureau of Business and Economic Research, University of New Mexico School Enrollment - New Mexico Department of Finance and Administration, Office of Education and Accountability
 Personal Income - Department of Commerce Bureau of Economic Analysis, Education - Census.gov B15002 American Fact Finder, PEPASR6H GeographyNMYR2012Population Estimates, bea.gov. www.ped.state.nm.us

Note: Personal Income, Per capita Personal Income and median Age data are as of 2018 data.
 2011-18 population data represents estimates based on the 2010 census.
 2017 is Restated

Note: Statistics were revised to indicate the percentage of individuals that have attained educational levels instead of the average educational level as was done in prior years.

* Education level and years of schooling has been replaced with Percent High School Graduate or Higher

STATE OF NEW MEXICO

PRINCIPAL EMPLOYERS

SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2009			Calendar Year 2018		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
Federal Government	N/A	N/A	N/A	28,950	1	3.2%
State of New Mexico (total offices, departments, etc.)	N/A	N/A	N/A	21,637 m	2	2.4%
Albuquerque Public Schools	N/A	N/A	N/A	15,580	3	1.7%
Walmart Corporate	14,877	1	1.7%	14,022	4	1.6%
Sandia National Laboratories	10,200	2	1.2%	12,800	5	1.4%
Los Alamos National Laboratories	N/A	N/A	N/A	11,738	6	1.3%
Presbyterian Healthcare	9,000	3	1.0%	11,178 m	7	1.2%
UNM (Campuses, Hospital, Medical Group, Etc.)*	5,797	4	0.7%	9,467	8	1.0%
City of Albuquerque	N/A	N/A	N/A	6,165	9	0.7%
New Mexico State University	N/A	N/A	N/A	4,606	10	0.5%
Lovelace Health Systems	3,500	6	0.4%	3,589 #	11	0.4%
St. Vincent Regional Medical Center	2,010	9	0.2%	2,132	12	0.2%
Smith's Food and Drug	2,441	8	0.3%	2,088	13	0.2%
T-Mobile	1,500	10	0.2%	1,750	14	0.2%
Intel Corporation	3,000	7	0.3%	1,200	15	0.1%
Public Service Company of New Mexico	3,864	5	0.4%	938	16	0.1%
Total Employees of Principal Employers	56,189		6.5%	147,840		16.4%

* UNM Hospital in 2009

Sources: New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics

2009 Book of Business List

NMNETLINKS

New Mexico Career Development Association

Albuquerque Public Schools - Human Resources Department

City of Albuquerque One Albuquerque finance.

Governing Magazine 1-25-2019 - Federal Employees by State

State of New Mexico Payroll Control (DFA)

Los Alamos National Laboratory - Facts 3-13-2019, as of 3-2018.

Sandia National Laboratories: Facts & Figures for FY 2018 (9-30-18).

Walmart Corporate - New Mexico, Location Facts

New Mexico State University Quick Facts 2018-2019, on 3-13-19

University of New Mexico - Office of Institutional Analytics - UNM Quick Facts 2015-2018

SEC quarterly reports

Note: Number of employees is based on a calendar year average.

Unable to obtain data for Calendar Year 2018, used 2017 information.

m As of March 2019

Rankings are based on the employers identified, there may be larger employers not identified from sources available.

Some data sources only included locations that had in excess of 100 employees.

STATE OF NEW MEXICO

COMPOSITION OF LABOR FORCE

SCHEDULE D-3

Last Ten Calendar Years

	Calendar Year				
	2018	2017	2016 as Restated	2015 as Restated	2014 as Restated
Nonagricultural Jobs					
Government	183,600	186,500	188,900	189,300	194,700
Mining	20,300	20,800	19,800	25,600	28,400
Construction	46,900	45,700	43,400	43,500	43,300
Manufacturing	26,900	26,400	26,900	27,800	28,300
Trade, Transportation and Utilities	136,300	136,600	138,700	139,600	142,700
Information	11,100	12,300	13,000	12,700	12,700
Financial Activity	34,700	34,000	33,500	33,300	33,600
Professional and Business Services	103,200	104,300	101,300	99,700	100,300
Education and Health Services	140,200	139,000	138,200	133,300	131,900
Leisure and Hospitality	94,700	96,400	95,500	93,100	89,000
Other Services	27,600	28,600	28,500	28,500	28,300
Total Nonagricultural Jobs	825,500	830,600	827,700	826,400	833,200
Civilian Labor Force	949,047	929,567	928,732	927,999	927,142
Total Employed	904,196	872,382	866,704	867,387	865,229
Unemployed	44,851	57,185	62,028	60,612	61,913
Unemployment Rate	4.8%	6.2%	6.7%	6.5%	6.7%
Seasonally Adjusted Rate	4.7%	6.4%	6.7%	6.6%	6.7%

Source: New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics

STATE OF NEW MEXICO

SCHEDULE D-3 (CONTINUED)

	Calendar Year				
	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated	2009 as Restated
Nonagricultural Jobs					
Government	188,300	182,297	195,100	192,746	189,470
Mining	26,800	23,959	21,300	17,834	17,581
Construction	40,600	41,116	43,400	43,509	47,731
Manufacturing	27,300	29,672	29,400	28,693	30,013
Trade, Transportation and Utilities	136,800	134,061	133,300	130,652	134,337
Information	12,300	13,523	14,400	14,720	14,721
Financial Activity	34,100	35,547	32,500	21,813	22,144
Professional and Business Services	96,800	92,746	100,500	109,360	112,599
Education and Health Services	123,200	114,233	121,700	108,458	106,613
Leisure and Hospitality	85,000	86,269	86,300	83,079	84,167
Other Services	27,200	20,970	28,600	20,810	21,413
Total Nonagricultural Jobs	798,400	774,393	806,500	771,674	780,789
Civilian Labor Force	923,899	927,795	930,356	936,088	940,352
Total Employed	859,804	861,617	860,305	860,154	869,491
Unemployed	64,095	66,178	70,051	75,934	70,861
Unemployment Rate	6.9%	7.1%	7.5%	7.0%	7.2%
Seasonally Adjusted Rate	7.0%	7.1%	7.5%	8.1%	7.5%

STATE OF NEW MEXICO

PUBLIC HIGHER EDUCATION ENROLLMENT Last Ten Academic Years

SCHEDULE D-4

	Academic Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
Eastern New Mexico University	5,573	5,891	5,936	6,327	6,489
New Mexico Highlands University	2,348	2,438	2,653	2,626	2,742
New Mexico Institute of Mining and Technology	1,612	1,666	1,817	1,805	1,766
New Mexico State University	18,398	19,324	19,876	20,630	21,752
Northern New Mexico College	799	786	707	870	1,061
University of New Mexico	23,430	25,483	28,489	28,277	28,586
Western New Mexico University	2,072	2,045	2,169	2,222	2,223
Total All Four-Year Institutions	54,232	57,633	61,647	62,757	64,619
Central New Mexico Community College ¹	12,156	12,716	13,684	14,653	15,920
Clovis Community College	1,477	1,495	1,500	1,548	1,589
Luna Community College	505	614	709	757	856
Mesalands Community College	388	404	469	428	423
New Mexico Junior College	1,696	1,593	1,651	1,698	1,651
New Mexico Military Institute	487	492	511	550	588
Northern New Mexico College	N/A	N/A	N/A	N/A	N/A
San Juan College	3,672	3,538	4,409	4,619	4,901
Santa Fe Community College	2,252	2,391	2,648	2,899	3,003
Total All Two-Year Institutions	22,633	23,243	25,581	27,152	28,931
Total All Institutions	76,865	80,876	87,228	89,909	93,550

¹ Albuquerque Technical Vocational Institute's name changed to Central New Mexico Community College

Source: Information can also be found at <http://www.hed.state.nm.us/researchers/student-enrollment.aspx>
NM Postsecondary Census Enrollment Fall 2018 for 2017-2018 count.

These numbers are by total FTE not head counts. Branches must be Included in totals.

STATE OF NEW MEXICO

SCHEDULE D-4

	Academic Year				
	2012-13	2011-12	2010-11	2009-10	2008-09
Eastern New Mexico University	6,862	6,874	6,587	6,245	5,635
New Mexico Highlands University	2,758	2,778	2,747	2,698	2,614
New Mexico Institute of Mining and Technology	1,694	1,598	1,552	1,500	1,520
New Mexico State University	22,756	23,418	23,632	22,723	21,065
Northern New Mexico College	1,186	1,254	1,352	1,277	1,236
University of New Mexico	28,557	28,542	28,337	26,710	24,854
Western New Mexico University	2,153	2,180	2,236	2,201	1,837
Total All Four-Year Institutions	65,966	66,644	66,443	63,354	58,761
Central New Mexico Community College ¹	15,818	16,384	16,687	15,437	13,522
Clovis Community College	1,684	1,760	1,828	1,831	1,535
Luna Community College	925	1,013	1,048	912	914
Mesalands Community College	652	597	639	718	668
New Mexico Junior College	1,626	1,966	1,923	1,880	1,602
New Mexico Military Institute	613	579	593	513	540
Northern New Mexico College	N/A	N/A	N/A	N/A	N/A
San Juan College	4,948	5,027	4,799	4,790	4,299
Santa Fe Community College	2,883	2,890	2,847	2,609	2,186
Total All Two-Year Institutions	29,149	30,216	30,364	28,690	25,266
Total All Institutions	95,115	96,860	96,807	92,044	84,027

STATE OF NEW MEXICO

FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION SCHEDULE E-1 Last Ten Fiscal Years

	Fiscal Year				
	2018	2017 As Restated	2016	2015	2014
General Government					
Government Operations	1,334.0	1,355.0 ¹	1,190.0	1,203.5	1,203.5
Taxation and Revenue	1,078.0	1,088.0	1,096.0	1,109.0	1,109.0
Human Services and Youth Corrections	3,909.0	4,320.0	4,540.0	4,384.1	4,384.1
Adult Corrections	2,443.0	2,409.0	2,447.0	2,453.0	2,453.0
Public Safety	1,535.0	1,545.0	1,499.7	1,452.7	1,452.7
State Courts	3,389.0 ²	3,375.0	3,587.4	3,471.0	3,471.0
Health and Environment					
Department of Health	3,536.0 ⁴	3,792.0	3,780.0	3,791.0	3,791.0
Department of Environment	638.0	637.0	660.5	660.5	660.5
Miners Colfax Community Hospital	258.0	224.0	224.0	224.0	224.0
Employment and Family Services	1,643.0 ⁴	1,435.0	623.5	618.5	618.5
Natural Resources	1,366.0	1,389.0	1,005.8	967.8	967.8
Cultural Affairs	494.0	509.0	508.8	507.8	507.8
Business, Labor and Agriculture	860.0 ³	900.0	1,809.5	1,813.6	1,813.6
Education	378.0	397.0	348.3	350.3	350.3
Transportation	2,503.0	2,488.0	2,487.5	2,489.5	2,489.5
Total Full-Time Equivalent State Employees	25,364.0	25,863.0	25,808.0	25,496.3	25,496.3
Change	-2.0%	0.2%	1.2%	0.0%	-0.4%

Source: New Mexico Legislative General Appropriation Act for each fiscal year's annual appropriation. Used FY14 data in FY15 as data was not available.

NMNETLINKS

New Mexico Career Development Association

Report of the Legislative Finance Committee to the 53rd Legislature Second Session, January 2018, Vol. 2, Pg. 1-351

Report of the Legislative Finance Committee to the 54th Legislature First Session, January 2019, Vol. 2, Pg. 1-324

¹ Total FTE Positions for Attorney General included in Government Operations for 2017 is based on 2016 as 2017 was not available

² Total FTE Positions for 4th, 5th, 8th, 9th, and 10th Judicial District Attorneys included in State Courts for 2018 is based on 2017 as 2018 was not available

³ Total FTE Positions for Gaming Control Board included in Business, Labor and Agriculture for 2018 is based on 2017 as 2018 was not available

⁴ Throughout 2018, approximately 222 FTE Positions were transferred from the Department of Health to the Department of Veterans' Services for certain functions including IT Infrastructure, financial oversight and electronic health record.

STATE OF NEW MEXICO

SCHEDULE E-1

	Fiscal Year				
	2013	2012	2011	2010	2009
General Government					
Government Operations	1,228.5	1,215.0	1,255.3	1,314.3	1,315.3
Taxation and Revenue	1,136.0	1,136.0	1,150.5	1,280.0	1,206.0
Human Services and Youth Corrections	4,225.1	4,357.1	4,323.1	4,404.6	4,325.1
Adult Corrections	2,453.5	2,490.5	2,490.5	2,538.5	2,538.5
Public Safety	1,456.7	1,467.7	1,474.5	1,578.5	1,574.5
State Courts	3,497.8	3,490.1	3,503.1	3,502.5	3,477.0
Health and Environment					
Department of Health	3,946.0	3,941.0	4,098.0	4,182.0	4,138.0
Department of Environment	671.5	673.0	685.0	720.5	720.5
Miners Collax Community Hospital	224.0	225.0	225.0	225.0	225.0
Employment and Family Services	626.5	624.5	652.5	698.5	696.5
Natural Resources	1,018.8	1,012.3	962.3	1,001.3	993.3
Cultural Affairs	505.5	536.7	534.2	572.0	551.0
Business, Labor and Agriculture	1,734.7	1,799.4	1,845.7	1,910.7	1,955.3
Education	364.8	418.8	412.2	435.2	423.2
Transportation	2,502.5	2,502.2	2,504.5	2,756.5	2,756.5
Total Full-Time Equivalent State Employees	25,591.9	25,889.3	26,116.4	27,120.1	26,895.7
Change	-1.2%	-0.9%	-3.8%	0.8%	-0.8%

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2018	2017, as Restated	2016, as Restated	2015, as Restated	2014, as Restated
General Government					
Operations					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) ^{5 7 8 11 24 39}	39 th	39 th	30 th	36 th	30 th
Taxation					
% of Electronically Filed Personal Income Tax Returns ^{5 6 9 14 15 19 23 37}	80%	86%	85%	92%	90%
% of Motor Vehicle Registrations Issued (with Liability Insurance) ^{5 6 14 15 19 23 37}	90%	90%	92%	91%	91%
Amount of Delinquent Property Tax Collected and Distributed to Counties in millions ^{8 10 14 15 19 23 37}	12.8	11.5	11.6	10.4	13.1
Regulation					
# of Vehicular Port Traffic at New Mexico Ports ^{5 7 10 14 15 18 26 38}	1,597,023	1,571,366	1,589,396	1,463,046	1,279,179
Nursing Licenses Issued ^{5 7 10 15 18 25, 40}	19,340	16,872	16,251	14,854	14,551
Tri-Annual Physician Licenses Issued ^{5 7 10 14 15 18 27 38}	4,059	4,116	3,744	3,841	3,945
Biennial Physician Assistant Licenses Issued ^{5 7 10 15 18 27 38}	487	455	451	476	436
Public Safety					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{5 7 10 14 15 19 20 28 41}	19,500	16,590	10,408	14,775	18,202
# of Traffic Fatalities ^{5 9 14 15 18 23 37}	359	374	366	347	343
# of Driving While Intoxicated Fatalities ^{5 9 14 15 18 23 37}	118	154	132	155	137
# of Driving While Intoxicated Arrests ^{5 7}	N/A	N/A	N/A	N/A	N/A
Education					
Public					
# of High School Graduates ^{1 29 42}	26,288	26,587	25,926	25,863	25,170
Student Dropout Rate for Grades 9 - 12 ^{2 30}	5.30%	5.30%	4.4%	4.4%	4.7%
Public School Capital Outlay Allocation (\$ Millions) ^{3 4}	NA	NA	546	895	457
Higher					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) ^{8 10 14 15 38}	50%	49%	48%	48%	48%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years ^{5 6 8 10 14 15 21}	NA	NA	75%	72%	73%

	Fiscal Year				
	2013, as Restated	2012, as Restated	2011, as Restated	2010, as Restated	2009, as Restated
General Government					
Operations					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) ^{5 7 8 11 24 39}	30 th	50 th	49 th	81 st	49 th
Taxation					
% of Electronically Filed Personal Income Tax Returns ^{5 6 9 14 15 19 23 37}	85%	82%	63%	55%	51%
% of Motor Vehicle Registrations Issued (with Liability Insurance) ^{5 6 14 15 19 23 37}	91%	92%	91%	91%	91%
Amount of Delinquent Property Tax Collected and Distributed to Counties in millions ^{8 10 14 15 19 23 37}	12.4	11	7	5	5
Regulation					
# of Vehicular Port Traffic at New Mexico Ports ^{5 7 10 14 15 18 26 38}	824,824	766,671	830,000	434,061	864,020
Nursing Licenses Issued ^{5 7 10 15 18 25, 40}	15,081	14,500	13,576	NA	13,897
Tri-Annual Physician Licenses Issued ^{5 7 10 14 15 18 27 38}	3,661	3,000	2,707	2,403	3,546
Biennial Physician Assistant Licenses Issued ^{5 7 10 15 18 27 38}	398	225	262	230	277
Public Safety					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{5 7 10 14 15 19 20 28 41}	11,564	37,919	39,334	36,211	23,453
# of Traffic Fatalities ^{5 9 14 15 18 23 37}	304	395	306	351	384
# of Driving While Intoxicated Fatalities ^{5 9 14 15 18 23 37}	120	169	89	147	153
# of Driving While Intoxicated Arrests ^{5 7}	N/A	2,479	3,309	4,311	3,694
Education					
Public					
# of High School Graduates ^{1 29 42}	25,903	20,594	N/A	NA	19,357
Student Dropout Rate for Grades 9 - 12 ^{2 30}	4.7%	4.6%	N/A	NA	NA
Public School Capital Outlay Allocation (\$ Millions) ^{3 4}	483	136	N/A	NA	153
Higher					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) ^{8 10 14 15 38}	43%	40%	43%	NA	43%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years ^{5 6 8 10 14 15 21}	72%	73%	71%	NA	65%

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	Fiscal Year				
	2018	2017, as Restated	2016, as Restated	2015, as Restated	2014, as Restated
Health and Human Services					
% of Children Receiving Services in Medicaid Managed Care ^{5 6 10 14 15 23 38}	84%	85%	85%	86%	80%
% of Child Support Collected of Support Owed ^{5 6 9 14 15 18 23 38}	57%	56%	56%	56%	56%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) ^{5 7 8 10 14 15 21 31}	N/A	503	491	360	360
% of Children Adopted within 24 Months of Entry into Foster Care ^{5 7 8 10 14 15 23 37}	28%	25%	23%	32%	32%
% of Abused Children with Repeat Maltreatment ^{5 6 9 14 15 23 38}	11%	11%	12%	11%	11%
% of Preschoolers Fully Immunized ^{5 6 9 14 15 18}	N/A	N/A	NA	76%	72%
# of Operating School-Based Health Centers ^{5 6 13 14 15 32}	73	70	72	80	80
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{5 7 18 21 26}	5	5	3	3	3
Corrections					
Juvenile					
% Juveniles Earning Education Credits While Incarcerated ^{5 6}	NA	NA	NA	NA	NA
% of Juveniles Who Complete Formal Probation ^{5 6 23 37 38}	86%	83%	85%	83%	NA
% of Juveniles Recommitted to a Youth Detention Facility ^{5 6 9 14 15 17 23 37}	2%	7%	10%	8%	10%
Adult					
Turnover Rate of Correctional Officers ^{5 7 9 14 15 18 23 38}	28%	2%	10%	13%	10%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) ^{5 7 9 14 15 23 37}	21%	25%	46%	47%	36%
% of Prisoners Reincarcerated within 36 Months After Release ^{10 14 15 17 23 37}	49%	50%	46%	23%	47%
Culture and Recreation					
# of Visits to Visitor Information Centers (Millions) ^{5 7 8}	NA	NA	NA	NA	NA
# of Unique Website Visitor Sessions (Millions) ^{5 7 8 23}	0.4	0.4	0.6	0.8	NA
Circulation Rate for New Mexico Magazine ^{5 7 8 9 14 15 18 33 38}	70,000	70,000	75,000	92,148	89,556
Attendance to Museum Exhibitions, Performances, Films, Programs ^{5 7 8 10 14 15 34 38}	855,789	779,810	745,101	823,450	851,101
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{5 7 8 10 14 15 18 36 38}	84%	84%	84%	84%	87%
Fish Output from Hatchery System (in Pounds) ^{5 7 8 10 14 15 35 38}	646,175	681,103	638,594	637,200	634,779
# of Visitors to State Parks (Millions) ^{5 6 8 9 14 15 23}	5	5	5	4	4
Natural Resources, Environment					
# of Inspections of Oil and Gas Wells and Associated Facilities ^{5 7 8 14 15 23 37}	42,880	37,648	49,624	47,539	38,920
% of Required Mine Inspection Conducted ^{5 7 8 14 15 23 37}	95%	97%	97%	97%	94%
% of Abandoned Uranium Mines with Current Site Assessments ^{5 7 8}	NA	NA	NA	NA	NA
% of Landfills Meeting Groundwater Monitoring Requirements ^{5 6 14 15 23 37}	96%	97%	100%	95%	96%
# of Wildlife Habitat Acres Conserved or Enhanced ^{8 20 35}	192,000	192,000	NA	NA	NA
# of Threatened/Endangered Species Monitored/Involved in Recovery Process changed to % of Endangered Species in 2017 ^{5 7 8 10 14 15 38}	41%	52%	NA	35	35

STATE OF NEW MEXICO

SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2013, as Restated	2012, as Restated	2011, as Restated	2010, as Restated	2009, as Restated
Health and Human Services					
% of Children Receiving Services in Medicaid Managed Care ^{5 6 10 14 15 23 38}	70%	70%	60%	60%	60%
% of Child Support Collected of Support Owed ^{5 6 9 14 15 18 23 38}	56%	57%	57%	58%	59%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) ^{5 7 8 10 14 15 21 31}	132	173	300	190	182
% of Children Adopted within 24 Months of Entry into Foster Care ^{5 7 8 10 14 15 23 37}	31%	35%	28	23%	28%
% of Abused Children with Repeat Maltreatment ^{5 6 9 14 15 23 38}	9%	8%	9%	9%	6%
% of Preschoolers Fully Immunized ^{5 6 9 14 15 18}	72%	76%	65%	70%	95%
# of Operating School-Based Health Centers ^{5 6 13 14 15 32}	80	82	84	84	84
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{5 7 18 21 26}	3	4	4	4	4
Corrections					
Juvenile					
% Juveniles Earning Education Credits While Incarcerated ^{5 6}	NA	55%	47%	60%	38%
% of Juveniles Who Complete Formal Probation ^{5 6 23 37 38}	NA	90%	92%	90%	91%
% of Juveniles Recommitted to a Youth Detention Facility ^{5 6 9 14 15 17 23 37}	9%	12%	11%	80%	10%
Adult					
Turnover Rate of Correctional Officers ^{5 7 9 14 15 18 23 38}	8%	11%	13%	15%	10%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) ^{5 7 9 14 15 23 37}	28%	37%	35%	32%	40%
% of Prisoners Reincarcerated within 36 Months After Release ^{10 14 15 17 23 37}	47%	40%	40%	44%	46
Culture and Recreation					
# of Visits to Visitor Information Centers (Millions) ^{5 7 8}	NA	1.3	1	1	1
# of Unique Website Visitor Sessions (Millions) ^{5 7 8 23}	NA	2	3	2	1
Circulation Rate for New Mexico Magazine ^{5 7 8 9 14 15 18 33 38}	91,197	94,221	90,000	85,264	85,264
Attendance to Museum Exhibitions, Performances, Films, Programs ^{5 7 8 10 14 15 34 38}	826,912	830,000	845,000	827,281	843,475
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{5 7 8 10 14 15 18 36 38}	86%	80%	80%	87%	83%
Fish Output from Hatchery System (in Pounds) ^{5 7 8 10 14 15 35 38}	621,721	592,247	455,000	485,375	423,501
# of Visitors to State Parks (Millions) ^{5 6 8 9 14 15 23}	3.8	4	4	5	5
Natural Resources, Environment					
# of Inspections of Oil and Gas Wells and Associated Facilities ^{5 7 8 14 15 23 37}	37,707	35,147	27,816	38,352	38,318
% of Required Mine Inspection Conducted ^{5 7 8 14 15 23 37}	100%	100%	100%	100%	100%
% of Abandoned Uranium Mines with Current Site Assessments ^{5 7 8}	NA	50%	50%	70%	23%
% of Landfills Meeting Groundwater Monitoring Requirements ^{5 6 14 15 23 37}	100%	95%	97%	NA	72%
# of Wildlife Habitat Acres Conserved or Enhanced ^{8 20 35}	N/A	100,000	180,331	106,138	76,861
# of Threatened/Endangered Species Monitored/Involved in Recovery Process changed to % of Endangered Species in 2017 ^{5 7 8 10 14 15 38}	39	35	35	46	82

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	Fiscal Year				
	2018	2017, as Restated	2016, as Restated	2015, as Restated	2014, as Restated
Business, Labor, and Agriculture					
% of Adults Who Entered Employment in 1 st Quarter of Receiving Training Services (Changed in 2013 to Percent of Individuals Who Have Received Employment Services Retaining Employment After Six Months) ^{5 9 14 15 17 19 23 37}	79%	78%	80%	80%	75%
# of Rural Jobs Created ^{5 6 9 14 15 23 37}	2,414	775	641	726	1,562
# of Media Industry Worker Days ^{5 6 9 14 15 18 37}	259,961	448,304	260,307	298,398	189,782
Changed to "Direct Spending by Industry productions (\$ Millions) ^{14 23 37}	234	505	387	286	162
Economic Impact of Media Industry Productions (\$ Millions) ^{5 6 9 15 23}	NA	NA	NA	NA	NA
Highways and Transportation					
# of System wide Miles in Deficient Condition ^{5 6 9 14 15 23 37}	4,675	4,675	4,515	4,250	3,896
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{5 7 8 12}	1.16	1.16	1.18	1.09	1.51
# of Statewide Improved Pavement Surface Miles ^{5 6 9 14 15 23 37}	2,854	3,668	2,457	2,611	2,889

	Fiscal Year				
	2013, as Restated	2012, as Restated	2011, as Restated	2010, as Restated	2009, as Restated
Business, Labor, and Agriculture					
% of Adults Who Entered Employment in 1 st Quarter of Receiving Training Services (Changed in 2013 to Percent of Individuals Who Have Received Employment Services Retaining Employment After Six Months) ^{5 9 14 15 17 19 23 37}	74%	72%	86%	69%	85%
# of Rural Jobs Created ^{5 6 9 14 15 23 37}	1,440	1,542	958	1,446	1,641
# of Media Industry Worker Days ^{5 6 9 14 15 18 37}	216,461	143,046	181,366	142,524	162,190
Changed to "Direct Spending by Industry productions (\$ Millions) ^{14 23 37}	641	674	697	559	746
Economic Impact of Media Industry Productions (\$ Millions) ^{5 6 9 15 23}	NA	NA	NA	NA	NA
Highways and Transportation					
# of System wide Miles in Deficient Condition ^{5 6 9 14 15 23 37}	8,287	3,837	3,407	3,171	2,951
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{5 7 8 12}	1.21	1.43	1.38	1	1
# of Statewide Improved Pavement Surface Miles ^{5 6 9 14 15 23 37}	3,139	2,750	4,000	2,393	3,764

Sources: Various departments of the State of New Mexico

- ¹ [New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates](#)
- ² [New Mexico Dropout Report published by New Mexico Public Education Department](#)
- ³ [Report of the Legislative Finance Committee to the 47th Legislature First Session](#), January 2006, Vol. I, Pg. 105
- ⁴ New Mexico Public Schools Finance Authority
- ⁵ [Report of the Legislative Finance Committee to the 47th Legislature Second Session](#), January 2006, Vol. II, Pgs. 57, 63-65, 93, 105, 113, 117, 127, 130, 132, 137, 139, 161, 164, 166, 181, 192-193, 198-199, 201, 227, 242, 244, 249, 255, 258, 268, 274-276, 288, 295, 300-301, 306, 310, 315, 318,
- ⁶ [Report of the Legislative Finance Committee to the 48th Legislature First Session](#), January 2007, Vol. I, Pgs. 123, 128, 130-131, 133-134, 137-139, 142, 144-146
- ⁷ [Report of the Legislative Finance Committee to the 48th Legislature Second Session](#), January 2007, Vol. II, Pg. 35, 55, 110, 114, 126, 129, 131, 136, 153, 157, 161, 163, 171, 181, 191-92, 200, 226, 250, 259, 269, 297, 302-3, 307, 316-17, 321, 328, 335
- ⁸ [Report of the Legislative Finance Committee to the 50th Legislature Second Session](#), January 2012, Vol. II, Pg. 92, 93, 95, 99, 100, 101, 102, 103, 104, 105, 106, 108, 112, 113, 114, 122, 123, 172, 178, 187, 188, 194, 262, 287, 291, 303, 322, 323, 336, 338
- ⁹ [Report of the Legislative Finance Committee to the 51th Legislature Second Session](#), January 2014, Vol. I, Pg. 89, 98, 99, 100, 101, 105, 108, 112, 115, 116, 124, 125, 132, 133
- ¹⁰ [Report of the Legislative Finance Committee to the 51th Legislature Second Session](#), January 2014, Vol. II, Pg. 41, 59, 121, 150, 157, 159, 185, 230, 276, 278, 283, 330, 332
- ¹¹ [Pension fund rankings by state-Crain's Chicago Bs](#), <http://www.chicagobusiness.com/article/20130110/NEWS07/130109847/pension-fund-rankings-by-state-were-no-50>
- ¹² [New Mexico Transportation By The Numbers:](#)
- ¹³ [New Mexico Alliance for School-Based Health Care \(NMBHC\): 'http://www.nmbhc.org/index.html](#)
- ¹⁴ [Report of the Legislative Finance Committee to the 52th Legislature Second Session](#), January 2015, Vol. I, Pg. 88, 90, 98, 99, 100, 101, 105, 108, 112, 116, 117, 121, 122, 123, 129, 130; Vol II pg. 126, 134, 136, 149, 156, 158, 176, 184, 226, 285, 307, 324, 342, 344
- ¹⁵ [Report of the Legislative Finance Committee to the 52th Legislature Second Session](#), January 2016, Vol. II, Pg. 152, 327, 343, 356, 505
- ¹⁷ [Report of the Legislative Finance Committee to the 53rd Legislature First Session](#), January 2017, Vol. I, Pg. 91, 103, 116
- ¹⁸ [Report of the Legislative Finance Committee to the 53rd Legislature First Session](#), January 2017, Vol. II, Pg. 115, 143, 145, 215, 237, 243, 264, 277, 283,
- ¹⁹ [Report of the Legislative Finance Committee to the 50th Legislature First Session](#), January 2011, Vol. II, Pg. 157, 243
- ²⁰ [Report of the Legislative Finance Committee to the 49th Legislature First Session](#), January 2010, Vol. II, Pg. 162, 183
- ²¹ [Report of the Legislative Finance Committee to the 52nd Legislature First Session](#), January 2015, Vol. II, Pg. 261, 285, 343
- ²² [Mercatus Center - George Mason University, www.mercatus.org/statefiscalrankings](#)
- ²³ [Report of the Legislative Finance Committee to the 54rd Legislature First Session](#), January 2018, Vol. I, Pg. 36, 94-98, 100-101, 103-104, 114, 119-120, 122-124, 131-132
- ²⁴ [Pension Fund Programs Worsen in 43 States](#), by Laurie Meisler, www.bloomberg.com/graphics/2017-state-pension-funding
- ²⁵ [New Mexico Board of Nursing - Annual Governor's Report FY 2017](#), Pg 12
- ²⁶ [Report of the Legislative Finance Committee to the 54rd Legislature First Session](#), January 2018, Vol. II, Pg. 121, 240
- ²⁷ [New Mexico Medical Board - E-mailed](#)
- ²⁸ [New Mexico Public Regulation Commission - Annual Report FY 2017](#), Pg. 14, 16
- ²⁹ [New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates \\$ Year Graduation Rate Cohort 2017](#)
- ³⁰ [New Mexico Public Education E-Mail - CFO](#)
- ³¹ [New Mexico Veterans' Services Department Performance Measures Summary](#), Pg. 1
- ³² [New Mexico Alliance for School Based Health Care, www.nmbhc.org/SBHC_Locator](#)
- ³³ [New Mexico Magazine - E-Mail Circulation Manager](#)
- ³⁴ [New Mexico Department of Cultural Affairs - E-mail CIO](#)
- ³⁵ [New Mexico Department of Game and Fish Annual Report](#), Pg. 6, 9
- ³⁶ [New Mexico Department of Game & Fish - Website, www.wildlife.state.nm.us/hunting/applications-and-draws-information](#)
- ³⁷ [Report of the Legislative Finance Committee to the 54th Legislature First Session](#), January 2019, Vol. I, Pg. 107, 109-110, 114, 127, 135-136, 145, 147, 155, 156
- ³⁸ [Report of the Legislative Finance Committee to the 54th Legislature First Session](#), January 2019, Vol. II, Pg. 118, 120, 136, 144, 146, 169, 177, 218, 222, 245, 275, 276, 286, 336
- ³⁹ [Pension Fund Outlook Brightens in 41 States](#), by Danielle Moran, www.bloomberg.com/graphics/2018-state-pension-funding
- ⁴⁰ [New Mexico Board of Nursing - Annual Report FY 2018](#), Pg 4
- ⁴¹ [New Mexico Public Regulation Commission - Annual Report FY 2018](#), Pg. 22+F45
- ⁴² [New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates \\$ Year Graduation Rate Cohort 2018](#)

Note: The State of New Mexico passed the Accountability in Government Act, NMSA 6-3A, in 1999. Efforts have been made in identifying and determining performance measurements since that time. Agencies began tracking and calculating these performance measurements beginning in fiscal year 2004. These operating indicators will continue to be tracked in the future in order to reach a ten year historical comparison.

N/A ¹ Measure deleted in FY09 or latter Fiscal Year and replaced by different criteria.

NA Information not available

STATE OF NEW MEXICO

CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
General Government					
Buildings	110	110	110	110	110
Vehicles	392	N/A	N/A	N/A	N/A
Public Safety					
Buildings (not inc. POE'S)	29	29	29	29	29
Vehicles	1,256	900	921	921	921
Ports of Entry	8	8	6	6	6
Health and Human Services					
Buildings - General Administrative	34	34	4	4	4
Buildings - Program					
Juvenile Reintegration Center	4	4	3	3	3
Medical Center/Hospital	57	58	53	53	53
Rehabilitation Facility	5	5	7	7	7
Veterans' Center	16	16	1	1	1
Vehicles	871	400	426	426	426
Corrections					
Buildings	330	330	330	330	330
Vehicles	347	320	355	355	355
Culture and Recreation					
Vehicles	54	40	45	45	45
Museums	9	9	4	4	4
Monuments	7	7	6	6	6
Natural Resources, Environment					
Vehicles	280	340	380	380	380
State Parks	35	35	35	35	35
Wildlife Management Areas (Acres)	192,000	192,000	171,241	171,241	171,241
Fish Hatcheries	6	6	6	6	6
Education Vehicles					
Vehicles	29	N/A	N/A	N/A	N/A
Highways and Transportation					
Highway Lane Miles	12,272	12,272	26,598	26,598	26,598
Vehicles/Heavy Equipment	6,500	6,500	6,417	6,417	6,417

Sources: New Mexico General Services Department, Property Control Division and Public Information Office;
 New Mexico Game and Fish Department, Administrative Services
 New Mexico Energy and Minerals Department, Administrative Services Division;
 New Mexico Department of Transportation, ; dot.state.nm.us/content/nmdot/en/Operations.html
 Office of Employee Support and Development
 New Mexico Health and Human Services Department, Administrative Services Division;
 New Mexico Corrections Department, Administrative Services Division;
 New Mexico Children, Youth and Families Department, Administrative Services Division;
 New Mexico Department of Cultural Affairs, Administrative Services Division;
 New Mexico Department of Public Safety, Administrative Services Division;
State of New Mexico Report of the Legislative Finance Committee to the 53rd Legislature Second Session, Vol. I, January 2018.

en.wikipedia.org/wiki/List_of_hospitals_in_New_Mexico
 en.wikipedia.org/wiki/List_of_New_Mexico_state_parks
www.newmexicoculture.org; nmdvs.org/field-offices
www.sp.nm.gov/port-of-entry
 Number of Juvenile Centers in New Mexico (Bing)
 Number of rehabilitation facility in New Mexico (Bing)

STATE OF NEW MEXICO

SCHEDULE E-3

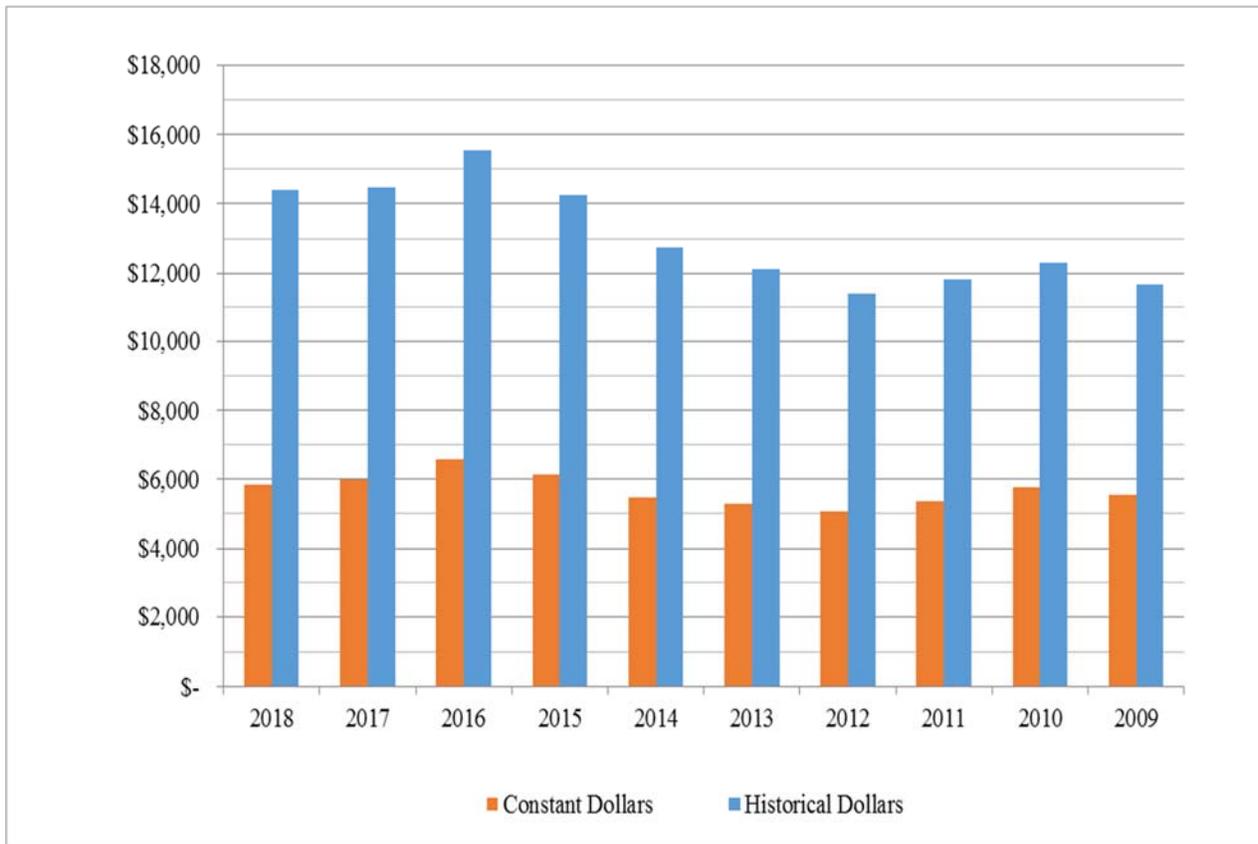
	Fiscal Year				
	2013	2012 as Restated	2011 as Restated	2010 as Restated	2009
General Government					
Buildings	110	110	110	110	110
Vehicles	N/A	N/A	N/A	N/A	N/A
Public Safety					
Buildings (not inc. POE'S)	29	29	29	9	8
Vehicles	921	921	935	935	983
Ports of Entry	16	16	16	14	14
Health and Human Services					
Buildings - General Administrative	34	34	34	34	34
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	253	253	253	253	253
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	11	11	11	11	11
Vehicles	426	426	440	440	440
Corrections					
Buildings	330	330	330	330	330
Vehicles	355	355	369	369	369
Culture and Recreation					
Vehicles	45	45	48	59	57
Museums	4	4	8	8	8
Monuments	6	6	8	6	6
Natural Resources, Environment					
Vehicles	380	380	383	383	387
State Parks	35	35	35	35	35
Wildlife Management Areas (Acres)	171,241	171,241	171,241	171,241	171,241
Fish Hatcheries	6	6	6	6	6
Education Vehicles					
Vehicles	N/A	N/A	N/A	N/A	N/A
Highways and Transportation					
Highway Lane Miles	26,598	26,598	26,598	26,598	26,688
Vehicles/Heavy Equipment	6,417	6,417	6,417	6,469	6,300

STATE OF NEW MEXICO

EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

SCHEDULE F-1

Last Ten Fiscal Years



Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2018	\$ 14,394	-0.5%	\$ 5,841	-2.9%
2017	14,464	-7.0%	6,013	-8.9%
2016	15,550	9.0%	6,602	7.6%
2015	14,268	12.1%	6,134	12.0%
2014	12,728	5.1%	5,479	3.5%
2013	12,114	6.4%	5,296	4.8%
2012	11,390	-3.7%	5,055	-5.6%
2011	11,825	-4.0%	5,357	-6.9%
2010	12,316	5.5%	5,757	3.9%
2009	11,671	3.3%	5,543	-0.7%

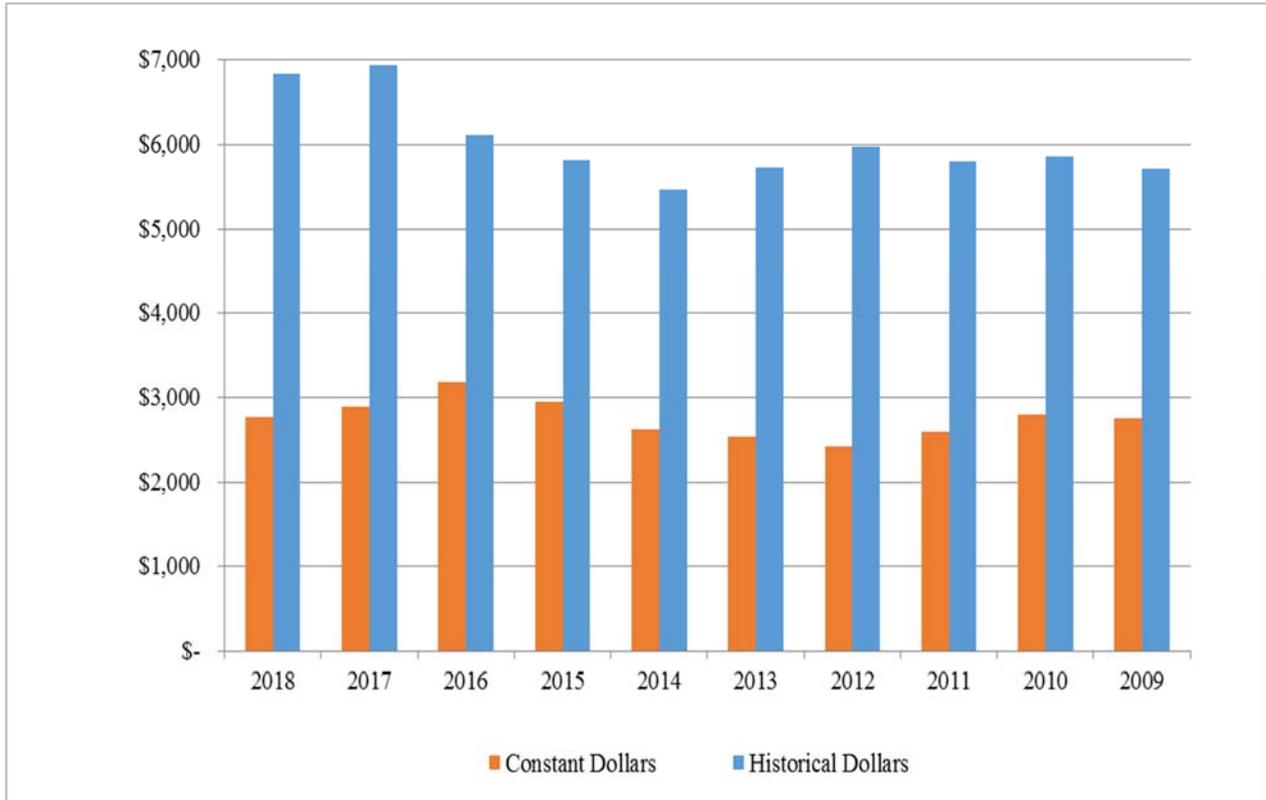
2017 is Restated

STATE OF NEW MEXICO

PER CAPITA EXPENDITURES HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

SCHEDULE F-2

Last Ten Fiscal Years



Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2018	\$ 6,838	-1.3%	\$ 2,775	-3.6%
2017	6,927	13.5%	2,880	-9.2%
2016	6,104	5.1%	3,173	7.6%
2015	5,809	6.4%	2,949	12.3%
2014	5,462	-4.6%	2,627	3.4%
2013	5,724	-4.3%	2,541	4.8%
2012	5,981	3.0%	2,424	-6.5%
2011	5,807	-1.0%	2,593	-7.3%
2010	5,866	2.7%	2,796	1.4%
2009	5,713	9.4%	2,758	7.2%

OTHER REPORTS



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

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Olivia Padilla-Jackson, Secretary of the New Mexico Department of
Finance and Administration,
Mr. Mark Melhoff, Acting State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Mexico (State), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated April 23, 2019. Our report includes reference to other auditors who audited the financial statements of certain agencies and component units, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report includes qualified opinions on certain opinion units because of the matters described in the "Bases for Qualified Opinions" paragraph in our report starting on page 4.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

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.



The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Olivia Padilla-Jackson, Secretary of the New Mexico Department of
Finance and Administration,
Mr. Mark Melhoff, Acting State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items (2018-001, 2018-002, 2018-003, and 2018-004) that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-005.

The State's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 23, 2019

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

Financial Statement Findings

2018-001 – Financial Accounting and Reporting of the Internal Service Fund Activity in the Government-Wide Financial Statements (Material Weakness)

Condition: The State lacks an effective process to properly account for and report on the internal service fund activity in the government-wide financials statements in accordance with generally accepted accounting principles. The most significant issues regarding the internal service fund activity in the government-wide statements are summarized below (*amounts reported in thousands*):

- The State reports internal service funds to account for the following activities of the State: fleet operations, risk management, printing and records, communication services, and information processing. These funds report charges for services in the amount of \$484,354, which predominantly represents charges to the governmental and business-type funds of the State. The State has identified and self-reported the fact that they lack a process to eliminate the “effect” of the internal service fund activity in the statement of activities.
- Depreciation expense of \$521,621 reported on the reconciliation of the statement of revenues, expenditures and change in fund balance to the statement of activities agrees to the capital asset note disclosure depreciation total for governmental activities and would appear to include the portion of depreciation expense related to the internal service funds (ISF). However, the reconciliation indicates it excludes \$8,966 related to the ISF, which should actually agree to the ISF fund financial statement amount of \$8,182. Furthermore, the reconciliation includes an amount of \$6,993 related to the net revenue (expense) of the ISF, which includes the depreciation expense that appears to also be included in the depreciation expense amount of \$521,621 included in the reconciliation. This matter was corrected by management in the final version of the CAFR.

Criteria: Per Section 6-5-2 NMSA 1978, the Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.

Cause: A primary factor contributing to the issues identified with the State’s financial statement preparation process, is the cumbersome process used to produce the State’s financial statements, which has improved since the implementation of Hyperion in FY15. Although the CAFR Unit has been addressing the issues identified during the previous audits, the State’s financial reporting is still very de-centralized among all components that are included in the State’s financial statements. The process to standardize the various inconsistencies among the component financial information is a very time consuming component of the financial preparation process.

Effect: The State of New Mexico is unable to properly prepare financial statements in accordance with generally accepted accounting principles in a timely manner. Furthermore, these issues led to the opinion modifications on the State’s financial statements.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

Recommendation: Although the State faces many challenges in its effort to resolve the issues identified with the financial reporting process we did observe that improvement has been over the past several years. Furthermore, we recognize that the process to completely address the deficiencies in the reporting process will be a gradual and evolutionary in nature consisting of constant refinements of the processes, procedures and system configuration over time. With the implementation of Hyperion, we recommend the CAFR Unit continue to improve on using the full functionality of the system to eliminate as many of the manual processes as possible. In addition, the CAFR Unit should attempt to prioritize the issues with the State's financial reporting process and establish appropriate controls and procedures to resolve each deficiency in the reporting process. The State should work with the General Services Department and Department of Information Technology to gain a thorough understanding of the activities among agencies of the State versus external entities to properly identify the necessary adjustments on the government-wide financial statements related to the State's internal service funds.

Management's Response: Management is in agreement with the finding. Continued efforts have been made to ensure the State-wide financial statements have improved with limited material errors. It was discovered during fiscal year 2018 that there needed to be improvement in regards to Internal Service Funds. The CAFR Unit during fiscal year 2019 and 2020 will work with the General Services Department and the Department of Information and Technology to improve the financial reporting of Internal Service Funds which will have a positive impact on the government-wide financial statements. The State Controller will be responsible for implementing this corrective action, which is an ongoing process.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

2018-002 - Component Financial Reporting (Material Weakness)

Condition: The financial statements of the State are considered “group financial statements” under *AU-C 600, Special Considerations – Audits of Group Financial Statements*. Whereas, “group financial statements are defined as financial statements that include the financial information of more than one component. The “component” is defined as an entity or business activity for which group or component management prepares financial information that is required by the applicable financial reporting framework to be included in the group financial statements.

The State’s financial statements consist of more than 200 components, these components consist of state agencies/entities under each of the three branches of the government (Executive, Judicial, Legislative), various boards and commissions of the State, various higher educational institutions as established by the State’s constitution, and various other entities that are legally separate from the State that meet the criteria of a component unit of the State under GASB codification. Examples of component units included in the State’s financial statement include the finance authorities, the lottery, foundations of aforementioned higher educational institutions, and numerous state authorized charter schools and their related foundations. All components of the State are separately audited.

State Financial Reporting has historically been de-centralized, in which the individual audited entities of the State have determined the accounting treatment, account classifications, note disclosures, timing and recognition of transactions, and when implementation of new GASB statements would occur. The de-centralized approach fosters inconsistencies across agencies and complicates the State’s financial statement consolidation process when transactions are consolidated into a single group financial statement for the State. Management of the State has attempted to address and resolve the reporting issues that arise from these inconsistencies, however, this remains a systemic issue that continues to have an impact in the State’s ability to issue timely and accurate financial statements in accordance with generally accepted accounting principles. The most significant issues that impacted the fiscal year 2018 audit are summarized below (*amounts reported in thousands*):

- The Small Business Investment Corporation is a discretely presented component unit and is considered to be a governmental entity. However, its audited financial statements are prepared in accordance with the AICPA FRF for SMEs, which is not in accordance with generally accepted accounting principles and the GASB reporting framework upon which the State’s financial statements are based. While, this is not a significant component unit to the State, it requires the State to convert this reporting framework to the same framework used in the State’s financial statements and limits the group auditor’s ability to make reference to this separate audit based on this framework.
- During fiscal year 2018, the Supreme Court Building Commission and the Supreme Court Law Library were determined by the management of the Supreme Court of New Mexico (a component of the State’s General Fund) to be component units of the Supreme Court of New Mexico and were discretely presented component units in the agency level stand-alone financial statements. Historically, these have been reported as part of the primary government of the State and components of the State’s General Fund. Ultimately, management of the State did not concur with this reporting entity change and reported the financial information of these two entities in a consistent manner with prior years’ CAFR, as a components of the State’s General Fund. This creates an inconsistency with the stand-alone reporting of these entities and limits our ability to make reference to the financial statement opinions of these entities. This proposed reporting entity change should have been discussed by component management (Supreme Court) with the group management (DFA) prior to the change and prior to the preparation of the component financial statements.
- During the year, the New Mexico Finance Authority (NMFA, a discretely component unit) refunded the 2008A bond series, of which the State had several intergovernmental loans payable to NMFA. The State only reported the original loan balances that were refunded in the amount of \$38,425, instead of the refunded

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

amount payable at June 30, 2018 of \$47,030, which represents an understatement of the State's debt in the amount of \$8,605. The schedule provided to the State and the footnote disclosure in their financial statements related to the State loan receivable reflected the deletions of this debt related to the 2008A bond series, but didn't reflect the new loan receivables related to the bond refunding, thus the State utilized the projected ending balances from 2017 less the 2018 payments based on the historical payment schedule. The State also failed to record the related cash held by NMFA in project funds related to these loans, which amounted to approximately \$20,000. While the State should have questioned this discrepancy further with NMFA, the financial information and disclosures related to State activity is critical to the State in preparing the financial statements, especially for entities outside of the State's accounting system. This matter was corrected by management in the final version of the CAFR.

- There is an inconsistent classification of restricted cash and presentation of interests in the local government investment pool (LGIP), specifically as it relates to the classification of current or noncurrent assets, which creates differences of presentation when compared to the stand-alone education institutions.
- Among the higher educational institutions, the CAFR Unit is aware of numerous inconsistencies among the institutions stand-alone statements that require the CAFR Unit to reclassify in the State's financial statements to avoid inconsistent classifications of similar streams of revenues (ie capital appropriations, land grant distributions).

Criteria: Per Section 6-5-2 NMSA 1978, the Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.

Cause: A primary factor contributing to the issues identified with the State's financial statement preparation process, is the cumbersome process used to produce the State's financial statements, which has improved since the implementation of Hyperion in FY15. Although the CAFR Unit has been addressing the issues identified during the previous audits, the State's financial reporting is still very de-centralized among all components that are included in the State's financial statements. The process to standardize the various inconsistencies among the component financial information is a very time consuming component of the financial preparation process.

Effect: The State of New Mexico is unable to properly prepare financial statements in accordance with generally accepted accounting principles in a timely manner. Furthermore, these issues led to the opinion modifications on the State's financial statements.

Recommendation: Although the State faces many challenges in its effort to resolve the issues identified with the financial reporting process we did observe that improvement has been over the past several years. Furthermore, we recognize that the process to completely address the deficiencies in the reporting process will be a gradual and evolutionary in nature consisting of constant refinements of the processes, procedures and system configuration over time. With the implementation of Hyperion, we recommend the CAFR Unit continue to improve on using the full functionality of the system to eliminate as many of the manual processes as possible. In addition, the CAFR Unit should attempt to prioritize the issues with the State's financial reporting process and establish appropriate controls

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

and procedures to resolve each deficiency in the reporting process. In addition, we recommend that the State work with the Office of the State Auditor to assist in facilitating an improvement in the collaboration and communication among the CAFR unit and the other components of the State that prevents component level management decisions that impact the State financial statements or reporting entity of the State without approval from group management.

Management's Response: Management is in agreement with the finding. Given the number of agencies, Higher Educational Institutions, and the external component units of the State, it has been challenging to ensure all entities follow the proper accounting and reporting requirements that have been mandated by the State and GASB. There will be continued communication between the Department of Finance and Administration, the State Auditor's Office, and the Administration of the entities to ensure the financial statements are in compliance with all accounting principles. The Department of Finance and Administration will continue to provide accounting support and training to all agency Chief Financial Officers. DFA will also continue to work in conjunction with all the Independent Public Accountants of all the components of the State CAFR to ensure proper accounting and reporting on the financial statements. The State Controller will be responsible for implementing this corrective action, which is an ongoing process.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

2018-003 (Original Finding # 2013-002) - Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) - Repeated

Condition: During our audit of the State's financial statements, we noted significant issues surrounding the reporting and recording of interfund/internal/intra-entity balances and transactions. The most significant issues regarding interfund/internal/intra-entity transactions and balances are summarized below (*amounts reported in thousands*):

- **Interfund/Internal Activity and Balances**

- Educational Institutions which are part of the primary government and are reported as within the State's Proprietary fund interact with other agencies of the State on a regular basis. Educational Institutions accounting activity is supported by ERP software other than SHARE. While the Financial Control Division of the State did create accounts for "SHARE" agencies to report the balances and activities between "SHARE" agencies and entities outside SHARE, there isn't a differentiation in the accounts between the component units of the State and the Educational Institutions. Overall, the State does not have an effective process to identify and eliminate all activity and balances between this proprietary fund and other funds of the State. We observed the following discrepancies as a result of this issue:
 - The Capital Project Fund of the State reports transfers to the Educational Institutions Fund in the amount of \$96,063, however, as reported in the stand-alone financial statements of the NM Department of Finance and Administration, \$27,402 of this amount was actually transferred to NMFA (a component unit of the State).
 - The Educational Institutions Fund reports a transfer out amount in the amount of \$0, compared to the \$102,828 reported by the governmental funds as transfers to the Educational Institutions Fund. Of this \$102,828, the General Fund of the State reports \$95,103 as transfers from the Educational Institutions Fund, however, this includes \$40,219 related to the transfer of funds from the New Mexico Lottery Authority (a component unit of the State), which should be reported as revenue in the General Fund.

These matters were corrected by management in the final CAFR.

- The State posted a consolidation entry to balance transfers with the Educational Institutions Fund in the amount of \$92,813. Based on the above, \$27,402 should have reduced this amount required to be adjusted, however, the Capital Projects Fund should have been adjusted. Management corrected the \$27M issue, however unreconciled variances still remain within these balances.
- During the preparation of the State's financial statements, numerous funds are consolidated into single funds of the State. During the consolidation process numerous balances should be reclassified or eliminated to avoid the error of counting a transaction more than once which would affect assets and liabilities within the consolidated fund. Additionally, transfers should also be eliminated when they are among funds that are consolidated. The State doesn't have a reliable process to eliminate or reclassify all balances and activities of funds that are consolidated into a common fund on the State's financial statements.
- Amounts reported in the Combining Statement of Activities for the Educational Institutions does not consistently report the balances transferred to the respective Educational Institutions Fund for capital outlay contributions from the State's Capital Projects Fund. For some Educational Institutions, the amount is reported as a capital contribution, but for others it's reported as a transfers-in. This inconsistent reporting does not allow for full reconciliation at the statewide level. In addition, there are differences in the underlying component financial statements of the educational institutions for amounts received from the Board of Finance for capital appropriations. These matters were corrected by management in the final CAFR.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

- Internal Balances on the government-wide statement of net position should net to \$0, currently a net amount of \$11 is reported.
- Amounts reported as due from/to primary government/component units at the government wide statements should net to \$0, however, they don't net to \$0.

Management's Progress for Repeat Finding: Each year management continues to improve the process in producing a more timely and accurate CAFR and continues to work with entities included in the CAFR. While there has been improvement, management still has been unable to resolve all identified issues.

Criteria: Per Section 6-5-2 NMSA 1978, the (Financial Control) Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.

Per NCGAS 1 Governmental Accounting and Financial Reporting Principles

- Transfers should be recognized in the accounting period in which the interfund receivable and payable arise and requires that a government accrue a governmental fund liability and expenditure for most expenditures and transfers in the period in which the government incurs the liability. Furthermore, transfers of financial resources among funds should be recognized in all funds affected in the period in which the interfund receivable(s) and payable(s) arise.

Per GASB 34 Para 112

- Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. It includes: (1) Interfund transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. This category includes payments in lieu of taxes that are not payments for, and are not reasonably equivalent in value to, services provided. In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers should be reported after non-operating revenues and expenses.

Per GASB 34 Para 58

- Amounts of receivables and payables between the primary government and fiduciary funds are reported as receivable from and payable to external parties.

Per GASB 34 Para 57

- Paragraph 57 States "In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds should be eliminated or reclassified." This same approach should be applied at the fund financial statement level.

Per GASB 34 Para 61

- Resource flows (except those that affect the balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units should be reported as if they were external

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

transactions—that is, as revenues and expenses. However, amounts payable and receivable between the primary government and its discretely presented component units or between those components should be reported on a separate line.

Per GASB 34 Para 69

- Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Per GASB 34 Para 128

- In addition to the financial statement information required by paragraph 126, the notes to the financial statements should disclose, for each major component unit, the nature and amount of significant transactions with the primary government and other component units.

Cause: Historically, financial reporting for the State has been de-centralized and each component of the State has established its own policies and procedures regarding the accounting treatment of interagency transactions, without regard for the State's financials as a whole. The State Financial Reporting and Accountability Bureau (CAFR Unit) within the Financial Control Division, as the oversight entity, initially began establishing and communicating policies and procedures with all components of the State to ensure transactions are recorded in a consistent manner and that the necessary information was transmitted to the CAFR Unit beginning in 2014. Additional policies and procedures continue to be developed.

Effect: The State is unable to properly prepare timely financial statements in accordance with generally accepted accounting principles. These issues led to the opinion modifications on the State's financial statements.

Auditors' Recommendation: We recommend the CAFR Unit continue to evaluate the nature of all significant transactions among the various components of the State that comprise the interfund/internal/intra-entity activity and balances within the State's financial statements and 1) determine the proper accounting treatment for the various types of transactions; 2) develop policies and procedures for all of these related transactions, which include proper recording in SHARE and year-end reporting packages from the non-SHARE entities; 3) communicate these procedures to all components of the State; and 4) establish procedures to monitor this activity monthly, which allow the CAFR Unit and the components to identify and address differences in these transactions among the components in a timely manner. In addition, the CAFR Unit shall establish procedures for properly consolidating and eliminating these transactions in the State's financial statements to properly report interfund/internal/intra-entity balances and activity for the State as a whole. This would include establishing procedures for identifying valid timing differences which may exist between components and which would be reconciling items between the State's financial statements and the component level financial statements.

Management's Response: Management is in agreement with the finding. Given the number of agencies, external components of the State and the significant amount of interaction among and between them, proper accounting for interfund, internal, and intra-entity activity has been challenging. In FY18, the state issued specific guidelines on the

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

handling of these transactions and modified processes to systematically facilitate elimination of related balances. Those changes made the FY18 report the most compliant yet and we believe FY19 will show additional improvements.

It is recognized that proper transaction classification and subsequent eliminations can only be achieved if entries are properly identified and classified initially. To address this finding, efforts have been undertaken to standardize business and reporting processes, improve training of agency financial staff and simplifying and streamlining interagency activity. Given the magnitude of embedded processes, interdepartmental activities and legacy supporting systems, the development and implementation of a streamlined model has been a significant undertaking, and each cycle has shown continuous improvement. Closure of this finding will take a number of cycles with earliest final resolution potentially taking place in fiscal year 2020 with fiscal year 2021 being a more realistic target. The State Controller will be responsible for implementing this corrective action, which is an ongoing process.

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SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

2018-004 (Original Finding #2013-005) Internal Control over Financial Reporting (Material Weakness) – Repeated

Condition: During the audit we evaluated the State’s internal controls over financial reporting, which revealed that the State’s internal controls over financial reporting were not adequate to ensure preparation of financial statements for the State in accordance with generally accepted accounting principles. The following are some of the issues encountered during the audit, which illustrate the need for enhanced controls over financial reporting for the State in preparing financial statements in accordance with generally accepted accounting principles and the New Mexico State Audit Rule (*amounts reported in thousands*):

- The reconciliation of the balance sheet to the statement of net position includes an amount of \$3,758 that is labeled as “Unreconciled Difference”. This does not represent a valid reconciling item.
- As it relates to capital asset activity, the reconciliation of the statement of revenues, expenditures and change in fund balance to the statement of activities only reports capital outlay and depreciation expense as reconciling items. However, the footnote disclosure indicates a net loss on the disposition of capital assets and reclassifications. The reconciliation reflects a net decrease in the net position related to capital asset activity of \$108,101, compared to a net decrease in the amount of \$102,244 as reflected in capital asset note disclosure. This represents a net discrepancy of \$5,857.
- The CAFR Unit is unable to properly prepare timely and accurate financial statements for the State in accordance with generally accepted accounting principles.
- The CAFR Unit lacks comprehensive documentation of all policies and procedures related to the processes used in preparing the State’s financial statements.
- During our review of the State’s financial statements, various inconsistencies and/or misclassifications, and rounding issues were identified and remain uncorrected.
- The State has not considered and prepared all necessary consolidating/eliminating journal entries required in the State’s financial statements.
- There is inconsistency amongst the components of the statewide financial statements regarding the treatment of the fund balance related to multi-year appropriations. For example, some classify as committed fund balance and some classify as restricted.
- The State lacks a comprehensive process to track and reconcile activity from the fund level financial statements to the government-wide financial statements. Specifically, the State needs to implement a process to identify reconciling items from the fund financial statements into the respective classification of net position on the statement of net position.

Management’s Progress for Repeat Finding: Each year management continues to improve the process in producing a more timely and accurate CAFR and continues to work with entities included in the CAFR. While there has been improvement, management still has been unable to resolve all identified issues.

Criteria: Per Section 6-5-2 NMSA 1978, the Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

Cause: As identified in the FY13 audit, a primary factor contributing to the issues identified with the State's financial statement preparation process, is the cumbersome process used to produce the State's financial statements, which has improved since the implementation of Hyperion in FY15. Although the CAFR Unit has been addressing the issues identified during the previous audits, the State's financial reporting is still very de-centralized among all components that are included in the State's financial statements. The process to standardize the various inconsistencies among the component financial information is a very time consuming component of the financial preparation process.

Effect: The State of New Mexico is unable to properly prepare financial statements in accordance with generally accepted accounting principles in a timely manner. Furthermore, these issues led to the opinion modifications on the State's financial statements.

Recommendation: Although the State faces many challenges in its effort to resolve the issues identified with the financial reporting process we did observe that improvement has been over the past several years. Furthermore, we recognize that the process to completely address the deficiencies in the reporting process will be a gradual and evolutionary in nature consisting of constant refinements of the processes, procedures and system configuration over time. With the implementation of Hyperion for, we recommend the CAFR Unit continue to improve on using the full functionality of the system to eliminate as many of the manual processes as possible. In addition, the CAFR Unit should attempt to prioritize the issues with the State's financial reporting process and establish appropriate controls and procedures to resolve each deficiency in the reporting process.

Management's Response: Management is in agreement with this finding. To strengthen internal control over financial reporting, the State has initiated numerous accounting policy and procedural changes beginning in fiscal year 2014. Over the past five years, significant progress has been made. SHARE became the official book of record for all State agencies in FY07. Financial statements contained in the independent stand-alone agency audits were required to match the financial data in SHARE and cash was reconciled in FY15. In FY17 and FY18, the Department of Finance and Administration issued additional statewide clarifying accounting policies taking policy control back from the agencies and their Independent Public Accountants. Enterprise system upgrades included enhancements to automated transaction validation. All of this has improved the quality of the CAFR, however there remains a number of misaligned transactions at the agency level. Additional process reengineering, documentation, training and oversight is planned to fully address this issue. The State Controller will be responsible for implementing this corrective action, which is an ongoing process.

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SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2018

Compliance and Other Matters

2018-005 (Original Finding # 2015-001) Late Submission of Audit Report (Compliance and Other Matters)

Condition: The audit report for the CAFR for the year ended June 30, 2018 was not submitted by Regulatory due date of December 31, 2018.

Management's Progress for Repeat Finding: Each year management continues to improve the process in producing a more timely and accurate CAFR and continues to work with entities included in the CAFR. While there has been improvement, management still has been unable to resolve all identified issues.

Criteria: Audit reports not received on or before the due date are considered to be in non-compliance with the requirements of Section 2.2.2.9.A of the State Audit Rule.

Cause: The current reporting model and approach to the preparation of the State CAFR and the subsequent audit of the State CAFR, is primarily dependent on the completion and issuance of each separately audited and issued financial statements for each component that comprises the State CAFR. This approach and model make a regulatory deadline of December 31st unviable.

Effect: Non-compliance with the State Audit Rule; and the users of the State's financial statements did not receive the financial information in a timely manner.

Recommendation: We recommend the State continue its efforts in improving the financial reporting process by working with State Financial Reporting Entities and the State Auditor to allow for timely submission in subsequent years. In addition, the State should evaluate whether or not an alternative reporting model and approach to preparation of the CAFR would improve the timeliness of the CAFR preparation. Furthermore, the State should evaluate if additional resources within the CAFR unit would improve the timeliness of the CAFR preparation.

Management's Response: Management is in agreement that timely issuance of the CAFR is fundamental to statement users. Due to the group audit concept to the CAFR, the requirement that each agency have an individual audit delays the start of the CAFR until all agencies financial statements deemed material to the State CAFR have been completed. It is widely recognized by State officials that the Department of Finance and Administration will not be able to produce a timely CAFR under current conditions.

Historically the CAFR has been prepared by aggregating the financial statements of 125 primary government agencies, 10 educational institutions designated under the constitution and numerous discrete component units of the State upon conclusion of their independent audits. The CAFR audit applies the group audit concept and is dependent on the results and timeliness of the underlying agency audits. As a result, CAFR production cannot commence until all the individual audits have been complete and all identified agency audit adjustments are made.

The Department of Finance and Administration (DFA) remains committed to the production of a timely CAFR. Ongoing discussions are taking place within the Department of Finance and Administration (DFA) and the State Auditor's Office (SAO) to look for ways to streamline and shorten the overall process. The State Controller will be responsible for implementing this corrective action, which is an ongoing process.

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STATUS OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2018

Financial Statement Findings

2013-002 – Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) – Repeated as finding # 2018-003

2013-005 – Internal Control over Financial Reporting (Material Weakness) – Repeated as finding # 2018-004

Compliance and Other Matters

2015-001 – Late Submission of Audit Report (Compliance and Other Matters) – Repeated as finding 2018-005

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EXIT CONFERENCE YEAR ENDED JUNE 30, 2018

An exit conference was held with the State on March 28, 2019. The conference was held at the offices of the State of New Mexico Department of Finance and Administration in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

STATE OF NEW MEXICO

Olivia Padilla-Jackson, Cabinet Secretary
Ron Spilman, State Controller
Rena Herndon-Lopez, CAFR Unit Supervisor
Mark Melhoff, Deputy State Controller

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA
Laura Beltran-Schmitz, CPA, CGFM, CFE

OFFICE OF THE STATE AUDITOR

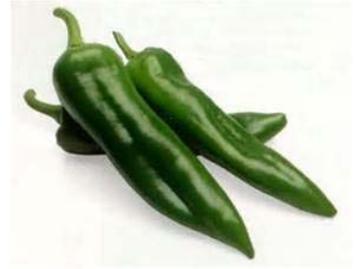
Natalie Cordova, Deputy State Auditor
Lynette Kennard, Financial Audit Director

PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by management and they are the responsibility of management, as addressed in the Independent Auditors' Report.



NEW MEXICO FISH - CUTTHROAT TROUT



NEW MEXICO VEGETABLE - CHILE

NEW MEXICO DEPARTMENT OF FINANCE AND ADMINISTRATION

FINANCIAL CONTROL DIVISION
BATAAN MEMORIAL BUILDING
407 GALISTEO STREET
SANTA FE, NM 87501

NEW MEXICO STATE FLOWER - YUCCA



NEW MEXICO GEM - TURQUOISE

