

## PRELIMINARY OFFICIAL STATEMENT DATED APRIL 30, 2021

### New Issue

This Official Statement has been prepared by the State Board of Finance to provide information on the State of New Mexico \$171,760,000\* Capital Projects General Obligation Bonds, Series 2021 (the "Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision, a prospective investor should read the entire Official Statement. Certain capitalized terms used in the cover page and elsewhere in this Official Statement have the meanings given in the Official Statement.



### THE STATE OF NEW MEXICO \$171,760,000\* CAPITAL PROJECTS GENERAL OBLIGATION BONDS SERIES 2021

**Dated: Delivery Date**

**Due: March 1, as shown on the inside front cover**

*Ratings on the Bonds*

"Aa2" Moody's Investors Service  
"AA" S&P Global Ratings

*Tax Exemption*

In the opinion of Gilmore & Bell, P.C., Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax. Tax Counsel is also of the opinion that the interest on the Bonds is exempt from income taxation by the State of New Mexico. See "TAX MATTERS" in this Official Statement.

*Optional Redemption*

The Bonds are *not* subject to optional redemption prior to maturity.

*Source of Payment*

The Bonds are being issued under the authority of the 2020 Capital Projects General Obligation Bond Act (the "Act"). The Act authorizes and directs State tax officials to levy on all property in the State that is subject to taxation an ad valorem tax sufficient to produce an amount equal to the interest and principal requirements for each year for any general obligation bonds outstanding. The Bonds are general obligations of the State, and the full faith and credit of the State is pledged to the payment of Bonds issued under the Act.

*Purposes*

Net proceeds of the Bonds are being used to make capital expenditures for senior citizen facility improvements and acquisitions, for library acquisitions, and for capital improvements and acquisitions at institutions of higher education, state special schools and tribal schools, as set forth in the Act and approved by the voters of the State on November 3, 2020, as specified in the Act.

*Interest Payment Dates*

March 1 and September 1, commencing September 1, 2021.

*Closing/Settlement*

On or about May 27, 2021.

*Public Sale*

The Bonds are scheduled to be sold pursuant to a competitive bidding process on or about May 12, 2021. See the Notice of Sale dated April 30, 2021 for bidding details.

*Denominations*

\$5,000 or integral multiples thereof

*Book-Entry System*

The Depository Trust Company

*Registrar/Paying Agent*

State Treasurer of New Mexico

*Co-Bond Counsel*

Rodey, Dickason, Sloan, Akin & Robb, P.A. and Sherman & Howard L.L.C.

*Disclosure Counsel*

Kutak Rock LLP

*Tax Counsel*

Gilmore & Bell, P.C.

*Issuer Contact*

State Board of Finance: Ashley Leach, Director, 505-629-9745; [ashley.leach@state.nm.us](mailto:ashley.leach@state.nm.us)

*Date of Official Statement:* \_\_\_\_\_, 2021.

## MATURITY SCHEDULE

### THE STATE OF NEW MEXICO CAPITAL PROJECT GENERAL OBLIGATION BONDS, SERIES 2021

<b>Maturity Date (March 1)*</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield at Issuance<sup>(1)</sup></b>	<b>Price at Issuance<sup>(1)</sup></b>	<b>CUSIP<sup>(2)</sup></b>
2022	\$22,585,000				647293 SE0
2023	22,200,000				647293 SF7
2024	18,140,000				647293 SG5
2025	18,940,000				647293 SH3
2026	17,590,000				647293 SJ9
2027	18,260,000				647293 SK6
2028	16,745,000				647293 SL4
2029	20,000,000				647293 SM2
2030	7,280,000				647293 SN0
2031	10,020,000				647293 SP5

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\*Preliminary; subject to change.

<sup>(1)</sup> This information has not been provided by the State.

<sup>(2)</sup> Copyright 2021 CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Global Market Intelligence, a division of S&P Global. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the State and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Bonds. The State takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

**ELECTED STATE OFFICIALS**

MICHELLE LUJAN GRISHAM  
*Governor*

MAGGIE TOULOUSE OLIVER  
*Secretary of State*

HOWIE MORALES  
*Lieutenant Governor*

TIM EICHENBERG  
*State Treasurer*

BRIAN COLÓN  
*State Auditor*

HECTOR BALDERAS  
*Attorney General*

STEPHANIE GARCIA RICHARD  
*Commissioner of Public Lands*

Public Regulation Commissioners:

CYNTHIA B. HALL  
*District I*

JEFFERSON L. BYRD  
*District II*

JOSEPH M. MAESTAS  
*District III*

THERESA BECENTI-AGUILAR  
*District IV*

STEPHEN FISCHMANN  
*District V*

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**STATE BOARD OF FINANCE**

*Ex Officio Members*

GOVERNOR MICHELLE LUJAN GRISHAM  
*President*

*LT. GOVERNOR*  
HOWIE MORALES  
*Member*

*STATE TREASURER*  
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SANCHEZ  
*Secretary*

WENDY TREVISANI  
*Member*

PAUL CASSIDY  
*Member*

Deborah K. Romero  
*Executive Officer*

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Mexico*

*Sherman & Howard L.L.C.  
Albuquerque, New Mexico*

**DISCLOSURE COUNSEL**

*Kutak Rock LLP  
Denver, Colorado*

**TAX COUNSEL**

*Gilmore & Bell, P.C.  
Salt Lake City, Utah*

**FINANCIAL ADVISORS**

*Fiscal Strategies Group,  
Inc. Boulder, Colorado*

*Public Resources Advisory  
Group (as subcontractor)  
Los Angeles, California*

In connection with the offering of the Bonds, the Underwriter (defined below) may over-allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sales hereunder shall under any circumstances create any implication that there has been no change in the affairs of the State of New Mexico since the date hereof.

This Official Statement contains statements relating to the State's receipt of future revenues that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The State Board of Finance (the "Board") is the author of this Official Statement and is responsible for its accuracy and completeness. \_\_\_\_\_ (the "Underwriter") purchased the Bonds pursuant to a public sale held on \_\_\_\_\_, 2021. The Underwriter is not the author of this Official Statement. In accordance with their responsibilities under federal securities laws, the Underwriter is required to review the information in this Official Statement and must have a reasonable basis for their belief in the accuracy and completeness of the Official Statement. Both the Preliminary Official Statement and the Official Statement are "deemed final" by the Board for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

**CliftonLarsonAllen LLP, the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.**

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## SUMMARY OF INFORMATION

### **\$171,760,000\* CAPITAL PROJECTS GENERAL OBLIGATION BONDS, SERIES 2021**

The following material represents a summary of information concerning the Bonds and the security therefor set forth in this Official Statement and is qualified in its entirety by the detailed information herein. Purchasers of the Bonds should review the entire Official Statement before making an investment decision.

<i>Dated:</i>	Delivery Date.
<i>Interest Payment:</i>	Interest is payable semi-annually on March 1 and September 1, commencing on September 1, 2021.
<i>Principal Payment:</i>	The Bonds mature in serial installments as set forth on the inside cover page of this Official Statement.
<i>Redemption of Bonds:</i>	The Bonds are <i>not</i> subject to optional redemption prior to maturity.
<i>Registration:</i>	The Bonds are being issued solely in book-entry form in the denomination of \$5,000 or any integral multiple thereof. The Bonds are being registered to Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as depository.
<i>Legal Opinion:</i>	The Bonds are offered when, as and if issued, subject to the approval of legality by Rodey, Dickason, Sloan, Akin & Robb, P.A. and Sherman & Howard L.L.C., Co-Bond Counsel and approval of tax-related matters by Gilmore & Bell P.C., Tax Counsel.
<i>Security:</i>	The Bonds are being issued under the authority of the 2020 Capital Projects General Obligation Bond Act, Chapter 84, Laws 2020 (the “Act”). The Act authorizes and directs State tax officials to levy on all property in the State that is subject to taxation an ad valorem tax sufficient to produce an amount equal to the interest and principal requirements for each year for any general obligation bonds outstanding. The Bonds are general obligations of the State, and the full faith and credit of the State is pledged to the payment of Bonds issued under the Act.
<i>Limitation to the Issuance of Additional General Obligation Indebtedness:</i>	Section 8 of Article IX of the New Mexico State Constitution provides (in part) that no debt may be created if the total indebtedness of the State would thereby be made to exceed 1 percent of the assessed valuation of all the property subject to taxation in the State. Any subsequent issuance of general obligation bonds (other than refunding bonds) and any levy of additional ad valorem taxes for payment thereof are subject to approval of the voters.

### **STATE GENERAL OBLIGATION BONDS**

General obligation bonds outstanding before issuance of the Bonds	\$338,620,000
Plus: The Bonds*	<u>171,760,000</u>
Total State General Obligation Bonds, following delivery of the Bonds*	<u>\$510,380,000</u>

### **KEY BONDING MEASURES FOLLOWING THE ISSUANCE OF THE BONDS**

Total General Obligation Bonds per capita (2020 Estimate from Census Bureau)	\$242.21
Ratio of General Obligation Bonds to 2020 Net Taxable Value	0.722%
Ratio of General Obligation Bonds per capita to State 2020 estimated per capita personal income	0.608%
Percent of General Obligation Bonds due within 10 years	100.00%

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\* Preliminary; subject to change

**OFFICIAL STATEMENT**

**THE STATE OF NEW MEXICO**

**\$171,760,000\***

**CAPITAL PROJECTS GENERAL OBLIGATION BONDS, SERIES 2021**

**INTRODUCTION**

The purpose of this Official Statement, including the cover page, the inside cover page, the Summary of Information and the Appendices hereto, is to furnish information regarding the issuance of the \$171,760,000\* State of New Mexico Capital Projects General Obligation Bonds, Series 2021 (the “Bonds”), the State of New Mexico (the “State”), and the State Board of Finance (the “Board”).

The Bonds are general obligations of the State for the payment of which the full faith and credit of the State is pledged. The Bonds are payable from ad valorem taxes levied without limit as to rate or amount on all property in the State subject to taxation for State purposes. The Bonds are authorized in the maximum principal amount of \$199,402,049 by the 2020 Capital Projects General Obligation Bond Act, (the “Act”), passed by the State Legislature (the “Legislature”) and approved in part by the voters in a statewide election on November 3, 2020. See “THE BONDS,” below. The Bonds are issued pursuant to an authorizing and delegation resolution of the Board adopted on April 20, 2021 (the “Bond Resolution”). The Bonds are being issued to make capital expenditures to finance senior citizen facility improvements and acquisitions, library acquisitions, and for capital improvements and acquisitions at institutions of higher education, state special schools and tribal schools as set forth in the Act.

This Official Statement contains summaries of the terms of the Bonds, certain fiscal matters of the State and certain taxes imposed by the State. See “THE BONDS—Security for the Bonds,” below. The descriptions included in this Official Statement do not purport to be comprehensive or definitive, and such summaries and descriptions are qualified in their entirety by reference to such laws, and the definitive forms of documents, exhibits or appendices where applicable.

Requests for additional information about the State, the taxes, or requests for copies of any document or statute referred to in this Official Statement, may be directed to:

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**Impacts of COVID-19 Pandemic**

***Public Health Orders and Response to COVID-19.*** The COVID-19 pandemic has impacted and altered the behavior of businesses and people in a manner that is having significant negative effects on global, national, state and local economies. The contagious nature of the COVID-19 virus resulted in the

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\* Preliminary; subject to change

Governor of the State issuing a public health order on March 19, 2020, to implement social distancing measures, close non-essential businesses, and limit and reduce business capacity. A subsequent executive order implemented school closures. As the pandemic continued, the State developed public health gating criteria to measure the level of COVID-19 cases and other risk factors and assess when it would be safe to gradually reopen the economy and society. The criteria have been a part of New Mexico's phased plan for reopening and have been assessed regularly to measure the ability of the State to move into more relaxed social distancing and non-essential in-person commercial business operation restrictions.

In November 2020, the Governor established a county-level tiered risk system for measuring health metrics in order to provide flexibility to counties for operating based on their current risk level. The tiered system was expanded in subsequent months to include a total of four risk levels used to assess how much counties could relax requirements and guidelines and permit more day-to-day and commercial activities.

In December 2020, the Governor established a COVID-19 vaccination program, establishing three phases of vaccine roll-out in order to prioritize vulnerable individuals and ensure equitable vaccine distribution. New Mexico has been ranked among the top states for vaccine doses administered per 100,000 of the total population. As of March 2021, New Mexico's COVID-19 vaccinations were reported to be outpacing new infections 72 to 1. With this roll out of vaccines and improved metrics and risk assessments for counties, the State has seen social distancing restrictions and commercial operation restrictions relaxed. Businesses have been able to increase operations and allow a larger percentage of customers inside establishments. Additionally, schools statewide have been able to reopen, with the State's largest school district resuming in-person learning in early April 2021. On April 5, 2021, the second phase of vaccine distribution began, with all New Mexicans 16 years old and older being eligible to receive the COVID-19 vaccine.

**Employment.** One significant impact of the COVID-19 virus can be seen in the State's employment data. From February 2020 to April of 2020, the State lost more than 104,000 jobs. While the State has regained some of the lost employment (19,800 jobs) from April 2020 to January 2021, the recovery still has a way to go for employment to reach pre-COVID-19 levels. On a year-over-year basis, in January 2021, total employment is down 9.9 percent (85,500 jobs) when compared to January 2020. The most severely impacted sectors are the leisure and hospitality sector and the mining sector, which are down 29.7 percent (30,000 jobs) and 31.7 percent (7,900 jobs), respectively, when compared to January 2020.

The State unemployment rate peaked at 12.5 percent in July 2020 and has decreased to 8.7 percent in January 2021. The State's year-over-year employment declined across most sectors in January 2021.

The national unemployment rate peaked at 14.8 percent in April 2020 and has decreased to 6.2 percent in February 2021. Employment recovery in New Mexico to pre-COVID-19 levels is expected to take several years under Moody's Analytics baseline and alternative scenario forecasts, with New Mexico's employment level expected to not reach pre-COVID-19 levels until the last quarter of calendar year 2022.

**Tax Collections.** Collections of various taxes in the State have, in certain cases, shown some impact from COVID-19. Matched taxable gross receipts ("MTGR") collections declined 6.7 percent in April 2020 versus April 2019 at the onset of the COVID-19 pandemic. On a monthly basis, the brunt of the MTGR decline was experienced in October of 2020, when MTGR was down 11.8 percent compared to the same month one year prior. More current data shows improved collections in January 2021, when MTGR was only down 4.9 percent when compared to January 2020.



Measuring MTGR on a fiscal year-to-date basis, collections in Fiscal Year 2021 from July 2020 through January 2021 are down 9.3 percent when compared to the same period in Fiscal Year 2020.

Personal income tax revenues fiscal year-to-date through December were \$956.3 million, which represents an increase of 21.9 percent from the prior fiscal-year-to-date revenues (\$784.6 million). Personal income tax revenues in December 2020 were \$233 million, higher than the same month in the prior year, which had revenues of \$87 million. Personal income tax collections were higher in December 2020 due to the Internal Revenue Service delaying the start of the filing season to February 12, 2021. (The New Mexico filing season opened on January 27, 2021.) Returns filed and processed in January including the processing of refunds accrue to the general fund for December. There were not the normal offsetting tax refunds in January 2021 accruing back to December 2020, which resulted in collections being higher.

The most recent February 2021 consensus revenue estimating group (“consensus group”) forecast weighs all available information, and while much of the revenue outlook has improved relative to the expectations from early in the pandemic last year, the COVID-19 pandemic remains a headwind to economic recovery in the State.

The actual outcomes for the State’s finances will depend on a variety of factors: the epidemiological path of the virus, the rate of vaccination across the country, the time it takes consumer confidence to rebound, the effect of business closures on the long-term viability of the State’s businesses, and the degree to which temporary layoffs become permanent.

***Government Operations and Financial Support.*** The COVID-19 pandemic has also impacted governmental operations of the State, including implementation of remote work, teleconferencing and other preventive measures designed to limit the spread of the COVID-19 virus. Additional numerous executive orders established funding for a variety of agencies, including the Department of Military Affairs (National Guard), Department of Homeland Security and Emergency Management, the Department of Health, the Public Education Department, the Children, Youth, and Families Department, and the Aging and Long-Term Services Department. In total, the executive orders provided \$35.5 million in funding to effectively respond, manage, and address COVID-19 and its impacts.

The Legislature held a first special session in June 2020 to address the State’s fiscal outlook in light of the oil price volatility experienced in early 2020 from the Saudi Arabia and Russia oil price war and the continuing COVID-19 healthcare crisis. In the 2020 first special session, the following actions were taken to address the recurring budget for Fiscal Year 2021: targeted decreases of 1 to 4 percent in the State budget, elimination of 4 percent salary increases for state employees, usage of \$750 million of Coronavirus Relief Fund (“CRF”) for those agencies providing COVID-19 pandemic response, and authority to use excess cash in the Severance Tax Bonding Fund to fund capital, instead of transferring such cash to the Severance Tax Permanent Fund. The 2020 first special session adjusted the general fund recurring budget downward by \$414 million to \$7.2 billion and nonrecurring budget downward by \$183.7 million to \$138.4 million.

The State economy was bolstered in the second quarter of 2020 by the fiscal stimulus provided in the federal Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Measures included loans to businesses under the paycheck protection program, unemployment benefits for self-employed and independent contractors, one-time \$1,200 stimulus checks to individuals, and an extra \$600 per week in unemployment benefits. Additionally, the State received \$1.2 billion in CRF monies to assist in managing the healthcare crisis. CRF must be allocated between state, local, and tribal governments. The Governor approved \$150 million of CRF for small businesses (\$50 million distributed) and local governments (\$100 million distributed) and \$28 million for tribal governments in July 2020. Funds were

provided as grants at the beginning of September 2020. These funds covered the costs of necessary expenditures incurred due to the public health emergency for the period beginning on March 1, 2020, through December 30, 2020.

There were more than 40 grants in addition to the CRF included in the federal stimulus legislation. Many of these grants were allocated directly to State government agencies. Here are some of the most significant grants. The Governor's Emergency Education Relief Fund ("GEER") appropriated \$22.26 million to be distributed for services to students throughout the State. This funding is distributed between the Public Education Department, Higher Education Department and the new Early Childhood Education and Care Department. The Elementary and Secondary School Emergency Relief Fund ("ESSERF") awarded \$108.6 million to the Public Education Department to be distributed to local education agencies ("LEAs"), including charter schools that are LEAs. The Higher Education Emergency Relief Funding ("HEERF") provided \$76.8 million to State institutions of higher education based on a formula stipulated in the original legislation. Supplemental funding for the Child Care and Development Block Grant ("CCDBG") of \$29.4 million was allocated for supporting childcare programs for low-income working families and is administered by the State's Children, Youth and Families Department. \$77.3 million was allocated for Centers for Disease Control testing. Unemployment Insurance Administration funding of \$2.6 million via the federal Families First Coronavirus Response Act is designated for expanded services to workers who may not ordinarily be eligible for benefits. An Election Security Grant through the Help America Vote Act ("HAVA") made \$3.9 million available to the State to prevent, prepare for and respond to the virus for the 2020 federal election cycle. Supplemental funding of \$5.4 million was provided for the Low-Income Home Energy Assistance Program ("LIHEAP") with continued administration by the State's Human Services Department.

The Legislature held a second special session in November 2020. The 2020 second special session appropriated \$319 million from the general fund allocation of federal CRF monies to support New Mexicans impacted by the COVID-19 pandemic and associated public health orders. The \$319 million appropriation provided assistance to New Mexicans in the form of one-time \$1,200 checks to individuals who are unemployed but exhausted the unemployment benefits and grants to businesses with less than 100 employees; cash assistance to those that did not receive a federal stimulus payment; emergency housing assistance; and food bank services.

In January 2021, the 55th Session of the New Mexico Legislature commenced. During the session, the State provided \$600 rebates to low-income workers and provided a four-month reprieve from gross receipts taxes on sales and business services for business operators at restaurants, bars, food trucks, small breweries, wineries, and craft distilleries. Legislation was also passed to provide loans of up to \$150,000 to small businesses at sub-prime rates of less than 2 percent annual interest with a payback term of up to 10 years, using the Severance Tax Permanent Fund to fund those loans. The Legislature expanded the Local Economic Development Act ("LEDA") and made a \$200 million one-time appropriation from the general fund to the renamed "local economic development recovery act fund" (the "LEDA fund," previously the "local and regional economic development support fund") for pandemic relief grants to businesses, to be administered by the Economic Development Department (the "EDD") and the New Mexico Finance Authority. Legislation passed that adjusts the state unemployment benefit statute to accommodate changes to federal requirements generated as a result of pandemic-related unemployment programs; repeals statute provisions that restrict the state in triggering additional weeks of extended benefits in periods of high unemployment.

During the 2021 session, due to better than expected revenues and improved consensus forecast outlooks, the targeted decreases of 1 to 4 percent from the 2020 first special session in the State budget were no longer needed, and neither was the elimination of 4 percent salary increases for state employees. In fact, the Legislature passed a cost of living adjustment and state employees' salaries were increased by

1.5 percent in Fiscal Year 2022. The 2021 session adjusted the Fiscal Year 2021 general fund recurring budget upward, with a slight increase of 1.8 percent or \$130 million to \$7.22 billion. The Fiscal Year 2022 general fund recurring budget increased by 3.2 percent (\$229 million).

The March 2021 American Rescue Plan Act (“ARPA”) provided additional funding to New Mexico in the form of \$1,400 stimulus checks to individuals within certain income parameters. The bill also extended the \$300-per-week unemployment insurance benefit supplement to September 2021, waived federal income taxes for the first \$10,200 of unemployment benefits received in 2020 for households earning under \$150,000, and temporarily increased the child tax credit to as much as \$3,600 for children up to age 5 and as much as \$3,000 for children 6 to 17.

The ARPA also included several dozen grants to support New Mexican individuals, businesses, and governmental entities. The most significant source of funding is the Coronavirus State and Local Fiscal Relief Fund. The Fiscal Relief Fund can be used for a wide range of activities to respond to the pandemic or its negative economic impacts, including governmental revenue replacement to reduce or prevent cuts in service delivery resulting from the widespread decline in governmental revenues caused by the pandemic. The State of New Mexico is set to receive \$1.6 billion, while New Mexico local and county governments will receive \$703 million.

Other notable grants for New Mexico from the ARPA include, but are not limited to: \$152 million for the Emergency Rental Assistance Program to help New Mexicans that are unable to pay rent and utilities due to the COVID-19 pandemic; \$133.9 million from the Coronavirus Capital Projects Fund for critical capital projects directly enabling work, education, and health monitoring, including remote options; \$214.1 million from the HEERF; \$979 million from the ESSERF; \$197.5 million in Child Care Stabilization Grants; \$63.2 million from the Epidemiology and Lab Capacity for School Testing Grant through the Centers for Disease Control and Prevention; and \$24.6 million from the COVID-19 Vaccine Preparedness Grant.

## **THE BONDS**

### **General Terms**

The Bonds are dated their date of delivery, bear interest until the principal amount thereof is paid, and mature as set forth on the inside cover page hereof. Interest on the Bonds is payable on March 1 and September 1, commencing on September 1, 2021. The Bonds are being issued solely in book-entry form in denominations of \$5,000 or integral multiples thereof. The Bonds are being registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as depository for the Bonds. The Bonds are subject to transfer and exchange as set forth in the transactions authorized by the State Board of Finance in its resolution of April 20, 2021 (the “Bond Resolution”).

### **No Optional Redemption of Bonds**

The Bonds will *not* be subject to optional redemption prior to maturity.

### **Authorization and Purpose**

General obligation bonds of the State are issued and the proceeds thereof appropriated to various purposes pursuant to an act of the Legislature, consisting of the Senate and the House of Representatives. Under the State Constitution, general obligation bonds cannot be issued pursuant to such an act unless the act has been submitted to the qualified electors of the State at a general election and receives a majority of

all the votes cast thereon at such election. Such an act takes effect upon certification of the State Canvassing Board announcing the results of such election. General obligation bonds may be issued for refunding purposes without further legislative action or referendum.

The Bonds are being issued pursuant to the Act, which authorizes and directs State tax officials to levy on all property in the State which is subject to taxation for State purposes an ad valorem tax sufficient to produce an amount equal to the interest and principal redemption requirements of each year for general obligation bonds outstanding.

### **Security for the Bonds**

The Constitution of the State requires that any law, such as the Act, which authorizes general obligation debt of the State shall provide for an annual tax levy sufficient to pay the interest on and to provide a sinking fund to pay the principal of the debt. See “OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS—Limitations to the Issuance of Additional State General Obligation Bonds,” below.

The Act requires the State to impose, during each year in which the Bonds are outstanding, an ad valorem tax on all property in the State subject to taxation for State purposes sufficient to pay the principal of and interest on the Bonds as they become due. The ad valorem taxes are required to be imposed, levied, assessed and collected. The State Treasurer is required to keep separate accounts of all amounts collected from taxes imposed pursuant to the Act and to use that money only for the purposes of paying the principal of and interest on the Bonds as they become due, and expenses relating thereto.

Currently the property taxes levied for State purposes are for the outstanding General Obligation Bonds, Series 2015, Series 2017A, Series 2017B and Series 2019 (collectively, the “Outstanding Bonds”). Property taxes are also levied for local government purposes including locally authorized general obligation bonds of various cities, counties, and school and special districts in the State.

The Act pledges the full faith and credit of the State for the payment of the Bonds and, pursuant to their provisions, constitutes an irrevocable contract with the holders of the Bonds. The payment of general obligation bonds from sources other than ad valorem taxes collected for that purpose requires an appropriation by the Legislature. If at any point there is not a sufficient amount of money from ad valorem taxes to make a required payment of principal of or interest on State general obligation bonds, the Governor may call a special session of the Legislature in order to secure an appropriation of money sufficient to make the required payment.

## OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS

### Outstanding General Obligation Bonds

The principal amount of State general obligation bonds that will be outstanding upon issuance of the Bonds (including the Bonds), the annual debt service requirements on the Bonds, and the annual debt service requirements on all such outstanding bonds at the delivery of the Bonds, are set forth below.

**TABLE 1**  
**General Obligation Bonds Outstanding Upon**  
**Issuance of the Bonds**

Series	Principal Outstanding
2015	\$ 65,370,000
2017A	103,345,000
2017B	88,705,000
2019	81,200,000
2021*	<u>171,760,000*</u>
Total	<u>\$510,380,000</u>

\* Preliminary; subject to change.

Source: New Mexico State Board of Finance

**TABLE 2**  
**Debt Service Requirements on the Bonds<sup>(1)</sup>**

Fiscal Year*	Principal*	Interest	Annual Total
2022	\$ 22,585,000		
2023	22,200,000		
2024	18,140,000		
2025	18,940,000		
2026	17,590,000		
2027	18,260,000		
2028	16,745,000		
2029	20,000,000		
2030	7,280,000		
2031	<u>10,020,000</u>		
Total	<u>\$171,760,000</u>		

\* Preliminary; subject to change.

<sup>(1)</sup> Figures have been rounded to the nearest dollar.

**TABLE 3**  
**Future General Obligation Bond Debt Service Requirements**  
**Upon Issuance of the Bonds <sup>(1)</sup>**

Date	Principal on Outstanding Bonds	Interest on Outstanding Bonds	Total Outstanding Bonds Debt Service	The Bonds Debt Service	Total Debt Service on Outstanding Bonds and the Bonds	Fiscal Year Debt Service
09/01/21	--	\$ 8,465,500.00	\$ 8,465,500.00	\$ 2,015,830.00	\$ 10,481,330.00	--
03/01/22	\$ 68,950,000.00	8,465,500.00	77,415,500.00	26,310,100.00	103,725,600.00	\$114,206,930.00
09/01/22	--	6,741,750.00	6,741,750.00	3,354,975.00	10,096,725.00	--
03/01/23	75,315,000.00	6,741,750.00	82,056,750.00	25,369,975.00	107,426,725.00	\$117,523,450.00
09/01/23	--	4,858,875.00	4,858,875.00	2,859,637.50	7,718,512.50	--
03/01/24	57,390,000.00	4,858,875.00	62,248,875.00	20,984,637.50	83,233,512.50	\$90,952,025.00
09/01/24	--	3,424,125.00	3,424,125.00	2,451,825.00	5,875,950.00	--
03/01/25	62,580,000.00	3,424,125.00	66,004,125.00	21,381,825.00	87,385,950.00	\$93,261,900.00
09/01/25	--	1,859,625.00	1,859,625.00	2,025,900.00	3,885,525.00	--
03/01/26	25,770,000.00	1,859,625.00	27,629,625.00	19,600,900.00	47,230,525.00	\$51,116,050.00
09/01/26	--	1,215,375.00	1,215,375.00	1,630,462.50	2,845,837.50	--
03/01/27	29,440,000.00	1,215,375.00	30,655,375.00	19,875,462.50	50,530,837.50	\$53,376,675.00
09/01/27	--	479,375.00	479,375.00	1,219,950.00	1,699,325.00	--
03/01/28	9,475,000.00	479,375.00	9,954,375.00	17,949,950.00	27,904,325.00	\$29,603,650.00
09/01/28	--	242,500.00	242,500.00	843,525.00	1,086,025.00	--
03/01/29	9,700,000.00	242,500.00	9,942,500.00	20,828,525.00	30,771,025.00	\$31,857,050.00
09/01/29	--	--	--	393,862.50	393,862.50	--
03/01/30	--	--	--	7,758,862.50	7,758,862.50	\$8,152,725.00
09/01/30	--	--	--	228,150.00	228,150.00	--
03/01/31	--	--	--	<u>10,368,150.00</u>	<u>10,368,150.00</u>	<u>10,596,300.00</u>
Total	<u>\$338,620,000.00</u>	<u>\$54,574,250.00</u>	<u>\$393,194,250.00</u>	<u>\$207,452,505.00</u>	<u>\$600,646,755.00</u>	<u>\$600,646,755.00</u>

<sup>(1)</sup> Totals may not add due to rounding.

### Mill Levy Rate

In August of each year, the Local Government Division (the “Division”) of the Department of Finance and Administration (the “DFA”) receives certified net taxable values for all property in the state subject to taxation, which represents one-third of assessed property values. By September 1 of each year, the Board certifies to the Division a State property tax mill levy rate that will generate sufficient property tax revenue to cover the next three debt service payments due for the Bonds and the Outstanding Bonds combined, beginning the following March. A mill levy is the property tax rate expressed as \$1 per \$1,000 of net taxable value. The property tax mill levy rate makes allowance for non-payment of property taxes. Once the property tax mill levy rate is certified by the Board, the State Treasurer, the Secretary of the DFA, the Director of the Division and the Director of the Board sign a memorandum to the Division requesting that the Division adopt that State property tax mill levy rate as the State property tax mill levy rate. The Division then certifies that State property tax mill levy rate to counties and local governments for inclusion in the property tax bills. The mill levy for property tax year 2020 was 1.360 mills. The 15-year average is 1.341 mills. In property tax year 2020, actual property tax remittances were 97 percent of the amount expected based on the final property tax valuations.

### Limitations to the Issuance of Additional State General Obligation Bonds

Sections 7 and 8 of Article IX of the State Constitution limit the power of State officials to incur general obligation indebtedness in the following ways:

1. The State may borrow money not exceeding the sum of two hundred thousand dollars (\$200,000) in the aggregate to meet casual deficits or failure in revenue, or for necessary expenses.

2. Other debt may be contracted by or on behalf of the State only when authorized by law for some specified work or object. Such a law takes effect only after being submitted to the qualified electors of the State and having received a majority of all votes cast thereon at a general election. No debt may be created if the total indebtedness of the State, exclusive of the debts of the territory and several counties thereof assumed by the State, would thereby be made to exceed 1% of the assessed valuation of all property subject to taxation in the State, as shown by the last preceding general assessment.
3. The State may contract debts to suppress insurrection and to provide for the public defense.

General obligation bonds for refunding purposes are not subject to approval of the voters.

The following table sets forth the calculation of State general obligation bonding capacity prior to and inclusive of the issuance of the Bonds.

**TABLE 4**  
**Calculation of 1% Bonding Limitation and the Bonds**

Net Taxable Value as of December 31, 2020	\$70,648,047,631
General Obligation Bond Limit (1% of net taxable value)	\$ 706,480,476
Total Outstanding Bonds	\$ 338,620,000
Plus: The Bonds *	<u>171,760,000</u>
Total General Obligation Bonds *	\$ <u>510,380,000</u>
Ratio of Total Debt to Net Taxable Value *	<u>0.722%</u>

\*Preliminary; subject to change  
Source: Local Government Division and Fiscal Strategies Group

**Underlying General Obligation Bonds**

The following table presents information on county, city, and public school district debt outstanding as of June 30, 2020. The table does not include debt of special districts or community colleges.

**TABLE 5**  
**Certain Underlying General Obligation Debt**

Counties .....	\$ 283,965,000
Cities .....	574,412,047
Schools.....	2,196,094,000

*Source: New Mexico Department of Finance and Administration, Local Government Division and New Mexico Public Education Department*

## THE PROJECTS

### Plan of Financing

The Bonds are being issued to make capital expenditures for senior citizen facility improvements and acquisitions, library acquisitions, and capital improvements and acquisitions at institutions of higher education, state special schools, and tribal schools as described in the Act, and to pay the expenses incurred in the preparation and sale of the Bonds. The following table sets forth the sources and uses of funds, excluding accrued interest, with respect to the Bonds and the projects.

**TABLE 6**  
**Source and Use of Funds**

Source	Total
Par Amount of Bonds	
Original Issue Premium	
Total	
<b>Uses</b>	
Senior Citizens Facilities	
Library Acquisition Projects	
Higher Education, Special Schools and Tribal Schools	
Cost of Issuance	
Underwriter's Discount	
Rounding	
Total	

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Note: Project costs amounts reflect voted totals less allocated costs of issuance.



## State Capital Program

State General Fund balances and proceeds from General Obligation Bonds, Senior Severance Tax Bonds and Supplemental Severance Tax Bonds are important sources of capital financing for the State. The following table summarizes the capital funding administered by the Board and certain other sources for Fiscal Year 2016 through Fiscal Year 2020.

**TABLE 7**  
**Principal Sources of Capital Project Funding**  
**Fiscal Year Ended June 30**  
**(Dollars in millions)**

	2016	2017	2018	2019	2020
<b>Proceeds from General Obligation Bonding Program<sup>(1)</sup></b>					
General Obligation Bonds	\$ 0.0	\$ 0.0	\$174.3	\$ 0.0	\$157.9
<b>Subtotal</b>	<u>0.0</u>	<u>0.0</u>	<u>174.3</u>	<u>0.0</u>	<u>157.9</u>
<b>Proceeds from Severance Tax Bonding Program<sup>(1)</sup></b>					
Severance Tax Bonds	293.1	51.0	222.5	0.0	0.0
Severance Tax Funding Notes <sup>(2)</sup>	8.6	38.5	28.9	74.8	307.2
Supplemental Severance Tax Bonds	81.0	0.0	0.0	0.0	0.0
Supplemental Severance Tax Funding Notes <sup>(2)</sup>	<u>127.3</u>	<u>120.4</u>	<u>139.2</u>	<u>181.5</u>	<u>254.5</u>
<b>Subtotal</b>	<u>510.0</u>	<u>209.9</u>	<u>390.6</u>	<u>256.3</u>	<u>561.7</u>
<b>Proceeds From Other Sources</b>					
Transportation Bonds	<u>0.0</u>	<u>0.0</u>	0.0	0.0	<u>0.0</u>
<b>Subtotal</b>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total<sup>(3)</sup></b>	<u>\$510.0</u>	<u>\$209.9</u>	<u>\$564.9</u>	<u>\$256.3</u>	<u>\$719.6</u>

<sup>(1)</sup> Dollar amounts from State Board of Finance funding programs reflect net proceeds available for capital expenditure. Amounts vary annually by legislative action and the timing of bond closings.

<sup>(2)</sup> The Board issues Senior Funding Notes and Supplemental Funding Notes to fund authorized projects. The notes are sold to the State Treasurer and retired within the same fiscal year.

<sup>(3)</sup> Totals may not add due to rounding.

Sources: New Mexico State Board of Finance and the New Mexico Finance Authority (as issuer of State Transportation Bonds)

In addition to the General Obligation Bonding Program, the Severance Tax Bonding Program and the Supplemental Severance Tax Bonding Program, each issued and administered by the Board, there are a number of other sources of funds for capital projects throughout the State. These other sources of funding include surplus general fund appropriations and proceeds of bonds issued by, among others, the New Mexico Finance Authority, the State Transportation Commission and state educational institutions.

The New Mexico Finance Authority was created by the Legislature in 1992 to assist qualified governmental entities in financing capital equipment and infrastructure projects. The New Mexico Finance Authority is a state instrumentality governed by a board of directors and is not subject to the direct supervision or control of any other board, bureau, department or agency of the State.

## THE STATE OF NEW MEXICO

The State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state by area, containing approximately 121,593 square miles. The estimated 2020 population of the State is 2,106,319 according to the United States Census Bureau. The State has a semiarid subtropical climate with light precipitation. Its climate is characterized by sunshine and bright skies in both winter and summer. Every part of the State receives no less than 70 percent sunshine year-round. Humidity ranges from 30 to 60

percent. Thunderstorms in July and August bring most of the moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

### **Governmental Organization**

The Executive Branch of State government consists of a Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, Attorney General, and Commissioner of Public Lands. These officials are elected to four-year terms beginning January 1 after their election. An elected Executive Branch officer may succeed himself or herself in office once. The primary functions of the Executive Branch are currently carried out by the offices of each elected Executive Branch officeholder, in addition to approximately 26 cabinet departments, each headed by a cabinet secretary appointed by the Governor and approved by the Senate. Elections for all statewide offices were held on November 6, 2018.

The State Board of Finance has seven voting members consisting of the Governor, the Lieutenant Governor, the State Treasurer, and four members appointed by the Governor with the advice and consent of the Senate. No more than two appointed members may be from the same political party. The DFA Secretary serves as the Executive Officer of the Board and is a non-voting Board member. The Board, in addition to other powers and duties provided by law, has general supervisory authority over the fiscal affairs of the State and over the safekeeping and depositing of all money and securities belonging to, or in the custody of, the State. The Governor serves as the President of the Board.

The DFA is the principal financial organization of State government and performs through its divisions the duties and functions relating to State and local government financing and general administration. The executive and administrative head of the DFA is the Secretary, who is appointed by the Governor with the advice and consent of the Senate. The Board of Finance Division of the DFA provides operational, analytical and administrative support to the Board. The Director of the Board is appointed by the DFA Secretary with the approval of the Board.

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms and members of the House are elected for two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to 30 calendar days in even-numbered years and 60 calendar days in odd-numbered years. In 2020 a 30-day regular session convened on January 21, and in 2021 a 60-day regular session convened on January 19. Special sessions of the Legislature may be convened by the Governor. In June 2020, the Governor convened a first special session, running from June 18 through June 22, for the Legislature to address critical budget and other legislation related to the impacts of COVID-19. The Governor convened a second special session on November 24, 2020, which appropriated \$319 million from the general fund allocation of federal Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) funds to support New Mexicans impacted by the COVID-19 pandemic and associated public health orders. Extraordinary sessions may be convened by the Legislature under certain limited circumstances. Legislators do not receive any salary but do receive per diem and mileage allowances while in session or performing official State business.

The judicial branch is composed of a statewide system including Magistrate and District Courts, the Court of Appeals and the Supreme Court. The District Courts are the trial courts with general jurisdiction.

## PROPERTY VALUATION AND TAXATION

### Property Tax System

With certain limited exceptions, real and personal property owned by individuals or corporations is subject to ad valorem taxation (i.e., taxation as a fraction of value rather than on a per unit basis) in the State. County assessors are responsible for appraising most of New Mexico's residential and non-residential property. The Appraisal Bureau in the Property Tax Division (the "PTD") of the New Mexico Taxation and Revenue Department (the "TRD") provides technical assistance to county assessors, helps them implement the Property Tax Code (Articles 35 through 38 of Chapter 7 NMSA 1978) and funds and chairs the County Valuation Protest Boards (Section 7-38-25 NMSA 1978).

The State Assessed Property Bureau in PTD of the TRD, commonly known as the Central Assessment Bureau, is responsible for assessing certain types of property that are not assessed by the counties because assessing the property is exceptionally technical or because the assets or property extend across county boundaries. Assessments undertaken by the Central Assessment Bureau are performed on the following businesses pursuant to Section 7-36-2 NMSA 1978:

- Railroads;
- Communication systems;
- Pipelines;
- Public utilities;
- Airlines;
- Electric generating plants;
- Construction machinery and equipment, and other personal property of persons engaged in construction that is used in more than one county; and
- Mineral property, excepting oil and natural gas related property.

Property valuations are established as of January 1 of each year (except for certain livestock). Centrally assessed property is verified and certified to local assessors who combine the values with all locally assessed property values. The totals are reported to the Central Assessment Bureau, and the DFA and certified for budgetary use.

For state and locally assessed properties (except Copper Ad Valorem at 7-39-9 NMSA 1978) county treasurers are required to mail tax bills for the current tax year no later than November 1. The 2019 Legislature added a new section to the Administration and Enforcement of Property Taxes Act that delays the mailing of property tax bills in counties for which a property tax levy is on the 2019 or 2021 ballots until no later than November 24 (Section 7-38-36.2 NMSA 1978). Twelve of the thirty-three counties requested and received extensions from PTD to mail the first installment of property tax bills and the due date of the first installment into December of 2019.

Property taxes are due in two equal installments on November 10 and April 10, unless there was a proposed property tax levy on the ballot in 2019 or will be in 2021, in which case, the first installment is due December 6. Taxes become delinquent on December 10 (or January 6 in the event of a proposed tax levy) and May 10 following the two respective due dates. Actual dates vary per each county's request. Civil penalties and interest are imposed on delinquent taxes. County treasurers are responsible for collecting property taxes and distributing them to governmental entities that receive them. Major property tax recipients include counties, municipalities, and school districts.

In response to the COVID-19 pandemic, the Legislature held the 2020 first special session that began June 18, 2020. During the session, the Legislature passed, and the Governor signed into law, House Bill 6 that affects a property owner's property tax obligations. The statute provides relief to

property owners who were unable to timely pay their second-half 2019 property taxes. The statute provides, in relevant part, as follows:

No interest shall accrue and no penalty shall be assessed to a property owner for unpaid property taxes that became due April 10, 2020 ...; provided that:

- (1) the unpaid property taxes did not become delinquent because of an intent to defraud by the property owner;
- (2) payment for the unpaid property taxes is made in full on or before May 10, 2021; and
- (3) the subject property does not have property taxes that became delinquent ... prior to May 10, 2020.

All requirements must be met for a property owner to avoid the imposition of interest and penalty on the second-half 2019 payment: (i) the payment must not have been made before June 29, 2020, the effective date of the statute; (ii) the failure to pay was not because of an intent to defraud by the property owner; (iii) the second half 2019 payment is made before May 10, 2021; and (iv) property taxes were current having been paid through first half 2019 tax bill.

In property tax year 2020, 4.6 percent of property tax collections statewide (including oil and gas production and equipment tax) were distributed to the State for payment of principal and interest on general obligation bonds.

State law provides a mechanism by which, in the event of a dispute with respect to property taxes owed, a taxpayer may make payment under protest. Such monies may not be spent by property tax recipients until the taxpayer's claim has been decided. At that time, the monies are distributed either to the county or the taxpayer, depending on the outcome of the taxpayer's claim. As a result, counties may experience delays in receiving tax revenues or may be required to refund monies already received.

Except for property that is subject to the special methods of valuation statutes administered by the Central Assessment Bureau, the assessed value of property is maintained at current and correct values in accordance with the Property Tax Code with the residential value limits in Section 7-36-21.2 NMSA 1978. Assessed value is determined by the sales of comparable property subject to certain limitations. Income or cost valuation methods also are used when appropriate. Residential properties are eligible for a \$2,000 head of family exemption. A \$4,000 veteran exemption may be applied against residential and certain nonresidential property. Veterans that are 100 percent disabled are exempt from property taxes. Honorably discharged members of the armed services are eligible for the veteran exemptions. Taxable value is one-third of assessed value, as required by Section 1 of Article VIII of the New Mexico Constitution. Net taxable value, against which mill rates are imposed, consists of taxable value less exemptions. Maximum property tax rates for operations for various types of local governments are imposed by the Constitution of the State and by governing statutes. See "Property Tax Limitations," below. Different tax rates typically apply to residential and non-residential properties in the same tax jurisdiction due to the state's "yield control" statute (Section 7-37-7.1 NMSA 1978).

Oil and natural gas properties and related production equipment are subject to property taxation in the State. The oil and natural gas ad valorem production tax is levied and collected by the Oil and Gas Bureau of the TRD on the basis of assessed value deemed the equivalent of 50 percent of the actual price of oil and natural gas received at the production unit multiplied by the volume of oil and natural gas produced, less certain trucking expense deductions and royalties paid to the federal government, the State, or Indian tribes. The oil and natural gas production "equipment ad valorem tax" is levied based on assessed value deemed equivalent to 9 percent of the previous calendar year sales value of the product from each production unit. The tax year for oil and natural gas production begins on September 1 based on tax rates that are set on August 31. The oil and natural gas "ad valorem production tax" is due by the 25th day of the second month following the month of production. Taxes are collected monthly. The oil

and natural gas production “equipment ad valorem tax” is due on November 30 based upon assessments issued on or before October 15. The TRD distributes its collections to the county treasurers who further distribute the tax revenues to property tax recipients.

### **Property Tax Valuation Limitations**

In November 1998, the New Mexico electorate approved an amendment to Section 1 of Article VIII of the State Constitution to authorize the Legislature to limit increases on residential property valuation for property taxes. The limitation may be applied to classes of residential property taxpayers based on owner-occupancy, age or income. The limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions. Any valuation limitations authorized as a local jurisdiction option shall provide for applying statewide or multi-jurisdictional property tax rates to the value of the property as if the valuations increase limitation did not apply.

Section 7-36-21.3 NMSA 1978 provides that valuations for single-family dwellings occupied by certain low-income owners 65 years of age or older, or disabled, are frozen. The income threshold is \$35,000 for the 2020 tax year and will be indexed for inflation each year. Another law, Section 7-36-21.2 NMSA 1978, provides that residential property shall be valued at its current and correct value in accordance with the provisions of the Property Tax Code, provided that for the year 2001 and subsequent tax years, the value of a property in any tax year shall not exceed 103 percent of the value in the previous year. Implementation of this section required a median assessment ratio of 85 percent. Sales assessment ratios are computed annually by the TRD and measure a county’s assessment valuations against current sale data. The 3 percent increase is only applied to counties that are current and correct. The annual limitations do not apply to new improvements or to any property that has had a change in ownership, use or zoning during the year.

Since 2004 the Property Tax Code has required the disclosure only to the County Assessor of sale prices and other items of value upon the sale of residential real property. This amendment has allowed assessors to value residential properties at current and correct and monitor assessment levels.

Since 2008 county assessors are required to consider in determining the market value of residential housing any decrease in value that would be realized by an owner in the sale of the property because of the effects of any affordable housing subsidy, covenant or encumbrance under a federal, state or local housing program that restricts the future use or resale value of the property or otherwise prohibits the owner from fully benefiting from any enhanced value of the property. This amendment has not had a material impact on the assessed value of residential properties.

The following table sets forth the aggregate statewide net taxable valuations for the last 10 years.

**TABLE 8**  
**Final Net Taxable Valuations**  
**(Dollars in thousands)**

<b>Property Tax Year</b>	<b>Residential</b>	<b>Non-Residential</b>	<b>Oil and Gas</b>	<b>Copper</b>	<b>Net Taxable Value</b>
2011	\$30,265,867	\$16,594,029	\$5,868,724	\$117,476	\$52,846,098
2012	30,794,394	16,639,038	6,938,090	119,440	54,490,962
2013	31,320,905	16,824,354	6,431,256	149,491	54,726,006
2014	31,678,950	17,161,038	7,710,780	184,736	56,735,505
2015	32,396,576	17,720,157	8,463,290	211,459	58,791,482
2016	33,533,677	18,181,319	4,982,793	224,778	56,922,567
2017	34,767,934	18,104,473	4,359,518	219,831	57,451,756
2018	35,934,821	18,266,388	6,338,179	219,831	57,451,756
2019	37,417,925	19,224,494	10,099,051	177,768	66,919,238
2020	38,832,638	20,154,146	11,507,375	153,889	70,648,047

*Source: New Mexico Department of Finance and Administration, Local Government Division*

**Property Tax Mill Levy Limitations**

Section 2 of Article VIII of the New Mexico Constitution states:

*Taxes levied upon real or personal property for state revenue shall not exceed four mills annually on each dollar of the assessed valuation thereof except for the support of the educational, penal and charitable institutions of the state, payment of the state debt and interest thereon; and the total annual tax levy upon such property for all state purposes exclusive of necessary levies for the state debt shall not exceed ten mills; provided, however, that taxes levied upon real or personal tangible property for all purposes, except special levies on specific classes of property and except necessary levies for public debt shall not exceed twenty mills annually on each dollar of the assessed valuation thereof, but laws may be passed authorizing additional taxes to be levied outside of such limitation when approved by at least a majority of the qualified electors of the taxing district who paid a property tax therein during the preceding year voting on such proposition.*

Currently the State imposes no levy of property taxes except for the payment of State debt.

Statutes establish maximum property tax rates for operating purposes for cities, counties and school districts. The DFA is permitted by statute to set a rate at less than the maximum rate in any tax year. These maximum property tax rates for operating purposes are set forth below.

**TABLE 9**  
**Maximum Operating Mill Levy Rates**

Counties .....	11.85
Cities .....	7.65
Schools.....	<u>0.50</u>
Maximum combined statutory rate .....	<u>20.00</u>

*Source: Section 7-37-7(B) NMSA 1978*

Apart from the allowable operating tax rates above, New Mexico governments may levy additional property taxes as authorized by statute and voter approval for:

- Debt service;
- County hospitals and health care services;
- School district capital improvements;
- Branch and community colleges;
- Vocational schools;
- Flood control districts and authorities;
- Judgments;
- Water and sanitation districts;
- Conservancy districts;
- Public improvement districts;
- Tax increment development districts; and
- Other special districts.

In addition, the Legislature has established certain limits on the increase in property tax revenue that may be realized for county and city operating purposes. The “yield control” formula is activated by property valuation increases resulting from county assessor reappraisal programs. The yield control law limits the increase in operating revenue from existing properties in absence of new rate impositions in any one year over the prior year to the lesser of 5 percent or the percentage increase in the annual price index published by the United States Department of Commerce for State and Local Government Purchases of Goods and Services, plus increases in tax revenues resulting from new construction, improvements to properties and increased taxable value due to annexation.

## FINANCIAL OVERVIEW OF THE STATE

### General Fund Revenues, Expenditures, and Ending Fund Balances

The State derives the majority of its recurring General Fund revenue from four major sources: general and selective sales taxes; income taxes; taxes and royalties on natural resource production; and investment earnings both on its two permanent funds and on cash balances. Effective July 1, 1981, the Legislature repealed the property tax levy for general State operating purposes and has not reinstated it since that time. However, the New Mexico Constitution authorizes a levy of up to four mills for general State operating purposes and additional levies for the support of State educational, penal and other institutions.

The following table lists audited revenues, expenditures and ending fund balances for Fiscal Years 2017 through 2020 and result projections for Fiscal Years 2021 and 2022.

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**TABLE 10**  
**General Fund Financial Summary Fiscal Year 2017 – Fiscal Year 2022**  
(Dollars in thousands)

	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Projected* 2021	Projected* 2022
<b>A. APPROPRIATION ACCOUNT</b>						
<b>Recurring Receipts:</b>						
General and Selective Sales Taxes	\$2,586,817	\$2,978,242	\$3,291,012	\$3,568,300	\$3,056,900	\$3,186,316
Income Taxes	1,450,831	1,625,560	1,694,822	1,755,100	1,589,100	1,709,510
Severance Taxes <sup>(12)</sup>	341,586	493,081	424,200	440,100	460,000	533,000
License Fees	53,339	61,033	59,890	30,781	52,700	53,833
Investment Income	738,654 <sup>(9)</sup>	802,833	946,200	946,200	984,900	1,051,700
Rents and Royalties	507,182	676,077	1,357,683	938,651	707,600	847,150
Miscellaneous Receipts	36,514	33,187	71,477	81,847	47,500	47,939
Tribal Revenue Sharing	62,717	68,092	78,429	51,677	53,800	68,630
Reversions/Adjustments	366,228	78,357	120,000	81,100	50,000	50,000
<b>Total Recurring Receipts</b>	<b>\$6,143,868</b>	<b>\$6,816,462</b>	<b>\$8,009,500</b>	<b>\$7,859,800</b>	<b>\$7,002,500</b>	<b>\$7,548,078</b>
<b>Total Nonrecurring and Adjustments<sup>(11)</sup></b>	<b>366,228<sup>(10)</sup></b>	<b>64,812</b>	<b>(99,200)</b>	<b>322,400</b>	<b>805,100</b>	<b>(85,255)</b>
<b>Total Receipts</b>	<b>\$6,143,868</b>	<b>\$6,881,274</b>	<b>\$7,910,300</b>	<b>\$8,182,200</b>	<b>\$7,807,552</b>	<b>\$7,462,823</b>
<b>Recurring Appropriations:</b>						
Legislative	\$ 28,826	\$ 24,844	\$ 30,086	\$ 20,275	\$ 21,158	\$4,316
Judicial	271,439	278,048	295,336	318,833	321,254	323,287
General Control	127,675	146,231	217,783	147,536	150,083	156,695
Commerce and Industry	58,549	65,802	52,702	62,622	64,750	64,297
Agriculture, Energy and Natural Resources	72,776	84,422	81,605	75,639	77,477	77,909
Health, Hospitals and Human Services	1,655,387	1,659,510	1,707,439	1,871,387	1,899,035	1,969,536
Public Safety	433,893	441,366	446,078	468,659	476,405	474,105
Other Education	112,447	133,555	102,147	102,147	--	34,271
Higher Education	787,740	785,233	803,436	867,043	840,678	866,799
Public School Support	2,600,677	2,585,824	2,699,006	3,171,732	3,170,640	3,353,724
Recurring Appropriations	6,149,410	6,204,835	6,330,644	7,092,100	7,209,500	--
Other Recurring Appropriations	(18,282) <sup>(11)</sup>	--	--	--	11,850	--
<b>Total Recurring Appropriations</b>	<b>\$6,118,027</b>	<b>\$6,204,835</b>	<b>\$6,339,800</b>	<b>\$7,092,100</b>	<b>\$7,221,375</b>	<b>\$7,450,300</b>
<b>Nonrecurring Appropriations<sup>(2)</sup></b>	<b>13,100</b>	<b>122,083</b>	<b>1,175,200</b>	<b>571,900</b>	<b>1,670,711</b>	<b>--</b>
<b>Total Appropriations</b>	<b>\$6,131,127</b>	<b>\$6,326,918</b>	<b>\$7,515,200</b>	<b>\$7,664,000</b>	<b>\$8,892,085</b>	<b>\$7,450,300</b>
Transfers from/(to) Other Accounts <sup>(3)</sup>	5,500	-	-	-	-	-
<b>TRANSFER FROM/(TO) RESERVE ACCOUNTS</b>	<b>\$(331,526)</b>	<b>\$ 554,356</b>	<b>\$(394,500)</b>	<b>\$ ( 518.3)</b>	<b>\$(1,084,533)</b>	<b>\$12,500.00</b>
<b>B. OPERATING RESERVE</b>						
<b>Beginning Balance</b>	<b>\$ 2,000</b>	<b>\$ 322,500</b>	<b>\$ 485,900</b>	<b>\$ 486,300</b>	<b>\$ 507,184</b>	<b>\$ 89,030.35</b>
Revenues/Repayments/Reversions	(1,300)	(300)	(2,000)	(2,000)	(2,500)	(2,000)
Appropriations:						
Contingencies	--	--	--	--	--	--
Restricted Funds	--	--	--	--	--	--
Other Appropriations and Adjustments	--	--	(14,100)	(48,600)	(3,212)	--
<b>Total Appropriations<sup>(4)</sup></b>	<b>--</b>	<b>--</b>	<b>(14,100)</b>	<b>(48,600)</b>	<b>(5,700)</b>	<b>--</b>
Transfers:						
From/(To) General Fund Appropriations Account	321,800	163,700	394,500	510,817	(1,095,483)	12,494
From/(To) Appropriation Contingency Fund	--	--	--	--	(50,000)	--
From/(To) Tax Stabilization Reserve Fund	--	--	(380,099)	(441,337)	721,982	--
From/(To) Other State Funds	--	--	--	--	--	--
<b>Total Transfers</b>	<b>321,800</b>	<b>163,700</b>	<b>14,504</b>	<b>69,480</b>	<b>(412,441)</b>	<b>(12,494)</b>
<b>Ending Balance<sup>(5)</sup></b>	<b>\$ 322,500</b>	<b>\$ 485,900</b>	<b>\$ 486,304</b>	<b>\$ 507,584</b>	<b>\$ 89,030</b>	<b>\$99,415</b>

<b>C. STATE SUPPORT RESERVE</b>						
Beginning Balance	\$ 1,000	\$ 1,000	\$ 1,000	\$ 19,100	\$ 29,100	\$ 15,400
Ending Balance <sup>(5)</sup>	\$ 1,000	\$ 1,000	\$ 19,100	\$ 29,100	\$ 15,400	\$ 15,400
<b>D. APPROPRIATION CONTINGENCY FUND</b>						
Beginning Balance, Excluding Education Reform	\$ 34,372	\$ 25,961	\$ 12,300	\$ 11,700	\$ 8,732	\$50,732
Receipts:						
Reversions	4,564	4,800	14,700	8,344	8,000	8,000
Transfers From General Fund/ Appropriation Contingency Fund	--	--	--	--	--	--
Expenditures/Appropriations: <sup>(6)</sup>						
Disasters	(12,975)	(18,500)	(15,300)	(11,312)	34,000	(16,000)
Other	-	-	--	--	--	--
Ending Balance, Excluding Education Reform	\$ 25,961	\$ 12,300	\$ 11,700	\$ 8,700	\$ 50,732	\$ 42,732
<b>Education Reform:</b>						
Beginning Balance, Education Reform	--	--	--	--	--	--
Expenditures	--	--	--	--	--	--
Ending Balance, Education Reform	--	--	--	--	--	--
Ending Balance, Appropriation Contingency Fund	\$ 25,961	\$ 12,300	\$ 11,700	\$ 8,732	\$ 50,732	\$ 42,732
<b>E. TAX STABILIZATION RESERVE</b>						
Beginning Balance	--	--	\$ 526,759	\$1,088,300	\$1,727,269	\$1,163,326
Transfers In		526,759	561,500	638,969	167,953	173,400
Transfers Out	--	--	--	--	(721,982)	--
Ending Balance <sup>(7)</sup>	--	\$ 526,759	\$1,088,300	\$1,727,269	\$1,163,326	\$1,337,119
<b>F. TOBACCO SETTLEMENT PERMANENT FUND RESERVE <sup>(8)</sup></b>						
Beginning Balance	\$ 110,357	\$ 146,819	\$ 158,676	\$ 228,600	\$ 241,311	\$ 241,430
Transfers In	54,272	33,689	74,200	33,902	32,900	12,000
Transfers Out	(37,000)	(33,834)	(17,000)	(16,951)	(32,900)	(12,000)
Gains/(Losses)	19,190	12,002	12,700	(4,240)	10,119	13,829
Ending Balance	\$ 146,819	\$ 158,676	\$228,600	\$241,311	\$ 251,430	\$265,259
<b>G. TOTAL RESERVE BALANCES</b>						
Beginning Balance	\$ 147,729	\$ 496,298	\$1,184,595	\$1,834,984	\$2,513,577	\$1,569,796
Ending Balance*	\$ 496,298	\$1,184,595	\$1,834,984	\$2,513,577	\$1,569,796	\$1,759,912
Reserves as a Percentage of Current-Year Recurring Appropriations	8.3%	19.1%	28.9%	35.4%	21.7%	23.6%

**Notes to General Fund Financial Summary:**

\*The General Fund Financial Summary reflects the February 2021 consensus group estimate.

**(1) Appropriation Account, Nonrecurring Revenue:**

**FY17 includes the following from Laws 2016:** \$8.0 million in disencumbered balances from prior year General Fund appropriations (Laws 2016, Ch. 12), \$3.9 million reversion of unspent balances of prior year taxable bond proceeds (Laws 2016, Ch. 12), \$56.2 million in deauthorized and reverted General Fund capital outlay funding (Laws 2016, 2nd Special Session, Ch. 5), and a revenue reduction of \$672,000 from the State Lands Maintenance Fund (Laws 2016, Ch. 11).

**FY17 includes the following from Laws 2017:** \$46.1 million reduction in Public School state equalization guarantee distributions as credit for excess FY2016 operational fund cash balances (Laws 2017, Ch. 3), \$78.3 million from adopting an insurance premiums revenue recognition process compliant with generally accepted accounting principles and aligning cash receipts to cash disbursements, and an \$8.0 million reduction in special appropriations to the Public Education Department (Laws 2017, Ch. 2).

**FY18 includes the following from Laws 2017:** \$10.7 million from adopting an insurance premiums revenue recognition process compliant with generally accepted accounting principles and aligning cash receipts to cash disbursements, \$0.8 million from the elimination of a distribution of cigarette tax revenue to the New Mexico Finance Authority, \$0.9 million from increases to penalties for Occupational Safety and Health Act violations and the imposition of penalty and interest on tax liability assigned to successors

**FY21 includes the following from the Special Session Laws 2020**, Chapter 5 (HB1, Section 15-B): A transfer of up to \$750 million from the tax stabilization reserve to the operating reserve if FY21 revenues fall short of FY21 appropriations

**(2) Appropriation Account, Nonrecurring Appropriations:**

**FY17 includes the following appropriations from Laws 2016:** \$0.4 million from Section 5 of the General Appropriation Act of 2016 (Laws 2016, Ch. 11), \$1.0 million to the SBOF to be disbursed to agencies experiencing hardship as a result of special session budget cuts (Laws 2016, 2nd Special Session, Ch. 6), and \$1.5 million for child abuse prevention (Laws 2016, 2nd Special Session, Ch. 3).

**FY17 includes the following appropriations from Laws 2017:** \$6.4 million from Sections 5 and 6 of the General Appropriation Act of 2017 (Laws 2017, Ch. 135), \$1.7 million in supplemental appropriations to the courts (Laws 2017, Ch. 5), \$2.1 million in supplemental general appropriations (Laws 2017, 1st Special Session, Ch. 2).

**FY19 includes the following appropriations from Laws 2019:** \$185.5 million from Sections 5 and 6 of the General Appropriation Act of 2019 (Laws 2019, Ch. 73); \$10 million from Chapter 271 (HB2) to the state support reserve fund.

**FY20 includes the following appropriations from Laws 2019:** \$189.6 million from Sections 5 and 6 of the General Appropriation Act of 2020 (Laws 2019, Ch. 271).

**FY21 (preliminarily) includes the following appropriations from Laws 2021:** \$157.73 million from Sections 5 and 6 of the General Appropriation Act of 2019 (Laws 2021, Ch. 83); \$300 million for the Department of Transportation in HB2 Section 9; \$202 million in the Supplemental General Appropriations & Expenditures Act (SB377); and \$200 million for GRT & Permanent Fund for LEDA Projects.

**(3) Appropriation Account, Transfers from/(to) Other Accounts:**

**FY17 includes** \$44.0 million transfer from other state funds (Laws 2016, Ch. 12), \$10 million transfer from the New Mexico Finance Authority (Laws 2016, Ch. 12), \$9.1 million transfer of unspent balances of prior year taxable bond proceeds (Laws 2016, Ch. 12), \$19.2 million to restore General Fund capital expenditures to be funded through severance tax bond proceeds (Laws 2016, 2nd Special Session, Ch. 5), \$28.3 million from the suspension of a distribution of severance tax bond revenue to the severance tax permanent fund (Laws 2016, 2nd Special Session, Ch. 5), \$61.2 million transfer from other state funds (Laws 2016, 2nd Special Session, Ch. 4), \$15.5 million transfer from the New Mexico Mortgage Finance Authority (Laws 2016, 2nd Special Session, Ch. 4), \$16.1 million transfer from the Public Education Department (Laws 2016, 2nd Special Session, Ch. 4), \$47.2 million transfer from other state funds (Laws 2017, Ch. 5), an \$81.4 million swap of supplemental severance tax funding notes to restore prior year general fund capital expenditures (Laws 2017, 1st Special Session, Ch. 1), and \$730,000 transfer from other state funds (Laws 2017, 1st Special Session, Ch. 1).

**FY18 includes** \$8 million transfer from other state funds (Laws 2017, 1st Special Session, Ch. 1).

**(4) General Fund Operating Reserve:**

**FY17 through FY20 include** \$2.0 million for the State Board of Finance Emergency Fund appropriation (each year).

**FY20 includes** disaster allotments which have been made in response to the COVID-19 healthcare crisis

**FY21 and FY22 include** \$2.5 million for the State Board of Finance Emergency Fund appropriation (each year).

Laws 2020, HB341 transfers a portion of the balance in the Tax Stabilization Reserve (TSR) if the General Fund Operating Reserve is less than one percent of aggregate appropriations. The amount transferred is equal to the lesser of the one percent of appropriations or the amount necessary so that the balance in the Operating Reserve is one percent of percent aggregate appropriations.

**(5) Year-ending Balances in the Operating Reserve:**

If the ending balance in the General Fund Operating Reserve exceeds 8% of the previous year's recurring appropriations, the excess over 8% is transferred to the Tax Stabilization Reserve.

**(6) Appropriation Contingency Fund Appropriations:**

**FY17 includes the following appropriations/transfers from Laws 2016:** \$0.3 million for the relocation of the Bernalillo County child wellness center (Laws 2016, Ch. 11, Sec. 5).

**(7) Year-ending Balances in the Tax Stabilization Reserve:**

Prior to July 1, 2018, if the ending balance in the Tax Stabilization Reserve exceeds 6% of the previous year's recurring appropriations, the excess over 6% is transferred to the Taxpayer's Dividend Fund.

**(8) Tobacco Settlement Permanent Fund Reserve (established by Laws 2003, Chapter 312).**

**FY17** – \$37 million of Tobacco Settlement Permanent Fund revenues were transferred to the Tobacco Settlement Program Fund for Medicaid pursuant to Section 6-4-9C NMSA 1978 and Laws 2016, Ch. 12 and Laws 2017, Ch. 135. The settlement distribution was increased by \$17 million over the estimate due to the State's prevailing in a motion filed to vacate the Partial Arbitration Award issued by the 2003 NPM Adjustment Dispute arbitration panel.

**FY19** – \$38 million of Tobacco Settlement Permanent Fund revenues were transferred to the Tobacco Settlement Program Fund for Medicaid pursuant to Section 6-4-9C NMSA 1978 and Laws 2016, Ch. 12 Laws 2017, Ch. 135., and Laws 2018.

**(9) FY17** Investment Income in the recurring revenue includes transfers from the Land Grant Permanent Fund and the Severance Tax Permanent Fund. Also included is the reported loss that is the result of recent changes in unrealized gains and losses (mark-to-market adjustments) related to the investments held in the State General Fund Investment Pool.

**(10) FY17** Nonrecurring revenue and adjustments included the standard reversions and the nonrecurring reversions from agencies as a result of one-time sweeps.

**(11) FY17** Other recurring appropriations include audit adjustments due to revenue shortfall.

**(12)** Beginning in FY19, Oil and Gas School Tax revenue in excess of the five-year average goes to the tax stabilization reserve fund.

FY19 total gross oil and gas school tax revenue was \$555.4 million, however the excess of the five-year average was distributed to the tax stabilization reserve fund. This amount was \$182.8 million. Total several taxes net of this transfer were \$424.2 million.

FY20 total gross oil and gas school tax revenue was \$555.7 million, however the excess of the five-year average was distributed to the tax stabilization reserve fund. This amount was \$166.1 million. Total several taxes net of this transfer were \$440.1 million.

*Source: DFA Economic Unit and Financial Control Division*

## **General Fund Taxes and Revenues**

Programs and operations of the State are predominantly funded through a system of 28 major taxes and a substantial number of minor taxes administered by the TRD. Beginning on January 2020, TRD began collecting taxes on insurance premiums, which previously were collected by the Office of the Superintendent of Insurance. The Regulation and Licensing Department collects professional licensing fees and a number of charges for regulating activities and professions in the state. In addition, interest income and earnings from the Land Grant Permanent Fund, the Severance Tax Permanent Fund and cash balances invested by the State Treasurer's Office provide important sources of revenue for State purposes. The most important tax and revenue sources, as measured by magnitude of revenue generation, and the application of the monies to certain funds and purposes, are described below.

### ***Gross Receipts and Compensating Taxes***

The gross receipts tax is levied on the total amount of money or the value of other consideration received from selling tangible and certain intangible personal property in the State, from leasing property employed in the State, from performing services in the State and from research and development services performed outside the State on products initially used in the State. The tax is remitted by the seller but generally passed on to the purchaser. The compensating tax is imposed generally on property used in the State but purchased elsewhere. Gross receipts and compensating taxes are due on the 25<sup>th</sup> day of the month following the month in which the transaction occurs.

The general presumption is that all receipts of a person engaging in business are subject to the gross receipts tax, even though there are over 100 specified exemptions and deductions from gross receipts taxation. Exemptions from the gross receipts tax include, but are not limited to, certain receipts of governmental agencies and certain nonprofit organizations; receipts from the sale of certain vehicles; occasional sales of property or services; wages; certain agricultural products; and dividends, interest and receipts from natural gas, oil or mineral interests sales or leases. Deductions from the gross receipts tax include, but are not limited to, receipts from various types of sales or leases of tangible personal property or service; receipts from certain sales of property to governmental agencies or to certain nonprofit organizations; receipts from certain processing of some agricultural products; receipts from certain publication sales; certain receipts from interstate commerce transactions; and as set forth below, certain food and medical services as of January 1, 2005.

The gross receipts and compensating taxes are together the single largest source of State General Fund revenue. The gross receipts tax is also a significant source of revenue for cities and counties. The gross receipts tax includes the 5.125 percent statewide gross receipts tax levy, plus city and county local-option gross receipts taxes. The statewide gross receipts tax rate was increased from 5 percent to 5.125 percent effective July 1, 2010 as a result of action taken during the 2010 special session. Receipts from the statewide gross receipts tax levy, less certain disbursements, are deposited in the State General Fund. The disbursements include 1.225 percent of the taxable gross receipts reported in each incorporated municipality to that municipality. The County Equalization Distribution is made annually from state gross receipts tax revenues; it has averaged \$23 million over the past five years. After all other distributions, the General Fund share of gross receipts tax collections was 62 percent in Fiscal Year 2020 and is expected to be about 63 percent for subsequent years.

Receipts from the compensating tax, less distributions, are transferred to the state General Fund. Compensating tax distributions include 15 percent to the small cities assistance fund and 10 percent to the small counties assistance fund, and a distribution to municipalities based on the level of their taxable gross receipts. In Fiscal Year 2012, legislation increased the distribution to small cities from 10 percent to 15 percent, increased the minimum distribution to small cities from \$35,000 to \$90,000 and amended

the statute to allow for larger distributions to small counties. The distribution changes went into effect in Fiscal Year 2014.

In 2005, the Legislature made a number of changes to the state gross receipts tax laws in Sections 7-1-6.16, 7-1-6.46, 7-1-6.47, 7-9-92 and 7-9-93 NMSA 1978. The credit of 0.5 percent granted to municipalities against the statewide rate was eliminated. The tax on food for off-premise consumption and certain medical services also was eliminated. After the 2005 legislative changes, retailers are required to report receipts from sales of groceries to claim the deduction. The deduction does not apply to receipts of restaurants or sales of prepared foods. The legislation also created a gross receipts tax deduction for some receipts of licensed health care providers (broadly defined) from Medicare Part C and managed health care plans, and health care insurers. This medical deduction was modestly expanded in the 2007 legislative session. The 2005 legislation also provided for payments from the State to reimburse local governments for all lost gross receipts tax revenues due to these deductions. Legislation in 2007 froze the rate, but not the size, of these payments for counties with a population over 48,000 and municipalities with a population greater than 10,000 or greater than average per capita taxable gross receipts. In the 2013 legislative session, a bill was enacted that, among other things, will eliminate these payments to certain large local governments over a 15-year period that began in Fiscal Year 2016.

In Fiscal Year 2020, total distributions to the General Fund from gross receipts and compensating taxes increased by 9.8 percent over the previous fiscal year to \$3 billion, comprising 38.2 percent of recurring General Fund revenue.

During the 2019 legislative session, House Bill 6 implemented changes to the gross receipts tax (“GRT”). These changes include Hospital Tax Reform and Remote Sellers (effective July 1, 2019), Marketplace Facilitators (effective July 1, 2019 and July 1, 2021), and Tobacco Products (effective July 1, 2019).

Prior to Hospital Tax Reform, there was a discrepancy between for-profit hospitals being taxed and nonprofit and governmental hospitals, which were not being taxed. These hospitals were virtually untaxed at the state level despite more than \$5 billion in annual gross receipts. The uneven tax playing field for hospitals interferes with the market, creating economic inefficiencies with strong incentives for hospitals to adopt preferential corporate structures. House Bill 6 mostly corrects this decades-old inequity, subjecting 40 percent of gross receipts of for-profit, nonprofit, and governmental hospitals to the state portion of the GRT and the governmental gross receipts tax (“GGRT”), leaving a 60 percent deduction (currently in the statute as a 50 percent deduction for for-profit hospitals). Taxing nonprofit and governmental facilities along with for-profits at nearly identical rates is a key step to applying the tax in a more equitable manner. However, in order to achieve these nearly identical rates, the bill removes the for-profit hospitals from local taxation. In current statute, local GRT increments apply to for-profit hospitals after the 50 percent deduction is applied, and municipalities also receive the related 1.225 percent distribution from the State.

This reform measure brings nonprofit hospitals into the state GRT base and governmental hospitals into the GGRT base. It repeals the for-profit hospital tax credit of Section 7-9-96.1 NMSA 1978, helping to better level the playing field for hospitals at the state tax level.

**TABLE 11**  
**Hospital Tax Reform—State Taxation**

	Prior Law			Current Law (Effective July 1, 2019)		
	For-Profit	Nonprofit	Government	For-Profit	Nonprofit	Government
State Tax Rate	5.125% GRT	n/a	n/a	5.125% GRT	5.125% GRT	5.0% GRT
Credits	3.75% to 5%	n/a	n/a	n/a	n/a	n/a
Deductions	50% GRT	n/a	n/a	60% GRT	60% GRT	60% GRT

The Remote Sellers and Marketplace Facilitators component of House Bill 6 taxes remote (internet) sales immediately and then applies local GRT increments and moves to destination-based sourcing (sourcing at the location of the buyer rather than the seller) with a two-year delay (effective July 1, 2019, and July 1, 2021, respectively).

The transition to destination-based sourcing is a significant change to the structure of the GRT and will require much preparation by the TRD and taxpayers. House Bill 6 distributes \$24 million annually from the General Fund to local governments in Fiscal Year 2020 to Fiscal Year 2021 until the local increments are applied to remote sales. (During the 2020 first special session, House Bill 6 increased the maximum annual amount in Fiscal Year 2021 to \$48 million with a caveat that the amount may be reduced if federal dollars are provided to all local governments.) Once destination-based sourcing takes effect, all sales will have an in-state location, so current GRT transactions coded as out of state will be shifted into counties and municipalities (if inside municipal boundaries).

House Bill 6 increases the excise tax on cigarettes, taxes e-cigarettes and vaping products such as e-liquids and reduces taxes on cigars (effective July 1, 2019). The bill changes the cigarette excise tax to \$0.10 per cigarette, reduces the excise tax on cigars to \$0.50 per cigar (instead of the current 45 percent of wholesale value), and brings e-cigarettes and vaping products into the tobacco products tax base. The excise tax rate on e-liquid is 12.5 percent of the product value, and for closed system cartridges, the excise rate is \$0.50 per cartridge.

Lastly, House Bill 6 brings the state compensating tax rates for services and tangible property into alignment and applies local government GRT increments to the compensating tax to equalize the rates (effective July 1, 2021).

During the 2021 regular legislative session, Senate Bill 1 was passed that provides, among other things, for a four-month gross receipts tax holiday for food and beverage establishments, including restaurants, bars, food trucks, small breweries, wineries and craft distilleries, which have been financially impacted by the pandemic.

During the 2021 special session, Senate Bill 1 was passed to expand the Local Economic Development Act (“LEDA”). Senate Bill 1 allows for a permanent mechanism for tax revenue sharing for certain new large LEDA projects. The bill allows 50 percent of some state and local GRT and compensating revenue from large LEDA projects (over \$350 million in construction and infrastructure costs) to be placed into the LEDA fund to help with recruitment of those large projects. Only costs associated with new construction of the project will be subject to this provision, and the EDD and all local governments affected must agree to the revenue sharing.

During the 2021 special session, House Bill 2 was passed. This legislation decriminalizes the possession, use, production, transportation, and sale of commercial cannabis for nonmedical adult use and creates a regulatory and taxation structure. The bill enacts the Cannabis Regulation Act, a comprehensive

plan for regulation and licensing of commercial cannabis production and distribution and sale and consumption of cannabis by people age 21 or older. A new Cannabis Control Division (“CCD”) created in the Regulation and Licensing Department is charged with regulating, administering, and collecting fees in connection with commercial cannabis activity and licensing, the medical cannabis program, and cannabis education and training programs. The Department of Health’s authority under existing law related to commercial cannabis activity and the medical cannabis program is transferred to CCD, except for administration of the medical cannabis registry under the Lynn and Erin Compassionate Use Act. House Bill 2 is estimated to generate \$120 thousand and \$130 thousand in general fund gross receipts tax revenue in Fiscal Years 2023 and 2024, respectively. The minimal impact on gross receipts tax revenues in these years is due to the largely offsetting impact of the increase in gross receipts due to recreational sales and the loss of gross receipts on medical cannabis sales exempted by the legislation.

### ***Personal Income Tax***

The personal income tax is imposed on the net income of every individual resident and upon the net income from business, property or employment of individual nonresidents. Collections, net of refunds, are deposited in the General Fund. State taxable income is generally equal to federal adjusted gross income less deductions and amounts not taxable by State or federal laws. The State allows deductions for income earned by Indians on tribal lands, graduated deductions for income earned by taxpayers 65 years or older and deductions for low- and middle-income taxpayers.

New Mexico’s personal income tax structure changed significantly beginning in 2003. The Legislature enacted significant personal income tax reductions that reduced the top marginal personal income tax rate from 8.2 percent in 2002 to 4.9 percent by 2008, codified in Section 7-2-7 NMSA 1978. This law combined the Head of Household filers’ tax rate with the Married, Joint and Surviving Spouse filers’ tax rate, beginning in 2006. Single parents are now taxed at the same rate as married couples. Statutory changes enacted in 2005 also provided low and middle-income tax exemptions, a personal income tax exemption for medical expenses, incentives to encourage business formation in rural areas and incentives to encourage renewable energy production in the State.

In Fiscal Year 2020, total distributions to the General Fund from personal income tax increased by 1.2 percent over the previous Fiscal Year to \$1.7 billion and generated 21.5 percent of total recurring General Fund revenue.

During the 2019 legislative session, the personal income tax structure was amended with new rates and brackets to take effect on January 21, 2021. Personal income tax rate and bracket changes include bringing the top rate to 5.9 percent from the current 4.9 percent. The top rate is imposed on single filers and estates with taxable incomes over \$210,000, on married filing jointly and head-of-household filers with taxable incomes over \$315,000, and on married individuals filing separately with taxable incomes over \$157,500. These changes were contingent on Fiscal Year 2020 recurring General Fund revenues exceeding Fiscal Year 2019 revenues by less than 5 percent. On December 18, 2020, the DFA certified that Fiscal Year 2020 recurring General Fund revenue was 1.9 percent lower than Fiscal Year 2019 thus initiating the new tax rates under Section 7-2-7 NMSA 1978.

Additionally, personal income tax changes include amending the Working Families Tax Credit, the Capital Gain Deduction and creating a new Dependents Deduction. The Working Families Tax Credit was increased from 10 percent to 17 percent of the federal earned income tax credit (effective for tax years starting on or after January 1, 2019). The Capital Gain Deduction on a percentage basis was reduced from 50 percent to 40 percent of the taxpayer’s net capital gain income for the taxable year. The Dependents Deduction creates a personal income tax deduction of \$4,000 for every dependent beyond the first claimed by a taxpayer (effective for tax years starting on or after January 1, 2019). The 2019

legislative personal income tax changes will be codified under the Income Tax Act, Chapter 7, Article 2 NMSA 1978.

Current State tax rates are set forth below:

<b>If the taxable income is:</b>	<b>Married Filing Separate:</b>	<b>If the taxable income is:</b>	<b>Surviving Spouse, Married Filing Joint and Head of Household:</b>
Not over \$4,000	1.7% of taxable income	Not over \$8,000	1.7% of taxable income
\$4,001 to \$8,000	\$68.00 plus 3.2% of excess over \$4,000	\$8,001 to \$16,000	\$136.00 plus 3.2% of excess over \$8,000
\$8,001 to \$12,000	\$196.00 plus 4.7% of excess over \$8,000	\$16,001 to \$24,000	\$392.00 plus 4.7% of excess over \$16,000
Over \$12,000	\$384.00 plus 4.9% of excess over \$12,000	Over \$24,000	\$768.00 plus 4.9% of excess over \$24,000
<b>If the taxable income is:</b>	<b>Single Including Trust and Estates:</b>		
Not over \$5,500	1.7% of taxable income		
\$5,501 to \$11,000	\$93.50 plus 3.2% of excess over \$5,500		
\$11,001 to \$16,000	\$269.50 plus 4.7% of excess over \$11,000		
Over \$16,000	\$504.50 plus 4.9% of excess over \$16,000		

During the 2021 legislative session, the Working Families Tax Credit was increased from 17 percent to 20 percent of the federal earned income tax credit, effective for tax years 2021 and 2022, and then will increase to 25 percent of the federal earned income tax credit, effective January 1, 2023. Effective for tax year 2021, the rebate amounts available under the Low-Income Comprehensive Tax Rebate were increased for each income and exemptions levels and indexed to the consumer price index to adjust for inflation. The law also raises the maximum income level for eligibility from \$22,000 to \$36,000. On top of this, Senate Bill 1 provides for a personal income tax rebate of \$600 to taxpayers claiming the Working Families Tax Credit – individuals who earn \$31,200 or less; and heads of household, surviving spouses or those married filing jointly who earn up to \$39,000.

### ***Corporate Income Tax***

The corporate income tax is imposed on the net income of a corporation doing business in the State or deriving any income from property or employment in the State by Section 7-2A-3 NMSA 1978. Collections, net of refunds, are transferred to the General Fund. Corporations are required to file a return on or before the 15<sup>th</sup> day of the third month following the end of each taxable year at which time corporate income taxes are also due. A corporation is required to make estimated tax payments if the tax, net of credits, is \$5,000 or more. Insurance companies do not pay corporate income tax; rather, they pay a tax on insurance premiums. Nonprofit organizations and retirement trust funds do not pay corporate income tax.

Tax rates are established under a graduated table found in Section 7-2A-5 NMSA 1978. For tax year 2019, tax rates were 4.8 percent on the first \$500,000 or less of taxable income and 5.9 percent on income in excess of \$500,000. For the 2020 Fiscal Year, General Fund distributions from corporate income taxes totaled \$63 million after refunds and \$76 million of film credits. This is an increase of 177 percent from the prior fiscal year, due to lower film credits after the additional payment of \$100 million against unpaid film credit obligations in Fiscal Year 2019. Net corporate income tax distributions are equivalent to 0.8 percent of recurring General Fund revenue for Fiscal Year 2020.

In recent years, a number of credits administered through the corporate income tax system have been enacted. These include: the film production credit, enacted as Section 7-2F-1 NMSA 1978; the real property tax credit, enacted as Section 7-2A-8.9 NMSA 1978; the rural jobs tax credit, enacted as Section 7-2E-1.1 NMSA 1978; the biodiesel production and sale credit, enacted as Section 7-2A-23 NMSA 1978; the sustainable building tax credit, enacted as Section 7-2A-21 NMSA 1978; and the renewable energy production tax credit, enacted as Section 7-2A-19 NMSA 1978. The 2011 Legislature placed a cap of



\$50 million per year on the film production tax credit and added a deferred payment process for larger productions. The film credit cap has been reached each year since the \$50 million cap was imposed.

In the 2013 legislative session, House Bill 641 (Chapter 160) was enacted, which reduced the State corporate income tax rate over several years to a maximum marginal rate of 5.9 percent for taxable years beginning on or after January 1, 2018. The legislation also allows manufacturers in the State to use sales as a single factor in calculating income tax liability. The legislation also requires certain corporate taxpayers to adhere to mandatory combined reporting of unitary corporations for tax purposes. During the 2014 legislative session, Senate Bill 106 (Chapter 53) was enacted extending the net operating loss carryforward to 20 years from 5 years in prior law.

During the 2019 legislative session, Senate Bill 2 was enacted to amend the Film Production Tax Credit Act to pay off the film credit backlog up to set amounts (up to an additional \$195 million by the end of Fiscal Year 2020 plus up to an additional \$30 million contingent on Fiscal Year 2019 revenues exceeding the forecast), change the annual \$50 million “rolling” cash cap to a \$110 million cash cap, implement a \$100 million “hard” cap for liabilities in excess of the cash cap, and carve out credit payments made to production companies (referred to as “New Mexico film partners”) who purchase or sign a 10-year lease for a qualified production facility from both the cash cap and the liability cap. Legislation prior to January 2019 is detailed in the paragraphs above. In Fiscal Years 2019 and early 2020, \$129 million of the one-time additional allocations was used to remove the remaining unpaid liability. Under this modified film credit program, the CREG expects the total yearly refunds to grow to the \$110 million cash cap, plus \$45 million for film partners within a few years depending on the recovery from the COVID-19 induced recession and state operating guidelines.

Additionally, Senate Bill 2 added a requirement that the EDD shall certify a film production company’s budget in a pre-production meeting. To implement the \$100 million hard liability cap, if the total expected claims authorized for payment (minus those to film partners) for any fiscal year would exceed \$100 million beyond the \$110 million yearly cash cap in any fiscal year, the EDD is prohibited from certifying the production company’s budget. The bill eliminates the tiered system of payouts for mid-size and large productions over two to three years. It also adds another 5 percent increase to the credit value for expenditures made on location more than 60 miles outside of Bernalillo and Santa Fe counties. This credit increase is “stackable” with either of the two existing possible 5 percent increases for filming in a qualified production facility or filming a television pilot or series (those two increases are currently mutually exclusive and remain so in the bill). This results in a maximum possible credit rebate value of 35 percent of qualified expenditures. Additionally, if, in fiscal years 2020 through 2022 the aggregate amount of claims authorized for payment is less than \$110 million, excluding claims by a New Mexico film partner, then the difference in that fiscal year or \$20 million, whichever is less, will be added to the aggregate amount of claims that may be authorized for payment in the immediately following fiscal year.

The bill clarifies certain definitions that were open to interpretation and has more clearly included television series in the definition of film. It repeals the non-resident crew exception limits for below-the-line crew (off-camera positions providing technical assistance during physical production) and replaces that provision with a 15 percent credit for nonresidents, provided it does not exceed 15 percent of a production’s New Mexico below-the-line budget. This provision can increase to 20 percent of the New Mexico below-the line budget if sufficient and qualified below-the-line New Mexico residents are not available. A significant number of structural changes to qualifications and reporting requirements for the industry have been revised.

The effective date of virtually all provisions of Senate Bill 2 is July 1, 2019, but the provisions of the bill apply to film production companies that commence principal photography on or after July 1,

2019. Existing statutes that are left in place for film production companies that commenced principal photography prior to July 1, 2019, that would conflict with these new provisions are clarified to not apply to these new productions. Additionally, the provision, which provides an extra \$100 million film credit payment in Fiscal Year 2019, took effect in mid-June, 2019.

Lastly, House Bill 6, also adopted during the 2019 legislative session, requires combined reporting beginning January 1, 2020 for corporate entities that file as a unitary group unless they elect to report and pay tax as a water's edge or consolidated group. More than half the states that impose a corporate income tax require combined reporting, and the Multistate Tax Commission recently testified before an interim committee that this is one of the most important steps New Mexico can take to update and reform its tax code. One of the principal purposes for enacting combined reporting is to protect state revenues against income-shifting. There are generally two ways to prevent income-shifting: (1) required combined reporting, which eliminates the intercompany transactions that permit the shift; or (2) "add back" statutes, which require separate entity filers to "add back" to their income certain intercompany payments. The change to combined reporting is likely to have a long-term positive impact.

### ***Mineral Production Taxes***

Mineral production taxes (Resources Excise Tax, Natural Gas Processors Tax, Oil and Gas Conservation Tax and Oil and Gas Emergency School Tax) are levied on producers and others on the value of severed minerals and material resources from within the State and these taxes are disbursed to the General Fund. The Oil and Gas Emergency School Tax is imposed for the privilege of engaging in the business of severing oil, natural gas, liquid hydrocarbons and CO<sub>2</sub> from the soil of the State. The Oil and Gas Emergency School Tax is imposed at a rate of 3.15 percent of taxable value of oil and 4 percent of taxable value for natural gas. Taxable value reflects gross sales value less deductions for royalties paid to government entities and for certain processing and transportation expenses. The same definition of taxable value is used for calculation of oil and gas severance tax liability.

In Fiscal Year 2020, aggregate revenue from the Oil and Gas Emergency School Tax receipts totaled \$555.7 million. Of the total, \$389.6 million was distributed to the General Fund and \$166.1 million was distributed to the Tax Stabilization Reserve. Fiscal Year 2020 Oil and Gas Emergency School Tax total receipts were relatively flat at 0.1 percent compared to the prior fiscal year. The Oil and Gas Emergency School Tax distribution to the General Fund of \$389.6 million represents an increase of 4.6 percent when compared to the prior fiscal year. Other General Fund taxes on natural resource production totaled \$51 million. For Fiscal Year 2020, these mineral production taxes contributed 5.6 percent of recurring General Fund revenue.

### ***Cannabis Excise Tax***

House Bill 2 of the 2021 1st Special Legislative Session created the Cannabis Excise Tax, a tax imposed on a cannabis retailer that sells cannabis products in New Mexico. The excise tax rate is set at 12 percent until July 1, 2025. The excise tax rate is scheduled to increase one percent per fiscal year beginning in Fiscal Year 2026 until it reaches 18 percent in Fiscal Year 2031. The General Fund will receive two-thirds of the revenue collected from the excise tax, and local governments will receive the remainder of one-third of the revenue after an administrative fee of up to 3 percent is collected by the TRD. Retail sales are scheduled to begin no later than April 1, 2022. It is estimated that the cannabis excise tax will generate \$19.9 to \$21.1 million in Fiscal Year 2023, and \$20.9 to \$23.0 million in Fiscal Year 2024.

### ***Local Law Developments Regarding Oil and Gas***

Several local governments in the State have proposed or adopted laws that could have the effect of limiting natural resource extraction in those jurisdictions. No local government in which a significant extraction of natural resources occurs has enacted laws limiting natural resource extraction.

In 2008, Santa Fe County amended its land development code to address oil and gas exploration, drilling, production, transportation, abandonment and remediation. The provisions of this code, while restrictive, do not ban exploration activities and to date have not been challenged by lawsuit. In April 2013, Mora County, a county in the north central section of the State enacted a self-styled Community Water Rights and Local Self Government Ordinance, which, among other things, states: “It shall be unlawful for any corporation to engage in the extraction of oil, natural gas, or other hydrocarbons within Mora County.” Several lawsuits were filed challenging the validity of this ordinance. In January 2015, a federal district court declared the Mora County ordinance invalid based on several grounds including violation of the Supremacy Clause and the First Amendment of the U.S. Constitution and preemption by New Mexico oil and gas regulatory statutes. *SWEPI, LP v. Mora County*, 81 F. Supp. 3d 1075 (D.N.M. Jan. 19, 2015). In March 2015, the Mora County Commission voted to repeal the ordinance. Legislation heavily regulating oil and gas development was adopted in November 2014 in San Miguel County, also in the north central section of the State. Legislation banning hydraulic fracturing was adopted by the city council of Las Vegas, a municipality in San Miguel County, but was not signed and is not enforced by its mayor. Historically, there has been little or no oil and gas production in Santa Fe, Mora or San Miguel counties.

To date, the proposal and enactment of local laws has not had a material effect on the amount of severance tax revenues collected by the State. While future actions by local governments relating to natural resource extraction are not predictable, litigation challenging any restrictive local enactments would be a likely consequence of such actions.

### ***Royalties, Rents and Bonuses.***

*Federal Lands.* Under terms of the 1920 Federal Mineral Leasing Act, the State receives 50 percent of all income generated from leasing federal lands located in the State for mineral production. Principal sources of income are royalty payments on oil and natural gas production. Additional income is derived from bonus payments for oil and natural gas leases and royalty payments on production of coal, potash and other minerals. The U.S. Office of Natural Resources Revenue, part of the former Minerals Management Service, collects federal mineral lease income and deducts 2 percent from the State’s share for administrative costs. The State receives payments on a monthly basis and makes deposits to the General Fund. In Fiscal Year 2020, total distributions to the General Fund from federal mineral leases totaled \$817.1 million. This equals 10.4 percent of recurring General Fund receipts for the fiscal year.

Federal Fiscal Year 2009 appropriations bills implemented a 2 percent administrative fee cut from the federal royalty payments to states. This 2 percent fee was extended each federal Fiscal Year since 2009 and extended for 10 years in the 2013 Bipartisan Budget Act. Approximately \$8.0 million was deducted in Fiscal Year 2016, \$8.9 million was deducted in Fiscal Year 2017, \$11.6 million was deducted in Fiscal Year 2018, \$22.9 million was deducted in Fiscal Year 2019 and \$16.3 million was deducted in Fiscal Year 2020.

*State Trust Lands.* The Commissioner of Public Lands and the State Land Office manage lands acquired by the State under the federal Fergusson Act and the Enabling Act for New Mexico enacted prior to statehood, as well as under the State Constitution. All income from State trust lands is dedicated to specific institutions; each section of State trust land has a specific named beneficiary institution. As with federal lands, the oil and natural gas industry is the principal source of revenue from State trust

lands. Bonus income is also collected in the form of cash payments as a result of competitive bidding for State leases. Rentals and bonus income are distributed to the respective beneficiary institutions. The largest beneficiary group is the State's public school system. Mineral production from State trust lands also generates royalty income, which is deposited in the State Land Grant Permanent Fund ("LGPF"). Royalties are imposed on most mineral production values at the rate of 12.5 percent, although there is a provision for rates of up to 20 percent for new leases on developed acreage. LGPF beneficiaries and "State lands" beneficiaries are the same institutions and public schools. In Fiscal Year 2020, distributions to the General Fund from the State Land Office totaled \$69.9 million, which equated to 0.9 percent of recurring General Fund receipts for the Fiscal Year.

### ***Investment Income***

Investment earnings credited to the General Fund are from three primary sources: the LGPF, the STPF and cash balances invested by the State Treasurer. A percentage of market value from the LGPF is distributed among the beneficiary institutions and public schools. The allocation received by the public schools, which was approximately 85.6 percent in Fiscal Year 2020, is deposited in the General Fund. For the 2020 Fiscal Year, \$673.5 million of LGPF distributions were transferred to the General Fund for public school purposes. In Fiscal Year 2020, the State also distributed \$225.3 million of income from the STPF, all of which was deposited in the General Fund. In the 2020 Fiscal Year, the Treasurer's cash balances produced approximately \$91.4 million in net distribution to the General Fund after adjustments to reflect mark-to-market and payment to the self-earnings account. Total investment income credited to the General Fund was \$1.162 billion. This is 14.8 percent of recurring General Fund receipts.

### **Review of Results and Projections in the General Fund**

***Fiscal Year 2017.*** Fiscal Year 2017 recurring revenues were \$5.9 billion, representing an increase of 3.0 percent over Fiscal Year 2016. Oil and natural gas related revenue increased from Fiscal Year 2016 levels by 18.3 percent. New Mexico oil prices averaged \$45.00 per barrel in Fiscal Year 2017, while New Mexico natural gas prices averaged \$3.26 per mcf. Oil volumes increased by 4.3 percent in Fiscal Year 2017 and natural gas volumes increased by 5.2 percent. Non-oil and gas related revenue increased by 0.9 percent, reflecting an increase of 1.9 percent in gross receipts tax revenue, 4.0 percent in personal income tax, and 9.4 percent in insurance premiums tax. Corporate income tax revenues declined by 40.8 percent over the previous fiscal year.

During the 2016 special legislative session, several bills were enacted to address Fiscal Year 2017 solvency including authorization to transfer the balance in the Tobacco Settlement Reserve Fund to the appropriation account to cover Fiscal Year 2016 and Fiscal Year 2017 expenditures, \$92.8 million in funding sweeps to the General Fund, a \$12.5 million appropriation of supplemental severance tax note proceeds for public school capital outlay needs to replace General Fund appropriations, reduced Legislative Retirement Fund distributions, an increased distribution of insurance premiums tax revenue to General Fund, and reduction in General Fund distributions to the Retiree Health Care Fund.

Senate Bill 8 of the special session provided for certain short-term taxable severance tax note and supplemental severance tax note proceeds totaling \$19.2 million to be swept to the General Fund to restore past capital allotments, and the exchange of \$56.2 million of General Fund appropriations for capital outlay projects with severance tax bond funding. Senate Bill 8 also allowed the one-time transfer of excess severance tax revenue to the general fund rather than the severance tax permanent fund. This transfer, known as the "super sweep," totaled \$28,279,400. Senate Bill 9 reduced State agency budgets, excepting certain health- and safety-related appropriations, by 5.5 percent, with judicial and legislative cuts of 3.0 percent, all of which reduced recurring appropriations by \$170.9 million in Fiscal Year 2017. Senate Bill 9 also provided for redistributing public school State Equalization Guarantee distributions to special education services if funding is insufficient to meet federal maintenance of effort requirements.

Revenue measures passed during the 2016 special session included narrowing the eligibility criteria for the health care practitioner gross receipts tax deduction and the High Wage Jobs Tax Credit, with an estimated benefit to recurring revenues of \$10.2 million. Following the 2016 special legislative session, Fiscal Year 2017 ending reserves were projected to be minus \$61.6 million or negative 1.2 percent of recurring appropriations. During the 2017 regular legislative session, additional action was taken to address Fiscal Year 2017 solvency and increase reserve levels, including generating \$78.3 million in nonrecurring revenue by aligning the insurance revenue streams with current GAAP standards, \$47.2 million of nonrecurring revenue through various state fund sweeps and transfers, \$46.1 million to the general fund by reducing the Fiscal Year 2017 State Equalization Guarantee distributions for school districts and charter schools as a credit against Fiscal Year 2016 year-end operational cash balances. Exempting any Fiscal Year 2017 emergency supplemental distributions, each school district's and charter school's credit share was proportional to their Fiscal Year 2016 program cost (or formula funding).

Ongoing funding shortfalls projected in Fiscal Year 2018 and the need to shore up Fiscal Year 2017 reserves led to the call for another special session in May 2017. Solvency measures passed during the 2017 special session include authority to issue \$84.1 million of short-term taxable Supplemental Severance Tax Notes to restore past General Fund capital allotments. After action in both the regular and special 2017 legislative sessions, Fiscal Year 2017 reserves grew to \$505 million, or 8.3 percent of recurring appropriations.

A combination of economic factors including rising enrollments, a decrease in the federal matching rate for the new adult group (a.k.a. Medicaid expansion), rising drug costs, and insufficient legislative appropriations caused the State to experience a funding shortfall in the Medicaid program in Fiscal Years 2016 and 2017. In response to the shortfall, the State implemented a number of cost-reduction measures, including reduced reimbursement rates for health care providers and reduced administrative spending for Medicaid managed care organizations ("MCOs"). The State is also proposing new mandatory payments for some patients. Slightly lower enrollment rates, a delay in the imposition of certain federal fees on insurance companies, including MCOs, and the possibility of additional federal funding for services provided to Native Americans reduced the General Fund shortfall for Fiscal Year 2017. The State also reached a settlement with the Centers for Medicare and Medicaid Services for old claims for federal funding, resulting in the return of \$16.8 million to the State.

***Fiscal Year 2018.*** In Fiscal Year 2018, recurring revenues were \$6.8 billion, representing an increase of 15.8 percent over the Fiscal Year 2017 levels. Oil and natural gas related revenue increased by 37.7 percent over Fiscal Year 2017 levels. New Mexico oil prices averaged \$55.05 per barrel, while New Mexico natural gas prices averaged \$3.47 per mcf. Oil volumes increased by 31 percent in Fiscal Year 2018, and natural gas volumes increased by 10 percent. Non-oil and natural gas related revenue increased by 1.8 percent, reflecting increases of 18.3 percent in gross receipts tax, 10 percent personal income tax and a decrease of 21.3 percent in insurance premiums tax.

In the 2017 special session, action was taken to increase Fiscal Year 2018 nonrecurring revenue, including the transfer to the General Fund of \$8 million of governmental gross receipts tax revenue that would otherwise pass to the New Mexico Finance Authority and the temporary suspension of an annual \$900,000 distribution to the legislative retirement fund in Fiscal Years 2018 and 2019 conditional on a determination by the Public Employees Retirement Association that the funded ratio remains at or above 100 percent.

Legislation passed during the 2017 special session included the establishment of a natural resource Tax Stabilization Reserve to minimize the volatility of oil and gas revenue and provide additional rainy-day funds to protect against sharp declines in revenue. The legislation requires any revenues generated from the Oil and Gas School Tax that are in excess of the 5-year average for that

revenue source to be deposited into the Tax Stabilization Reserve, which is part of the General Fund reserves. Appropriations from the Tax Stabilization Reserve require a super majority and a declaration from the governor that the appropriation is necessary for public peace, health or safety. The Fiscal Year 2019 distribution was 182.8 million. An estimated distribution in Fiscal Year 2020 is expected in the amount of \$114.7 million.

In August of 2017, after issuance of the State of New Mexico Capital Projects General Obligation Bonds, Refunding Series 2017B (the “Series 2017B Bonds”), the State discovered that its State of New Mexico Capital Projects General Obligation Bonds, Series 2015, dated March 25, 2015 (the “Series 2015 Bonds”), which were intended to be refunded with a portion of the proceeds of the Series 2017B Bonds, were not subject to redemption prior to maturity. The State of New Mexico Capital Projects General Obligation Bonds, Series 2013, dated April 23, 2013 (the “Series 2013 Bonds”) were refunded with a portion of the proceeds of the Series 2017B Bonds, were paid in full on September 1, 2017 and are no longer outstanding. On August 25, 2017, the Board passed a resolution directing that a portion of the Series 2017B Bond proceeds, which were initially invested in U.S. Government defeasance securities for the intended legal defeasance of the Series 2015 Bonds, be liquidated and the proceeds thereof be reinvested in municipal securities to be held in escrow to achieve a full or partial economic refunding (but not legal defeasance) of the Series 2015 Bonds. Such proceeds have since been reinvested by the State in municipal securities. Accordingly, none of the Series 2015 Bonds have been legally defeased.

***Fiscal Year 2019.*** In Fiscal Year 2019, recurring revenues were \$8.0 billion, representing an increase of 17.5 percent over Fiscal Year 2018. Oil and natural gas related revenues increased by 45.7 percent over Fiscal Year 2018. In Fiscal Year 2019 New Mexico oil prices averaged \$51.80 per barrel, while New Mexico natural gas prices averaged \$3.08 per mcf. Oil volumes increased by 45.8 percent in Fiscal Year 2019, and natural gas volumes increased by 15.7 percent. Non-oil and natural gas related revenue increased by 11.7 percent, reflecting increases of 12.3 percent in gross receipts tax, 10.1 percent in personal income tax, and 20.5 percent in insurance premiums tax.

***Fiscal Year 2020.*** The 2020 first special session was held in June to address the State’s fiscal outlook. The following actions were taken to address the recurring budget for Fiscal Year 2021: targeted decreases of 1 to 4 percent in the State budget, elimination of 4 percent salary increases for State employees, and usage of \$750 million of federal CRF monies for those agencies providing COVID-19 pandemic response. The 2020 first special session adjusted the general fund recurring budget downward by \$414 million to \$7.2 billion and the nonrecurring budget downward by \$183.7 million to \$138.4 million.

The September 2020 forecast outlook was a direct result of both the oil price volatility experienced in early 2020 from the Saudi Arabia and Russia oil price war and the continuing COVID-19 healthcare crisis. While the forecast weighed all available information, the nature of the situation at the time was unprecedented. The actual outcomes for the State’s finances at the time were dependent on a variety of factors: the epidemiological path of the virus, the strategies for reopening the New Mexico and U.S. economies, the time it would take consumer confidence to rebound, the effect of business closures on the long-term viability of the State’s businesses, the degree to which temporary layoffs become permanent, and the impact of global oil supply and demand on oil prices and the associated effect on the State’s oil production.

Fiscal Year 2020 recurring revenues were to be \$7.8 billion, representing a decline of 1.9 percent over Fiscal Year 2019 levels. Oil- and natural gas-related revenues are projected to decrease by 22.2 percent compared to Fiscal Year 2019 levels. However, after taking into account an unprecedented federal land lease payment of \$497 million, oil and natural gas revenues were expected to increase by 9.9 percent. In Fiscal Year 2020 New Mexico oil prices averaged \$44.01 per barrel, while New Mexico’s

natural gas prices averaged \$1.90 per mcf. Oil volumes increased by 22.2 percent in Fiscal Year 2020, and natural gas volumes increased by 12 percent. Gross receipts tax revenue were expected to increase by 11 percent over the prior fiscal year. This represented a higher growth rate than the June forecast. Non-oil- and natural gas-related revenue was forecasted to increase by 3 percent. This updated forecast for Fiscal Year 2020 represented an upward revision of \$534.3 million from prior estimates.

***Fiscal Year 2021.*** Fiscal Year 2021 has felt the impact of the oil price volatility experienced in early 2020 from the Saudi Arabian and Russian oil price war and is still feeling the impacts of the continuing COVID-19 pandemic. However, the oil markets have experienced a better-than-expected oil price recovery. According to the Energy Information Administration (“EIA”), West Texas Intermediate (“WTI”) oil prices reached a monthly average of \$39.40 per barrel in October of 2020 and gained ground to \$59.05 per barrel in February 2021. In March 2021, WTI prices reached above \$65 per barrel. This recovery was driven by expectations of overall U.S. economic recovery in 2021 due to unprecedented federal fiscal stimulus, COVID-19 case trends, increases in vaccination rates, and oil demand recovery.

While states across the country are still impacted by the COVID-19 pandemic, many have reported better-than-expected revenue collections and improved forecasts. The State of New Mexico is no different, and the overall economic impact of the continuing COVID-19 pandemic continues to hinder economic activity and State revenues in Fiscal Year 2021. However, State revenues did not decline as much as expected in early revenue estimates from last year due to several factors. First, the 2020 economic downturn impacted different sectors of the economy differently. Low-wage sectors such as leisure and hospitality have borne the brunt of the economic downturn while high-wage sectors such as professional/business services, healthcare, and finance have all but recovered. Second, the negative impacts of the economic downturn have been mitigated by unprecedented national fiscal stimulus measures totaling \$5.9 trillion. These fiscal stimulus packages are the CARES Act (\$2.4 trillion), the December 2020 stimulus package (\$900 billion), and, in early 2021, the ARPA (\$1.9 trillion). The three fiscal stimulus measures provided crucial assistance and prevented an even worse downturn. Measures employed included unemployment insurance, stimulus checks to individuals, aid to small businesses, and aid to state and local governments. Lastly, in New Mexico, the better-than-expected oil price recovery and oil production has had a significant impact on overall general fund revenues. Current data and the latest February 2021 consensus group forecast estimates an average price of oil for Fiscal Year 2021 of \$43.50 per barrel, higher by \$5.50 than the December 2020 estimate of \$38 per barrel. Additionally, current production data suggests the State is on track to exceed both the prior December 2020 estimate (340 million barrels) and the current February 2021 estimate (370 million barrels) of Fiscal Year 2021’s oil production, if production continues at current levels.

In Fiscal Year 2021, the State has also been influenced by two federal executive orders impacting the oil and natural gas industry. The federal government issued two orders impacting oil and gas development in the second half of January. The “Executive Order on Tackling the Climate Crisis at Home and Abroad” pauses new federal land leases but does not directly impact existing leases nor does it impact existing or pending permits. This executive order does not have an end date. The Secretarial Order 3395 issued a 60-day pause on administrative authority from Bureau of Land Management (“BLM”) field staff to approve: leases, rights of way, surface disturbances, and permits to drill. This order expired on March 21, 2021, and the U.S. Department of Interior stated that BLM officials would process applications for permits.

The expectation is that the current federal executive order, in and of itself, should have minimal impact on New Mexico oil production over the next 8 to 12 months, especially if some gray area items are clarified for operators. This is due to the amount of acreage already leased by producers, producers’ stockpile of permits, and the well economics that make the Permian Basin attractive for producers.

Rystad Energy notes that production companies have been stocking up on permits to drill for several years in anticipation of changes to national policy towards the extractive industries on federal land. The contribution of federal land to total permit activity in the Permian Basin increased by over 30 percent in 2020 compared to 2019. According to BLM, from 2016 to 2020 there were 632 leases issued on federal land covering an area greater than 266,000 acres, and 97.5 percent of federal lands available for oil and gas operations are already leased. There are currently 6,089 approved permits to drill (“APDs”) on federal land in New Mexico. Each APD is approved for two years, and producers can apply to extend for an additional two years.

There are, however, some concerns over the federal executive order. While companies have stockpiled permits for federal leases, there is a lack of clarity on how unapproved right-of-ways are affected by the order. Right-of-way approvals are critical components to have in place before development. Clarification from the federal government is needed to address some of these concerns.

While the expectation is that the current federal executive order should have minimal impact on New Mexico oil production over the next 8 to 12 months, the consensus group held oil volumes constant through the forecast period, while further industry, production, and information in regards to the executive order become available. The EIA Short Term Energy Outlook (“STEO”) in March 2021 reached a similar conclusion as the consensus group. “No effects will likely occur until 2022 because there is roughly a minimum eight-to-ten-month delay from leasing to production in onshore areas and longer in offshore areas. Incorporating this change reduced U.S. crude oil production by less than 0.1 million b/d on average in 2022 (EIA).”

According to the latest consensus group February 2021 forecast, Fiscal Year 2021 recurring revenues are estimated to be \$7.2 billion, representing a decline of 8.5 percent over the Fiscal Year 2020 levels. Oil- and natural gas-related revenues are projected to decrease by 4.1 percent compared to Fiscal Year 2020 levels. In Fiscal Year 2021, New Mexico oil prices are projected to average \$43.5 per barrel, while natural gas prices are projected to average \$2.45 per mcf. The February 2021 forecast, on a year-over-year basis, expects oil volumes to increase by 0.5 percent and natural gas volumes to remain flat in Fiscal Year 2021. Net gross receipts tax revenue is expected to decrease by 14.2 percent over the prior fiscal year. Personal income tax revenue is also expected to decrease by 6.2 percent when compared to the prior year. The February 2021 forecast expects the economic and revenue decline to be in Fiscal Year 2021, with recovery beginning in Fiscal Year 2022.

***Education Funding Litigation.*** The State’s process to fund public education on a uniform and adequate basis has been challenged in various courts, including the First and Eleventh Judicial District Courts.

In 2014, two different plaintiff groups filed lawsuits in the First Judicial District Court for the State of New Mexico in Santa Fe County, each of which challenged the sufficiency of school funding and the school funding formula, specifically as applied and related to the needs of at-risk students. The two lawsuits were consolidated (*Martinez, et al. v. the State of New Mexico* consolidated with *Yazzie, et al. v. the State of New Mexico*, No. D-101-CV-2014-00793) and proceeded to a bench trial in the summer of 2017. On February 14, 2019, the Court entered a Final Judgment and Order. The Court concluded that the State violated the Education Clause, the Equal Protection Clause, and the Due Process Clause of the New Mexico Constitution. The Court required the State to take necessary steps to ensure schools have resources, including funding and accountability measures, to give at-risk students an opportunity to obtain a sufficient education.

In 1998, the Zuni Public School District filed a lawsuit in the Eleventh Judicial District Court for the State of New Mexico in McKinley County (*Zuni Public School District, et al., v. the State of New*



*Mexico, et al.*, No. D-1113-CV-9800014) seeking a declaratory judgment that the State's method of funding of capital improvements for public schools violated the State Constitution's requirement to provide for a uniform and adequate system of funding capital improvements, specifically as applied and related to the needs of the students of Gallup-McKinley.

On December 29, 2020, the trial court filed a Decision and Order ruling in favor of the Plaintiffs. On January 28, 2021, the State filed a Motion for Post-Judgment Relief to Amend and Reconsider Final Judgment, for Clarification of Order, and for Stay. Briefing on the motion was completed April 6, 2021, and the motion is undecided at this time. On February 12, 2021, the Court granted the State's Unopposed Expedited Motion for Limited Stay. The Order Staying Judgment clarified that the State's bonding activities and release of proceeds for public school capital outlay would continue uninterrupted pending resolution of the case or further court Order.

As these educational funding litigation cases go through potential appeals, post-trial discovery and any remedial measures, the outcomes of such litigation may impact the State's education funding processes and could impact the State's budget, but the extent of such impact is currently unknown.

### **Severance Taxes (Not Part of General Fund)**

Severance taxes are levied on producers and others severing minerals and natural resources from within the State. Severance taxes have been levied since 1937 when the first severance tax act was adopted. Severance taxes are distinguished from several other taxes on, or revenue sources related to, valuable mineral extraction in the State, including the taxes described above. Severance taxes are collected monthly. Taxes on oil, gas and CO<sub>2</sub> are due the 25th day of the second month following the end of the sale month. Other severance taxes are due the 25th day of the month following the end of the production month, with a few exceptions.

Severance taxes are deposited in the Severance Tax Bonding Fund and pledged to the payment of principal of and interest on severance tax bonds and supplemental severance tax bonds issued in accordance with the Severance Tax Bonding Act. Revenues not required for the payment of principal of or interest on severance tax bonds as determined by the Severance Tax Bonding Act and the bond resolutions governing such outstanding bonds are transferred on a semi-annual basis to the Severance Tax Permanent Fund.

Following the 2019 legislative session, Senate Bill 535 was signed into law. The bill stipulated that the State Board of Finance not issue and sell more than \$181.8 million of supplemental severance tax bonds in Fiscal Year 2019. The bill also requires the State Board of Finance, by December 31 of each year for Fiscal Year 2019 through Fiscal Year 2028, to transfer \$23.69 million from the severance tax bonding fund to the Severance Tax Permanent Fund. The amount of the Severance Tax Permanent Fund transfer would be considered before determining the bonding capacity. The State Board of Finance may determine that a lesser transfer amount is necessary per Section 7-27-8 NMSA in order to pay debt service obligations.

The minerals extracted from the State that contribute the largest portion of Severance Tax revenues are natural gas and crude oil. Severance Tax collections on natural gas and crude oil together accounted for approximately 99.14 percent of total Fiscal Year 2020 Severance Tax Bonding Fund tax receipts and 96.54 percent of total fund receipts.

## **Severance Tax on Indian Land**

The State can tax non-Indian oil and natural gas production on tribal land, according to United States Supreme Court precedent in *Cotton Petroleum Company v. State of New Mexico*, 490 U.S. 163, 104 L. Ed. 2d 209, 109 S. Ct. 1968 (1989). The State's authority to impose severance taxes on non-Indian oil and natural gas production on tribal land was upheld by the United States District Court in New Mexico in *Jicarilla Apache Tribe v. New Mexico Taxation and Revenue Department*, No. USDC 87-922. In 2009, the United States District Court for the District of New Mexico held that the State may not impose severance taxes on non-tribal operators extracting oil and natural gas on the tribal land of the Ute Mountain Ute Tribe. *Ute Mountain Ute Tribe v. Homans*, 775 F. Supp. 2d 1259 (D.N.M. 2009) (Parker, J.). The Tenth Circuit Court of Appeals overturned the district court opinion and held that the State severance taxes are not preempted by federal law because, among other things, the State had asserted sufficient justification for imposing the taxes. *Ute Mountain Ute Tribe v. Rodriguez*, 660 F.3d 1177 (10th Cir. 2011). The Ute Mountain Ute Tribe petitioned for an en banc review, which the court denied on September 12, 2011. The United States Supreme Court denied the Ute Mountain Ute Tribe's petition for a writ of certiorari on February 21, 2012. *Ute Mountain Ute Tribe v. Padilla*, 132 S.Ct. 1557 (2012).

Aggregate data reporting accessible on the TRD's TAP website based on oil and gas tax return data indicates that natural gas production and crude oil production on Indian land was approximately 1.9 percent and 0.7 percent, respectively, of total statewide production in Fiscal Year 2020. The TRD estimates that oil and natural gas production on Indian land generated \$5.1 million in severance tax revenues to the State in the production months corresponding to Fiscal Year 2020. On December 30, 2014, the Navajo Nation completed the purchase of the Navajo Mine. As a result, there has not been any coal production from the mine reported to the TRD since such purchase. No potash, copper or CO<sub>2</sub> is produced on Indian land.

Section 7-29C-1 NMSA 1978, enacted by the 1995 Legislature, authorized a credit against State production and property taxes for similar taxes imposed by tribal governments. The credit applies to crude oil and natural gas from new wells drilled on or after July 1, 1995 on land within Indian tribal land boundaries on March 1, 1995. The amount of the credit is 75 percent of the lesser of State taxes or tribal taxes imposed. If the applicable tribal taxes were raised after March 1, 1995, then the amount of the State's credit is lowered. The TRD website reports that total credits claimed under this provision were about \$850,000 million in Fiscal Year 2020. About \$232,000 of these credits were applied against oil and natural gas severance tax liability. The Bonding Fund revenue projection assumes that this amount will grow slowly in the future.

The 2001 Legislature enacted Sections 7-29C-2, 7-9-88.2 and 9-11-12.2 NMSA 1978, which provided a similar 75 percent intergovernmental tax credit against severance tax and severance surtax on coal mined on the Navajo Nation.

## **Severance Tax Permanent Fund and the Land Grant Permanent Fund**

The Severance Tax Permanent Fund ("STPF") was established in the State Treasury in 1973 to receive the residual revenues from the Bonding Fund and serve as an endowment for the State. In 1976, the electorate approved a constitutional amendment giving the STPF constitutional status. In 1982, the electorate approved a second constitutional amendment that removed the discretionary power of the Legislature to appropriate funds from the corpus of the STPF, thereby creating a permanent endowment fund. Distributions from investments of the STPF, however, may be appropriated by the Legislature in the same manner as other general revenues are appropriated. Severance tax receipts have been the primary source of funding for the STPF. The State Investment Council ("SIC") invests the corpus and

non-appropriated income of the STPF. The market value of the STPF as of December 31, 2020 was approximately \$5.85 billion, an asset increase of approximately 3.9 percent from the prior calendar year closing value. Investment performance for the one-year period ending December 31, 2020 was 7.89 percent net of fees, and 2.41 percent below the fund's interim policy index. Funds on deposit in the STPF are not pledged to and may not be used to pay any bonds. As noted above, during the 2016 special legislative session, Senate Bill 8 allowed the one-time transfer of excess severance tax revenue to the General Fund rather than the STPF. This transfer, known as the super sweep, totaled \$28,279,400.

The Land Grant Permanent Fund ("LGPF") is designed solely to benefit the public educational system of the State and other specified institutions. The origins of the LGPF are found in the federal Fergusson Act of 1898, which granted two sections of land in every township for the benefit of the public schools in the territories of New Mexico. Also under this Act, specific acreage was granted to individual education, medical and penal institutions in the territory. The initial grant totaled in excess of 5.5 million acres. In 1910, the Enabling Act granted additional lands to various beneficiaries in New Mexico, including the public schools, which received the largest share. This brought the total lands placed in trust for the common school system and other beneficiaries to over 13 million acres. Over the years, some land has been sold (and the proceeds used to increase the corpus of the LGPF), so the current total is 9.0 million surface acres and 13.4 million subsurface acres.

Pursuant to NMSA 1978, Section 19-1-1 (1912), the State Land Office is charged with the custody and disposition of the land granted to the State. The Commissioner of Public Lands sells or leases these properties in accordance with the provisions of the appropriate statutes. The SIC invests the corpus and income of the LGPF. As of December 31, 2020, the market value of the LGPF was approximately \$21.60 billion, an asset increase of approximately 9.5 percent over the prior fiscal year. Investment performance for the year ended December 31, 2020 was 8.94 percent net of fees and 1.19 percent below the LGPF's policy index, but above its annual target rate of return of 7.0 percent. The corpus of the LGPF is constitutionally protected from appropriation and LGPF assets are not pledged to and may not be used to pay debt. The LGPF is also protected by the Federal Enabling Act of 1910.

In November 1996, the State electorate approved a constitutional amendment regarding distributions from both of the State's permanent funds. Distributions are now calculated on a total return basis rather than an income distribution method. In addition, distributions to beneficiaries are now based on a formula under which a statutorily specified percentage of the previous average five-year market value of the fund is distributed.

In September 2003, the State electorate approved a constitutional amendment increasing the rate of annual distribution from the LGPF from the previous 4.7 percent, to a new base distribution of 5.0 percent of the LGPF's five-year average market value, beginning in Fiscal Year 2005. Certain additional distributions were made to implement and maintain educational reforms as provided by law. An additional 0.8 percent was distributed in Fiscal Years 2005 through 2012, and an additional 0.5 percent was distributed in Fiscal Years 2013 through 2016. In Fiscal Year 2017 distributions returned to the base rate of 5.0 percent and have subsequently remained at the constitutionally established rate of 5.0 percent.

In May 2009 an investigation by the New York Attorney General into placement fees paid in relation to investments made by New York pension funds, led to an indictment of an investment advisor to that fund as well as New Mexico SIC and ERB. The investment advisor later pled guilty to a fraud charge relating to investments made by the New York retirement fund. In connection with that plea, the investment advisor stated that from 2004 to 2009 his business had acted as an advisor to the SIC and the ERB and that, contrary to his fiduciary responsibilities to the SIC and ERB, he ensured recommendations of certain proposed investments pushed on him by politically connected individuals or their associates who stood to benefit financially or politically from the investments, and that the investments were not

necessarily in the best interests of the State. No criminal charges were filed by state or federal investigators in New Mexico. In May 2011, the SIC filed recovery lawsuits against more than a dozen placement agents, the former State Investment Officer and other individuals alleging they improperly benefited from pay-to-play and kickback schemes involving SIC investments. Settlements of more than \$55 million have been recovered or placed in escrow pending final approval by the courts, for ultimate return to the permanent funds. The SIC has settled its outstanding civil litigation with the remaining defendants and continues the process of finalizing the recoveries with the various courts and trustees involved across New Mexico and other jurisdictions.

In response to these and other events and the negative returns suffered by the State's various investment funds during the market turmoil associated with the downturn in the nation's economy in 2008 and 2009, the Board and the Legislative Council Service ("LCS") co-sponsored an Independent Fiduciary and Operational Review of State Investment Policies, Procedures and Practices prepared by EnnisKnupp (the "Review"). The scope of the work of this Review included, among other things, review and recommendations for appropriate governance and organizational structure and investment best practices for the SIC, PERA and ERB. The findings and recommendations of the Review were reported to the Board at a meeting on January 13, 2010. In order to address certain recommendations of the Review, during the 2010 legislative session the Legislature, among other things, modified the composition of the SIC, clarified the authority of the SIC and the State Investment Officer, provided for the appointment of the State Investment Officer by the SIC and changed the method of appointment of public members of the SIC. Removal of individual investment authorization powers by the Investment Officer alone and addition of Council Investment, Audit and Governance Committees have greatly improved Council practices and governance procedures. To date, the Investment Council has adopted or accomplished 78 of the 82 recommendations made by EnnisKnupp in their 2010 Operational Review, with the remainder either being deemed unworkable or still being contemplated for partial adoption in the future.

In the 2021 legislative session, New Mexico lawmakers passed a proposed constitutional amendment, House Joint Resolution 1 ("HJR1"), that if approved by voters and subsequently by the United States Congress, will result in a permanent increase in annual distributions from the LGPF to public schools and early childhood education programs in New Mexico. HJR1 was passed by the Legislature in February, and it will go before New Mexico voters in a statewide regular or special election, likely in November 2022. Assuming passage, HJR1 will annually draw down an additional 1.25 percent of the School Permanent Fund, the largest component of the LGPF (currently about 86.3 percent). The additional distribution, which is based on a 5-year fund average total, could begin in fiscal year 2023, and is projected to deliver in excess of \$210 million per year for additional legislative appropriation, 60 percent of which is to be dedicated to early childhood education and support programs, and 40 percent of which is allocated toward at-risk student programs, extended school calendars and teacher salaries. Other LGPF beneficiaries will not see an increase in their spending policies, which will remain at 5 percent. The constitutional amendment, if approved by voters, also raises the protective level of automatic suspension of additional benefits from an LGPF average 5-year-value of \$10 billion, to a \$17 billion threshold. If the measure is approved, assuming average inflows and investment returns, long-term legislative analysis projects the LGPF should continue to grow over the coming decades, but at a slower rate.

In the 2021 legislative session, New Mexico lawmakers also passed legislation dedicating up to \$500 million in low-cost small business loans from the STPF to assist the New Mexico economy as the State works to recover from the pandemic. Senate Bill 3 refined and reauthorized similar emergency legislation passed during a 2020 special legislative session, which had authorized up to \$300 million for these loans. The initial program proved to be overly restrictive, awarding only about \$40 million in loans in 2020. To address this concern, Senate Bill 3 in 2021 broadened eligibility for applicants, doubled the allowable loan amount from \$75,000 to \$150,000, and also established standards related to personal

guarantees and collateral requirements for borrowers. The New Mexico Finance Authority is administering the program, which will offer up to 10-year-term loans at one-half the U.S. prime interest rate to impacted New Mexico small businesses. The loans will be made as differential-rate investments, which are authorized by law to be made from the STPF, as the STPF allows for investments which create broader New Mexico economic benefits beyond the standard financial returns the STPF would realize from traditional non-New Mexico based investments.

### **State Auditing and Accounting Systems**

The financial affairs of every agency in the State are examined and audited annually by the State Auditor, personnel of the State Auditor's office designated by the State Auditor, or by the independent auditors approved by the State Auditor, as required by Section 12-6-3 NMSA 1978. The audits are conducted in accordance with generally accepted governmental auditing standards. The audit reports include financial statements that are presented in accordance with generally accepted governmental accounting principles. For Fiscal Year 2020, 97 percent of the reports, covering nearly 100 percent of the transactional value, received an unmodified opinion.

The State's comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is a well-established process and has been audited multiple times by independent auditors during the audits of the General Fund, the DFA and the comprehensive State Annual Financial Report. The reviews have deemed the process to be sound and the DFA fully compliant with the requirements of the monthly process. As of June 30, 2020, resources held in the pool were equivalent to the corresponding business unit claims on those resources.

The State Annual Financial Report was initially audited in Fiscal Year 2013 (prior audits were only reviewed by an independent auditor). A review of financial statements provides a lower standard of assurance than an audit of financial statements. The Fiscal Year 2019 audited State Annual Financial Report, which has ten opinion units, had only one of those units qualified, indicating significant progress. Delays in the issuance of the State Annual Financial Report have historically been a continuing negative credit factor for the State. It should be noted, however that all State agencies undergo an independent audit and that for Fiscal Year 2019, all audits of significant agencies were unqualified. Since 2013, the State has made steady progress in reducing the amount of time it takes to issue the State Annual Financial Report, which is dependent on the audit opinions of the State agencies, following fiscal year end. As of 2019, the State Annual Financial Report was published 9 months following fiscal year end, which was the shortest length of time since 2013. In the coming years, the State will continue to work toward improving the quality and timeliness of the State Annual Financial Report by leveraging increased resources, communication, and outreach and training both at an agency and statewide level.

### **State Budgetary and Appropriation Process**

All State agencies are required by Section 6-3-19 NMSA 1978 to submit completed budget forms to the DFA Budget Division by September 1 of each year. Guidelines and forms are provided to State agencies in advance of the September 1 deadline. Budget hearings to examine the merits of budget requests are scheduled through the fall and are usually completed by mid-December. The DFA Budget Division presents comprehensive budget recommendations to the Governor, as required by NMSA (1978-1999) Section 6-3-15(B).

The Governor is required by Section 6-3-21 NMSA 1978 to submit a budget for the upcoming fiscal year to the Legislature in early January. The Governor's budget includes the executive recommendations for public education; higher education; State agencies; and historical information on

prior expenditures, revenues and revenue projections, among other information. The State budget is contained in a General Appropriation Act, which also may contain proposals for supplemental and deficiency appropriations for the current fiscal year.

Upon passage by the Legislature, the Governor may sign the General Appropriation Act, veto it, veto line items or veto parts of it. After the Governor has signed the General Appropriation Act, the DFA Budget Division approves the agency budgets and monitors the expenditure of the funds beginning on July 1, the first day of the fiscal year.

### **State Treasurer's Office Investment Responsibilities**

Pursuant to Sections 6-10-10(I) through 6-10-10(O) NMSA 1978, the State Treasurer, with the advice and consent of the State Board of Finance, may invest money not immediately needed for government operations. These investment responsibilities are conducted in accordance with the State Treasurer's Investment Policy (the "Investment Policy"), which is adopted by the State Treasurer and approved by the State Board of Finance. The Investment Policy states that in keeping with the office's fiduciary responsibility, all investment decisions made by the State Treasurer will adhere to the following three fundamental principles: safety, liquidity and return. The Investment Policy applies to all financial assets of the State invested by the Treasurer in the exercise of the Treasurer's statutory authority or invested as directed by other agencies that have specific investment authority and for which the Treasurer acts as the investing authority. The State Treasurer is the investing authority for the State's General Fund Investment Pool, the Local Government Investment Pool, Bond Proceeds Investment Pools, the Severance Tax Bonding Fund and bond debt service funds.

According to the Investment Policy, the State Treasurer's Investment Committee is appointed by the State Treasurer and the Board. The Investment Committee is an advisory committee that reviews investment reporting and any other matters of the State Treasurer's choosing. The Investment Committee shall consist of five (5) voting members: the State Treasurer or designee; a member of the Treasurer's staff upon appointment by the Treasurer or designee; the director of the State Board of Finance or designee; and two members who are participants in the private investment community or have expert knowledge or professional experience in the subject of public finance or public money investing, of which one member will be appointed by the State Treasurer and approved by the State Board of Finance and one member will be appointed by the State Board of Finance and approved by the State Treasurer. The member of the Treasurer's staff shall be selected in a manner consistent with maintaining a separation of responsibilities between the State Treasurer's Office investment managers and the members of the Investment Committee.

In addition to the Investment Committee oversight and recommendations, the State Treasurer contracts with an independent investment advisor to provide guidance and advice on investments, market conditions and benchmarks. The investment advisor provides quarterly performance reports on all of the State Treasurer's portfolios and information relating to the economic outlook and market trends.

### **Pension and Other Retirement Funds and Benefits**

***Legislative History.*** The Legislature enacted the Educational Retirement Act, Section 22-11-1 et seq. NMSA 1978, the Public Employees Retirement Act, Section 10-11-1 et seq. NMSA 1978, and the Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19, NMSA 1978, which created the retirement plans that cover most employees of the State and its political subdivisions. These retirement plans are managed by the Educational Retirement Board ("ERB"), the Public Employees Retirement Association ("PERA") and the New Mexico Retiree Health Care Authority ("NMRHCA") and are described below. The Legislature establishes all financing provisions of the plans and the provisions are not subject to

negotiation. Financing provisions include employee and employer contributions, fund investment provisions and benefit provisions. In 1998, the voters amended the State Constitution, adopting Section 22 of Article XX, which states that upon meeting the minimum service requirements of an applicable retirement plan created by law for employees of the State or any of its political subdivisions or institutions, a member of a plan shall acquire a vested property right with due process protections under the applicable provisions of the New Mexico and United States Constitutions. The amendment also stated that nothing in Section 22 shall be construed to prohibit modifications to retirement plans that enhance or preserve their actuarial soundness.

***Educational Retirement Board—Historic Financial Information.*** The ERB had 163,402 members as of June 30, 2020, including active, retired, inactive vested and inactive non-vested members. The market value of Educational Retirement Fund (the “Fund”) as of June 30, 2020 was \$13.0 billion. The ERB had a net investment loss for Fiscal Year 2020 of 0.97 percent. As of December 31, 2020, the Fund market value was \$14.1 billion and the net investment gain for calendar year 2020 was 6.76 percent.

In April 2020, following a six-year experience study ending June 30, 2019, the ERB voted to decrease the inflation assumption from 2.50 percent to 2.30 percent. This change resulted in the decrease in the assumed rate of return on the pension fund’s investments from 7.25 percent to 7.00 percent. The assumed rate of return is composed of the 2.30 percent assumed inflation rate plus the 4.70 percent assumed real return. Other changes were made to the ERB’s actuarial assumptions in April 2020, including decreasing the annual assumed cost of living adjustment (“COLA”) from 1.90 percent to 1.80 percent. These assumptions were adopted as of June 30, 2020. The combined effect of changes in actuarial assumptions increases the unfunded accrued actuarial liability (“UAAL”) from \$7.9 billion as of June 30, 2019 to \$8.3 billion as of June 30, 2019.

The change in the assumed rate of return was recommended by the ERB’s outside actuaries and was made after consultations with the ERB’s internal investment staff and its general investment consultant. The ERB will continue to monitor both its investment returns and general market conditions and may again change its assumed rate of return as market conditions and experience warrant.

As of June 30, 2020, the UAAL had an infinite amortization period under closed group projections. This closed group estimate is based on the current members and current elements of the plan design. However, an alternate projection that considers future expectations, such as reduced cost of living adjustments, lower cost of benefits for newer members and deferred gains and losses shows an infinite amortization period. This alternate projection is known as the open group projection since it is not just based on current members and current plan design elements.

**TABLE 12**  
**Schedule of Statutorily Mandated ERB Contribution Rates**

Wage Category	Fiscal Year(s)	Date Range	Member Rate	Employer Rate	Total
\$20k or less	2010–2013	07/01/2009–06/30/2013	7.90%	12.40%	20.30%
	2014	07/01/2013–06/30/2014	7.90%	13.15%	21.05%
	2015–2019	07/01/2014–06/30/2019	7.90%	13.90%	21.80%
\$24k or less	2020–Future	07/01/2019–Future	7.90%	14.15%	22.05%
Over \$20k	2010–2011	07/01/2009–06/30/2011	9.40%	10.90%	20.30%
	2012	07/01/2011–06/30/2012	11.15%	9.15%	20.30%
	2013	07/01/2012–06/30/2013	9.40%	10.90%	20.30%
	2014	07/01/2013–06/30/2014	10.10%	13.15%	23.25%
	2015–2019	07/01/2014–06/30/2019	10.70%	13.90%	24.60%
Over \$24k	2020–Future	07/01/2019–Future	10.70%	14.15%	24.85%

*Source: New Mexico Statutes Annotated 1978, Section 22-11-21, as amended*

In 2019 legislation amending Section 22-11-21 NMSA 1978 was enacted to increase the employer contribution rate to 14.15 percent and to increase to \$24,000 the threshold for higher employee contributions. These changes became effective July 1, 2019. In March 2021 the Legislature passed legislation amending Section 22-11-21 NMSA 1978 to increase the employer contribution rate to 15.15 percent beginning July 1, 2021 and 16.15 percent beginning July 1, 2022.

Certain employees of New Mexico universities and colleges are eligible to elect to participate in the Alternative Retirement Plan (“ARP”), a defined contribution retirement plan available to certain faculty and professional employees. Employees who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan. Each ARP participant contributes to the ARP the same amount that he or she would be required to contribute to the defined benefit plan if he or she were a member of that plan. Colleges and universities, as the employers of ARP participants, contribute the same amount that the employer would be required to contribute to the defined benefit plan if the participant were a member of that plan. However, effective July 1, 2019, 3.25 percent of the employer statutorily mandated contribution for ARP participants is provided to the defined benefit plan. Effective July 1, 2019, the employer contribution rate is statutorily set at 14.15 percent, which means that colleges and universities contribute 10.90 percent of participating employees’ gross salary to the ARP vendor on behalf of the participant and 3.25 percent of the employees’ gross salary to the defined benefit plan to offset the effect of having these employees not participate in the defined benefit plan. In March 2021 the Legislature passed legislation increasing the rate to 4.25 percent beginning July 1, 2021 and 5.25 percent beginning July 1, 2022. The colleges and universities are responsible for submitting the balance of the employers’ contribution and the employees’ contribution directly to the ARP vendors on behalf of the participants.

***ERB Funded Ratio; Impact of Actuarial Assumptions and Changes to the Discount Rate.*** The ERB implemented Governmental Accounting Standards Board (“GASB”) Statement No. 67 requirements with its June 30, 2013 financial statements. GASB Statement No. 67 (“GASB 67”) requires ERB to report net pension liability (“NPL”), which is measured as total pension liability less the amount of the plan’s fiduciary net position. GASB 67 replaced GASB 25, which had required ERB to report the annual required contribution of the employer (“ARC”) and the percentage of the ARC contributed. ERB meets 100 percent of its statutorily required employer contributions annually. The



following table lists the ARC, NPL and the ERB funded ratio, for Fiscal Years 2016 through 2020. The funded condition of the plan is measured by the funded ratio, which is the ratio of the actuarial value of assets to the actuarial accrued liability. The funded ratio decreased from 2019 to 2020. The decrease was primarily due to the investment losses on the smoothed or actuarial value of the assets and demographic losses, primarily related to salary increase experience. The NPL of \$20,265,889,826, measured as the total pension liability, less the plan’s fiduciary net position as of June 30, 2020, was calculated based on an expected rate of return on plan investments of 7.00 percent. The current NPL increased by 167.5 percent compared to the Fiscal Year 2019 NPL of \$7,577,302,491. The change for the fiscal year ending June 30, 2020 includes the change in the single discount rate from 7.25 percent as of June 30, 2019 to the blended rate of 3.89 percent as of June 30, 2020. The 2019 single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent. Based on the assumptions and projection of cash flows, the pension plan’s fiduciary net position at June 30, 2020, future contributions were insufficient to finance all projected future benefit payments of current plan members. As a result, the long-term expected rate of return of 7.00 percent was used to measure total pension liability as of June 30, 2020 until assets are depleted, then the plan must use the long-term municipal bond rate, which was 2.45 percent, resulting in a blended discount rate of 3.89 percent.

**TABLE 13**  
**ERB Funded Ratio**

<b>Fiscal Year</b>	<b>Net Pension Liability (GASB 67)</b>	<b>Funded Ratio (GASB 67)</b>	<b>Funded Ratio (Actuarial Valuation)</b>
2016	\$ 7,196,433,561	61.58%	64.2%
2017	11,113,468,372	52.95	62.9
2018	11,891,330,976	52.17	63.5
2019	7,577,302,491	64.13	62.9
2020	20,265,889,826	39.11	60.4

*Source: Educational Retirement Board.*

The ERB also implemented GASB 68 early with its June 30, 2014, financial statements. GASB 68 requires the plan’s participating employers to recognize their pro rata share of NPL on their balance sheets.

ERB pensions are adjusted annually by a COLA beginning on the later of either July 1 of the year in which a member reaches age 65 (for members beginning ERB membership before July 1, 2013) or age 67 (for members beginning ERB membership on or after July 1, 2013) or July 1 following the year a member retires. Senate Bill 115 (Chapter 61, Laws 2013) reduced the amount of the COLA until ERB is 100 percent funded. The amount of the adjustment is determined by the change in the Consumer Price Index (“CPI”), the retiree’s pension amount and the retiree’s service credit. Pensions cannot be decreased if there is a decrease in the CPI.

In December 2013, the Supreme Court of New Mexico, in *Bartlett v. Cameron*, 2014-NMSC-002, rejected the claims of certain retired teachers, professors and other public education employees challenging the state constitutionality of Senate Bill 115 to the extent that it reduces the future amounts that all education retirees might receive as an annual COLA. The court held that Article XX Section 22 of the State Constitution did not grant the retirees a right to an annual COLA based on the formula in effect on the date of their retirement. The court held that any future COLA to a retirement benefit is merely a year-to-year expectation that, until paid, does not create a property right under the State Constitution. Once paid, the COLA by statute becomes part of the retirement benefit and a property right subject to those constitutional protections.

***The Public Employees Retirement Association—Historic Financial Information.*** PERA had 48,159 active members as of June 30, 2020. As of June 30, 2020, the total market value of the PERA Fund was \$14.43 billion. The Fiscal Year 2020 PERA total fund investment return was (1.52) percent. (Information as of June 30, 2019 is the most recent available.)

PERA performs annual actuarial valuations of the retirement funds it administers. In 2019, PERA actuaries, Cavanaugh Macdonald Consulting, LLC, conducted an experience study for the four-year period ending June 30, 2018, testing actuarial assumptions currently used in its valuations. The PERA Board accepted the actuary's recommended economic assumptions that the assets, benefit values, reserves and computed contribution rates reflect utilization of an inflation rate of 2.5 percent per annum and, based on the clear trend in lowering return expectations, decreased the real return assumption to 4.75 percent, reflecting an investment rate of return of 7.25 percent. The Board also adopted real wage inflation and payroll growth assumptions of 3.0 percent, each compounded annually, as well as revised retirement assumptions and adoption of the RPH-2014 Blue Collar mortality table.

The assumed investment return is one of the most significant assumptions in the annual actuarial valuation process as it is used to discount the expected benefit payments for all active, inactive and retired members. Minor changes in this assumption can have a major impact on valuation results. The change in the assumed rate of return recommended by the PERA's outside actuaries was made after consultations with the PERA's internal investment staff and its general investment consultant. The decrease in the real return assumption from 5.00 percent to 4.75 percent will be used as the discount rate used to measure the total pension liability. 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 benefit payments of current plan members as determined in accordance with GASB 67.

PERA member and employer contribution rates are established by State statute. In 2020, the Legislature amended the PERA Act, NMSA 1978 10-11-1 et seq. to increase the employer contribution rate by 2.0 percent beginning July 1, 2020 in 0.5 percent increments over the next four fiscal years, and to increase member contribution rates by 2.0 percent beginning July 1, 2020, in 0.5 percent increments over the next four fiscal years. There will be a two-year delay before any increased contributions for municipal or county employees and their employers. Cavanaugh Macdonald Consulting, LLC completed an actuarial valuation of the PERA Fund, Judicial Retirement Fund, Magistrate Fund, Legislative Division and Volunteer Firefighter Fund for the fiscal year ending June 30, 2020.

Actuarial information for each fund as of June 30, 2020 is shown in the table below.

**TABLE 14**  
**Summary of State Retirement Funds Managed by PERA as of June 30, 2020**  
**(Dollars in thousands)**

	<u>PERA<sup>(1)</sup></u>	<u>Judicial</u>	<u>Magistrate</u>	<u>VFF</u>	<u>Legislative</u>
Membership	108,217	336	191	9,9971	338
<u>Actuarial Information</u>					
Accrued Liability <sup>(2)</sup>	\$22,388,871	\$170,756	\$58,591	\$ 50,340	\$ 32,146
Actuarial Value of Assets <sup>(3)</sup>	\$15,737,839	\$ 91,269	\$31,274	\$ 73,916	\$ 44,466
Unfunded (Overfunded) Accrued Liability	\$ 6,651,032	\$ 79,586	\$27,316	\$(23,576)	\$(12,320)
Present Value of Statutory Obligations	\$25,338,367	\$195,065	\$64,692	\$ 61,948	\$ 36,855

<sup>(1)</sup> Includes both the State and municipal divisions.

<sup>(2)</sup> Includes the accrued liability of both the retired and active members.

<sup>(3)</sup> The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.25 annual rate of return are smoothed over a four-year period.

Source: Public Employees Retirement Association.

As of June 30, 2020, PERA has an amortization or funding period of 106 years, based on the employer and member contribution rates in effect as of July 1, 2020. Member and employer rates are established pursuant to Section 10-11-1 through 10-11-142 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 70.3 percent as of June 30, 2020, and the UAAL of the PERA Fund decreased \$11.6 million to approximately \$6.6 billion. The State's portion of the UAAL of the PERA Fund is 59.9 percent, or \$3.9 billion. Prior to 2020 pension reform, the funded ratio was 69.9 percent, the UAAL of the PERA Fund was calculated to be approximately \$6.67 billion and the amortization or funding period was infinite. Based on the recent experience study for the four-year period ending June 30, 2017, the economic and demographic assumptions were updated for the valuation. The changes in assumptions resulted in an increase of \$564.0 million to the PERA fund liabilities and a decrease of 1.95 percent to the funded ratio. The total actuarial loss due to investment experience of the total PERA fund was \$198.9 million and the loss on non-investment experience, which consists primarily of demographics (membership, mortality, retirement) totaled \$202.5 million. On a market value basis, PERA's funded ratio is approximately 70.3 percent as of June 30, 2020. Current 30-year projections indicate the PERA Fund will be 88.6 percent funded in 2044, assuming all economic and demographic assumptions are met.

In 2020, PERA implemented GASB 67 for the fifth year. PERA will also produce an audited Schedule of Employer Allocations and Pension Amounts in early 2020 to assist its employer participants in implementing GASB 68. GASB 68 requires participating local governments to recognize their pro rata share of net pension liability ("NPL") and other pension elements on the face of their financial statements. The total NPL as of June 30, 2020, for the PERA Fund allocated to its nearly 205 cost sharing employers that participate in the Fund is approximately \$7.5 billion.

In 2020, PERA completed the Schedule of Employer Allocations required by GASB 68 and provided local governments with the allocation percentage necessary to derive an employer's proportionate share of the collective NPL as of June 30, 2019. PERA continues to provide outreach and assistance to local governments to ensure local governments continue to receive pertinent allocation information required by GASB 67 and 68.

The following table lists the funded ratios for each individual PERA fund for Fiscal Years 2016 through 2020.

**TABLE 15**  
**Funded Ratio of State Retirement Funds Managed by PERA**

<b>Fiscal Year</b>	<b>PERA</b>	<b>Judicial</b>	<b>Magistrate</b>	<b>VFF</b>	<b>Legislative</b>
2016	75.3%	61.6%	61.7%	143.4%	144.8%
2017	74.9	61.7	61.3	146.6	151.4
2018	71.6	56.3	55.6	141.5	137.7
2019	69.9	55.1	54.3	142.5	136.9
2020	70.3	53.5	53.4	146.8	138.3

*Source: Public Employees Retirement Association.*

Legislative changes enacted during the 2009 through 2016 legislative sessions also amended various provisions of the Public Employees Retirement Act to improve the long-term stability of the fund. House Bill 573 (Chapter 288, Laws 2009) included training requirements for members of the PERA Board. House Bill 854 (Chapter 125, Laws 2009) modified employer and employee contributions to the State’s retirement funds for Fiscal Years 2010 and 2011, shifting 1.5 percent of the annual contribution rate from employers to employees, for those employees with a full-time equivalent salary greater than \$20,000. House Bill 628 (Chapter 178, Laws 2011) extended the existing 1.5 percent shift made in House Bill 854 through Fiscal Year 2013 and shifted an additional 1.75 percent of the annual contribution rate from employers to employees for Fiscal Year 2012. The additional 1.75 percent of the annual contribution rate shifted back from the employees to the employers for Fiscal Year 2013. The 1.5 percent contribution shift from the employers to the employees remained in place through Fiscal Year 2013. House Bill 628 also required an actuarial study by PERA prior to September 20, 2013 to analyze whether contribution rate changes have had an adverse actuarial effect on the retirement systems.

Senate Bill 27 (Chapter 225, Laws 2013) significantly amended the Public Employees’ Retirement Act by creating a new tier of reduced benefits for new hires. The law reduced the cost of living adjustments for all current and future retirees; delays the application of cost of living adjustments for certain future retirees; suspends the cost of living adjustments for certain return-to-work retirees; provided for an increase in the statutory employee contribution rate of 1.5 percent (subject to certain requirements) for employees earning \$20,000 or more in annual salary; provided for an increase in the statutory employer contribution of 0.4 percent beginning in Fiscal Year 2015; increased age and service requirements; lengthened the base average salary calculation amount from three to five years for Tier 2 employees; increased the vesting period for employees from five to eight years for most Tier 2 members; and lowered the annual service credit by 0.5 for most members.

Legislative changes enacted during the 2014 legislative session amended sections of the law relating to the judicial and magistrate retirement funds and followed many of the changes implemented in the 2013 legislative session for the public employees’ and educational retirement funds.

House Bill 33 (Chapter 35, Laws 2014) amended the Judicial Retirement Act. Among other things, the law suspended for two years and makes adjustments to cost of living increases, adjusted employee and employer contributions, required mandatory participation in the fund and implemented changes to the benefits structure.

House Bill 216 (Chapter 39, Laws 2014) amended the Magistrate Retirement Act. Among other things, the law suspended for two years and makes adjustments to cost of living increases, adjusted

employee and employer contributions, required mandatory participation and implemented changes to the benefit structure. Senate Bill 160 (Chapter 43, Laws 2014) also made changes to the Magistrate Retirement Act. This law duplicated the changes made in House Bill 216.

During the 2016 second special session, the State's distribution to the legislative retirement fund decreased from \$200,000 a month to \$75,000 a month, thus reducing the annual contribution from \$2.4 million to \$900,000.

During the State of New Mexico (53rd Legislature) special session in 2017, House Bill 2 was passed that suspended the State's distribution to the legislative retirement fund for two consecutive years (Fiscal Year 2018 and Fiscal Year 2019). Beginning July 1, 2019, the monthly distribution of \$75,000 to fund the legislative retirement coverage plan resumed, for a total annual contribution of \$900,000.

During the State of New Mexico (54th Legislature) regular session in 2019, House Bill 501/a was passed that increased employer contribution rates by 0.25 percent for PERA affiliated employers, with the exception of the overfunded state police and adult correctional officer plan. The contribution rate increase was effective July 1, 2019.

Executive Order 2019-05, issued in February of 2019, created the PERA Solvency Task Force to prepare and make recommendations to the Office of the Governor to preserve the defined benefit system offered by PERA. The recommendations were presented during the 2020 legislative session in the form of new solvency legislation.

During the State of New Mexico (54th Legislature) Regular Session in 2020, Senate Bill 72/a was passed, increasing employee and employer contributions and adjusting the COLA for retirees. Effective July 1, 2020, employee contributions increased by 2 percent, and will increase in 0.5 percent increments over four fiscal years. The first 0.5 percent increment will increase employee contributions under State General Plan 3 to 9.42 percent. The employer contribution rate will increase by 0.5 percent each fiscal year as well. There will be a two-year delay before any increased contributions for municipal or county employees and their employers. Effective July 1, 2022, municipal and county employee and employer contributions will increase by 2 percent, in 0.5 percent increments, over four fiscal years (2023, 2024, 2025, and 2026).

For retirees, those who are 75 years of age on or before June 30, 2020, will receive a 2.5 percent COLA, an increase from the current 2 percent COLA. Disability retirees and retirees with pensions lower than \$25,000 after 25 years of service also will receive a 2.5 percent COLA. All other retirees who are COLA-eligible will receive a 2 percent, non-compounding, additional payment for three calendar years (2020, 2021, and 2022). This payment will be paid in addition to the regular July pension payment. PERA received a \$55 million General Fund appropriation to cover the cost of the additional payments (2 percent non-compounding) to eligible retirees in Fiscal Years 2021, 2022, and 2023.

The changes implemented by Senate Bill 72/a will assist PERA in preserving the defined benefit offered to its members and increasing PERA's actuarial soundness moving forward.

***New Mexico Retiree Health Care Authority—Historic Financial Information.*** NMRHCA was enacted for the purpose of providing comprehensive group health insurance coverage for persons who have retired from certain public service positions in the State and their eligible dependents. NMRHCA offers both pre-Medicare and Medicare plans, as well as unsubsidized dental, vision and life insurance plans to eligible participants. As of June 30, 2019, there were 52,179 participants, 10,916 vested terminated members and 91,082 active members contributing to the program from 302 participating public entities. (Information as of June 30, 2019 is the most recent available.)

NMRHCA, the agency that administers the Retiree Health Care Act, has a revenue base composed of active employee payroll deductions, participating employer contributions, monthly premium contributions of enrolled participants, investment income, subsidies associated with administering a Medicare Part D program, prescription drug rebates and amounts distributed annually from the Taxation Administration Suspense Fund (“TAA Fund”). Employer and employee contribution rates are established in statute as is the amount distributed from the TAA Fund. Respective employer and employee contribution rates are 2 percent and 1 percent of the participating employee’s salary and 2.5 percent and 1.25 percent for employees participating under an enhanced retirement plan (i.e., police officers, firefighters and correctional officers).

As of June 30, 2020, NMRHCA reported a projected solvency period beyond 2051, or more than 30 years (period of positive fund balance). This calculation compares growth in projected revenues and expenditures from all sources and includes multiple components, including medical and prescription drug costs, administrative fees, employee and employer contributions and retiree premiums. The projected solvency date and continued improvements to its timeframe are largely the result of the prudent fiscal management exercised by NMRHCA’s Board of Directors. These actions include a series of targeted benefit reductions, increased cost-sharing for plan participants, aggressive procurement practices and value-based purchasing strategies.

In 2020, NMRHCA implemented GASB 74 for the third year. This valuation is based on the benefits administered by the Board, characteristics of plan participants, assets as of June 30, 2020, economic assumptions and other actuarial assumptions. In a change from the requirements contained in GASB 43, monies that are not fully being funded on an actuarial basis are required to go through a crossover test in determining the applicable discount rate on the plans assets.

The discount rate used in the valuation for financial disclosure purposes as of June 30, 2020 is a blend of the assumed investment return (7.25 percent) and the rate for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher (2.21 percent as of June 30, 2020). Because NMRHCA does not fully prefund benefits, plan assets are expected to be sufficient to make benefit payments through the 2041/2042 year. Projected benefit payments are discounted by the plan investment return assumption of 7.25 percent until June 30, 2041. Benefit payments after June 30, 2041 are then discounted by the municipal bond rate of 2.21 percent; 2.86 percent is the blended discount rate reflecting benefits discounted by the plan investment return assumption rate and the municipal bond rate.

The results as of the June 30, 2020 valuation indicate the Total OPEB Liability (“TOL”) equals \$5 billion, offset by the plan’s fiduciary net position of \$829.6 million, resulting in a Net OPEB Liability (“NOL”) of \$4.1 billion. Projected benefit payments are discounted by the plan investment return assumption of 7.25 percent until June 30, 2041. Benefit payments after June 30, 2041 are then discounted by the municipal bond rate of 2.21 percent; 2.86 percent is the blended discount rate reflecting benefits discounted by the plan investment return assumption rate and the municipal bond rate.

NMRHCA continues to evaluate opportunities to further strengthen the financial well-being of the program. In November 2017, the Board of Directors passed a five-year strategic plan to ensure the long-term financial stability of the program through a series of targeted benefit reductions and increases to contribution levels from participating employees and their employers. In addition to increased retiree cost sharing through plan design changes, the solvency plan including a minimum age and increased years-of-service requirements, resulting in proportionately higher premiums for retirees who retired younger (minimum age of 55) or did not work or pay into the system as long (less than 25 years), beginning July 31, 2021. These changes do not apply to members who retire from an enhanced retirement plan i.e., police and corrections officers, firefighters and judges. Combined, these actions are

expected to further improve the financial condition of the trust fund by increasing revenues and reducing future liabilities.

Previous reporting requirements associated with GASB 43 mandated NMRHCA to report its Annual Required Contribution (“ARC”) and the percentage of the ARC contributed. Beginning June 30, 2017, under GASB 74, the equivalent of the ARC is the Actuarially Determined Contribution (“ADC”). The following table lists the ARC and percentage of the ARC contributed for Fiscal Years 2016 through 2020. Prior to Fiscal Year 2018, the annual required contribution was calculated by the normal cost combined with the amortization of the unfunded liability, using a 5 percent discount rate. The reporting requirements under GASB 74 allow for a separately defined method of funding basis (transitioned to the funding policy on a percentage of payroll basis) and a change in the discount rate methodology, resulting in a reduction in discount rate used to amortize the long-term liabilities (2.86 percent).

The following table lists the ARC and percentage of the ARC contributed for Fiscal Years 2016 through 2020 (the most recent available).

**TABLE 16**  
**New Mexico Retiree Health Care Authority**  
**Annual Required Contributions**

<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Actual Amounts Contributed</b>
2016	\$303,631,394	52.65%	\$159,862,801
2017	317,546,941	50.19	159,379,195
2018	156,266,741 <sup>(1)</sup>	98.77 <sup>(1)</sup>	154,358,714
2019	160,077,200 <sup>(1)</sup>	99.35 <sup>(1)</sup>	159,030,773
2020	161,578,422 <sup>(1)</sup>	107.79 <sup>(1)</sup>	174,162,723

<sup>(1)</sup> The 2018, 2019 and 2020 “required” contribution decrease is primarily due to a change in the method for determining actuarially determined contributions as a percentage of pay versus function of normal cost and liability.

*Source: New Mexico Retiree Health Care Authority Governmental Accounting Standards Board (GASB) Statement 74 Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2020*

## **Economic and Demographic Characteristics**

New Mexico is the 36th largest state by population and the fifth largest in land area. The population of the State as of the time of the 2010 United States Census was 2,059,179. From 2000 to 2010, the State’s population grew 13.2 percent, while the national population grew 9.7 percent.

There are four Metropolitan Statistical Areas (“MSAs”) in the State. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is comprised of Doña Ana County; the Santa Fe MSA is comprised of Santa Fe County; and the Farmington MSA is comprised of San Juan County. The following table sets forth information on population growth in New Mexico and nationally.

**TABLE 17**  
**Population New Mexico and the United States**  
**2010-2019**

Year <sup>(1)</sup>	Population <sup>(2)</sup>		Annual Percentage Change	
	New Mexico	United States	New Mexico	United States
2010	2,059,179	308,745,538	--	--
2011	2,080,450	311,556,874	1.0%	0.9%
2012	2,087,309	313,830,990	0.3	0.7
2013	2,092,273	315,993,715	0.2	0.7
2014	2,089,568	318,301,008	(0.1)	0.7
2015	2,089,291	320,635,163	(0.0)	0.7
2016	2,091,630	322,941,311	0.1	0.7
2017	2,091,784	324,985,539	(0.0)	0.6
2018	2,092,741	326,687,501	0.1	0.5
2019	2,096,829	328,239,523	0.2	0.5

<sup>(1)</sup> All estimates are subject to change.

<sup>(2)</sup> As of July 1 (except for 2010 data which is as of April 1). Except for 2010 data, population figures are stated as intercensal estimates.

Source: U.S. Census Bureau, Population Division, 2010-2019 released December 2019 (the most recent information available as of April 6, 2021)

Major industries in the State include oil and natural gas production, tourism and retail, healthcare, government and mining. Major federally funded scientific research facilities in Los Alamos, Albuquerque and White Sands are a notable part of the State's economy. In 2019 (the most recent information available), the largest employment sector in the State was government (comprising approximately 18.9 percent of the State's non-farm workforce), followed, in order, by health care and social assistance; retail trade; accommodation and food services; and professional, scientific and technical services. For the twelve-month period ended December 31, 2019, total average employment in the State increased by 1.8 percent as compared to the same twelve-month period ending December 31, 2018. The following table sets forth information on employment by industry over the period of 2009 through 2019, the most recent figures available.



**TABLE 18**  
**Total New Mexico Full-time and Part-time Employment by North American Industry Classification System 2010-2019**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Growth 2018-2019	Growth 2010-2019
<b>Total employment</b>	1,059,977	1,064,267	1,067,211	1,075,465	1,083,772	1,092,255	1,092,500	1,095,372	1,110,785	1,130,618	1.8%	6.7%
Wage and salary employment	836,523	836,180	839,254	846,495	852,638	860,270	861,137	862,577	876,083	889,967	1.6	6.4
Proprietors employment	223,454	228,087	227,957	228,970	231,134	231,985	231,363	232,795	234,702	240,651	2.5	7.7
Farm proprietors employment	19,083	20,715	21,328	21,547	21,557	21,542	21,476	21,410	21,121	21,206	0.4	11.1
Nonfarm proprietors employment	204,371	207,372	206,629	207,423	209,577	210,443	209,887	211,385	213,581	219,445	2.7	7.4
Farm employment	25,631	27,322	28,262	29,208	28,346	29,003	29,826	28,930	28,556	28,135	-1.5	9.8
Nonfarm employment	1,034,346	1,036,945	1,038,949	1,046,257	1,055,426	1,063,252	1,062,674	1,066,442	1,082,229	1,102,483	1.9	6.6
Private employment	816,910	823,130	827,038	835,402	845,767	854,472	854,245	860,376	876,059	894,535	2.1	9.5
Forestry, fishing and related activities <sup>(2)</sup>	5,183	5,221	5,133	5,235	5,674	5,557	5,828	6,004	6,013	6,122	1.8	18.1
Mining <sup>(3)</sup>	27,064	28,340	34,212	36,857	38,214	36,662	31,814	31,208	31,920	32,532	1.9	20.2
Utilities	4,612	4,540	4,570	4,652	4,591	4,683	4,899	4,623	4,573	4,412	-3.5	-4.3
Construction <sup>(4)</sup>	61,130	59,142	57,947	59,142	59,584	59,707	60,008	62,068	64,919	68,119	4.9	11.4
Manufacturing	34,574	35,740	35,749	35,463	34,027	34,157	33,186	32,562	33,358	34,649	3.9	0.2
Durable goods manufacturing <sup>(5)</sup>	23,075	23,696	23,201	22,549	21,238	21,189	20,017	19,250	19,450	19,881	2.2	-13.8
Nondurable goods manufacturing <sup>(6)</sup>	11,499	12,044	12,548	12,914	12,789	12,968	13,169	13,312	13,908	14,768	6.2	28.4
Wholesale trade	26,905	26,490	26,475	26,688	28,854	28,503	25,372	24,989	24,886	25,341	1.8	-5.8
Retail trade <sup>(7)</sup>	110,350	111,426	111,840	112,726	113,924	114,887	113,636	111,466	110,694	109,129	-1.4	-1.1
Transportation and warehousing <sup>(8)</sup>	23,437	24,330	25,379	25,502	25,905	27,244	26,673	28,058	30,847	32,079	4.0	36.9
Information <sup>(9)</sup>	17,130	16,501	16,473	16,059	15,725	15,587	16,001	15,491	15,096	14,340	-5.0	-16.3
Finance and insurance <sup>(10)</sup>	34,860	35,798	35,347	35,010	34,781	34,462	35,685	35,674	36,929	38,162	3.3	9.5
Real estate and rental and leasing <sup>(11)</sup>	39,357	39,637	38,191	38,414	39,111	39,656	39,859	40,499	41,445	43,035	3.8	9.3
Professional, scientific and technical services	78,395	77,519	76,128	75,919	76,116	77,542	77,751	79,918	81,683	85,125	4.2	8.6
Management of companies and enterprises	5,377	5,485	5,435	5,502	5,632	5,876	6,336	6,144	6,631	6,809	2.7	26.6
Administrative and waste services <sup>(12)</sup>	54,283	54,698	53,429	54,597	54,370	52,994	53,890	56,394	57,322	59,333	3.5	9.3
Educational services	16,812	16,277	16,152	16,426	16,709	16,960	17,017	16,808	16,586	16,876	1.7	0.4
Health care and social assistance <sup>(13)</sup>	119,461	121,582	123,225	123,737	124,796	129,721	134,263	134,790	135,924	137,269	1.0	14.9
Arts, entertainment and recreation <sup>(14)</sup>	23,104	23,132	23,714	23,734	24,227	24,245	24,150	25,154	25,482	27,207	6.8	17.8
Accommodation and food services <sup>(15)</sup>	81,144	82,292	83,194	85,494	88,297	90,193	92,523	93,512	94,736	95,956	1.3	18.3
Other services, except public administration <sup>(16)</sup>	53,732	54,980	54,445	54,245	55,230	55,836	55,354	55,014	57,015	58,040	1.8	8.0
Government and government enterprises <sup>(17)</sup>	217,436	213,815	211,911	210,855	209,659	208,780	208,429	206,066	206,170	207,948	0.9	-4.4

<sup>(1)</sup> Most recent data available.

<sup>(2)</sup> The “Forestry, fishing and related activities” category includes: forestry and logging; fishing, hunting and trapping; and support activities for agriculture and forestry.

<sup>(3)</sup> The “Mining” category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.

<sup>(4)</sup> The “Construction” category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.

<sup>(5)</sup> The “Durable goods manufacturing” category includes: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment, appliance, and component manufacturing; motor vehicles, bodies and trailers, and parts manufacturing; other transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing.

<sup>(6)</sup> The “Nondurable goods manufacturing” category includes: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.

<sup>(7)</sup> The “Retail trade” category includes: motor vehicle and parts dealers; furniture and home furnishings stores; electronics and appliance stores; building material and garden equipment and supplies dealers; food and beverage stores; health and personal care stores; gasoline stations; clothing and clothing accessories stores; sporting goods, hobby, musical instrument, and book stores; general merchandise stores; miscellaneous store retailers; and nonstore retailers.

<sup>(8)</sup> The “Transportation and warehousing” category includes: air transportation; rail transportation; water transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.

<sup>(9)</sup> The “Information” category includes: publishing industries (except Internet); motion picture and sound recording industries; broadcasting (except Internet); Internet publishing and broadcasting; telecommunications; data processing, hosting, and related services; and other information services.

<sup>(10)</sup> The “Finance and insurance” category includes: monetary authorities—central bank; credit intermediation and related activities; securities, commodity contracts, and other financial investments and related activities; insurance carriers and related activities; and funds, trusts and other financial vehicles.

<sup>(11)</sup> The “Real estate and rental and leasing” category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets (except copyrighted works).

<sup>(12)</sup> The “Administrative and waste services” category includes: administrative and support services; and waste management and remediation services.

<sup>(13)</sup> The “Health care and social assistance” category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.

<sup>(14)</sup> The “Arts, entertainment and recreation” category includes: performing arts, spectator sports, and related industries; museums, historical sites, and similar institutions; and amusement, gambling and recreation industries.

<sup>(15)</sup> The “Accommodation and food services” category includes: accommodation; and food services and drinking places.

<sup>(16)</sup> The “Other services, except public administration” category includes: repair and maintenance; personal and laundry services; religious, grantmaking, civic, professional, and similar organizations; and private households.

<sup>(17)</sup> The “Government and government enterprises” category includes: federal, civilian; military; and state and local governments.

*Source: Regional Economic Information System, Bureau of Economic Analysis, Last Revised: September 24, 2020 (the most recent information available as of April 6, 2021)*

The following tables set forth selected additional economic and demographic data with respect to the State and the United States.

**TABLE 19**  
**Employment and Labor Force**  
**New Mexico and the United States**  
**2011–2021**  
**(numbers in thousands)<sup>(1)</sup>**

Year	Civilian Labor Force		Number of Employed		Unemployment Rate		
	New Mexico	United States	New Mexico	United States	New Mexico	United States	N.M. as % of U.S. Rate
2012	929	155,628	864	143,330	7.0	7.9	88.6%
2013	924	155,182	860	144,778	6.9	6.7	103.0
2014	935	156,332	870	147,615	6.4	5.6	114.3
2015	935	158,035	874	150,128	6.5	5.0	130.0
2016	936	159,678	876	152,157	6.4	4.7	136.2
2017	934	160,543	884	153,911	5.3	4.1	129.3
2018	945	163,124	899	156,745	4.9	3.9	125.6
2019	960	164,579	914	158,735	4.8	3.6	133.3
2020	960	160,567	878	149,830	8.6	6.7	128.4
2021 <sup>(2)</sup>	959	160,718	879	150,239	8.3	6.2	133.9

<sup>(1)</sup> Figures rounded to nearest thousand.

<sup>(2)</sup> Through February 2021 as of April 2021.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Last Revised: United States as of April 6, 2021

**TABLE 20**  
**Personal Income**  
**New Mexico and the United States**  
**2011–2020**

Year	Personal Income (Dollars in Millions)		Annual Percentage Change	
	New Mexico	United States	New Mexico	United States
2011	72,820	13,315,478	--	--
2012	74,578	13,998,383	2.4%	5.1%
2013	73,438	14,175,503	(1.5)	1.3
2014	77,748	14,982,715	5.9	5.7
2015	80,062	15,717,140	3.0	4.9
2016	81,627	16,151,881	2.0	2.8
2017	83,142	16,937,582	1.9	4.9
2018	87,205	17,839,255	4.9	5.3
2019	90,847	18,542,262	4.2	3.9
2020	96,476	19,679,715	6.2	6.1

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last Revised: March 24, 2021 (the most recent information available as of April 6, 2021)

**TABLE 21**  
**Per Capita Personal Income**  
**New Mexico and the United States**  
**2011–2020**

<b>Year</b>	<b>Per Capita Income (Dollars)</b>		<b>N.M. as a % of U.S.</b>	<b>Annual Percentage Change</b>	
	<b>New Mexico</b>	<b>United States</b>		<b>N.M.</b>	<b>U.S.</b>
2011	35,002	42,739	81.9%	--	--
2012	35,729	44,605	80.1	2.1%	4.4%
2013	35,100	44,860	78.2	(1.8)	0.6
2014	37,207	47,071	79.0	6.0	4.9
2015	38,320	49,019	78.2	3.0	4.1
2016	39,025	50,015	78.0	1.8	2.0
2017	39,747	52,118	76.3	1.9	4.2
2018	41,670	54,606	76.3	4.8	4.8
2019	43,326	56,490	76.7	4.0	3.5
2020	45,803	59,729	76.7	5.9	5.8

*Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last Revised: March 24, 2021 (the most recent information available as of April 6, 2021)*

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**TABLE 22**  
**2011–2020**  
**Wages and Salaries by Industry Sector**

NAICS Earnings by Place of Work <sup>(1)</sup> Applicable to 2010-2019	New Mexico (Dollars in Thousands) <sup>(2)</sup>		United States (Dollars in Millions) <sup>(2)</sup>		Cumulative Annual Percent Change 2011 - 2020		Distribution of 2020 Wages & Salaries	
	2020	2011	2020	2011	N.M.	U.S.	N.M.	U.S.
	Farm Wage and Salary	\$ 205,404	\$ 219,057	\$ 25,350	\$ 19,323	-6.2%	31.2%	0.5%
Non-farm Wage and Salary	42,014,386	33,956,141	9,295,230	6,596,430	23.7	40.9	99.5	99.7
Private Wage and Salary	31,161,217	24,493,995	7,870,794	5,419,826	27.2	45.2	73.8	84.4
Forestry, Fishing, and other related activities	118,228	63,384	24,333	14,014	86.5	73.6	0.3	0.3
Mining	1,662,111	1,533,687	60,030	69,412	8.4	-13.5	3.9	0.6
Utilities	380,112	323,404	65,798	51,034	17.5	28.9	0.9	0.7
Construction	2,719,309	1,817,123	505,924	289,183	49.6	74.9	6.4	5.4
Manufacturing	1,611,746	1,630,439	886,845	705,855	-1.1	25.6	3.8	9.5
Wholesale Trade	1,252,160	1,068,598	478,026	373,991	17.2	27.8	3.0	5.1
Retail Trade	2,829,994	2,402,502	549,780	410,896	17.8	33.8	6.7	5.9
Transportation and Warehousing	1,200,748	887,432	337,969	207,371	35.3	63.0	2.8	3.6
Information	550,758	618,504	371,901	213,789	-11.0	74.0	1.3	4.0
Finance and Insurance	1,701,478	1,216,294	760,990	513,241	39.9	48.3	4.0	8.2
Real Estate and Rental and Leasing	482,587	356,469	148,036	91,951	35.4	61.0	1.1	1.6
Professional, Scientific, and Technical Services	5,321,709	3,841,123	1,012,281	626,320	38.5	61.6	12.6	10.9
Management of Companies and Enterprises	450,655	321,769	306,641	201,300	40.1	52.3	.1	3.3
Administrative and Waste Services	1,811,550	1,448,583	409,819	270,615	25.1	51.4	4.3	4.4
Educational Services	362,809	327,027	165,845	124,322	10.9	33.4	0.9	1.8
Health Care and Social Assistance	5,507,621	4,123,208	1,106,386	754,988	33.6	46.5	13.0	11.9
Arts, Entertainment, and Recreation	252,089	186,615	96,015	69,970	35.1	37.2	0.6	1.0
Accommodations and Food Services	1,703,789	1,329,980	300,289	226,115	28.1	32.8	4.0	3.2
Other Services, Except Public Administration	1,241,764	997,854	283,889	205,459	24.4	38.2	2.9	3.0
Government and Government Enterprises	<u>10,853,169</u>	<u>9,462,146</u>	<u>1,424,436</u>	<u>1,176,604</u>	14.7	21.1	25.7	15.3
Total	<u>\$42,219,790</u>	<u>\$33,956,141</u>	<u>\$9,320,570</u>	<u>\$6,615,753</u>				

<sup>(1)</sup> The estimates of wage and salary disbursements for 2011 are based on the 2012 North American Industry Classification System (NAICS), while the 2020 estimates are based on the 2017 NAICS.

<sup>(2)</sup> All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Last Revised: March 24, 2021 (the most recent information available as of April 6, 2021)

### BOOK-ENTRY-ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

**THE STATE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR BENEFICIAL OWNERS.**

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO THE BONDHOLDERS OF THE BONDS WILL MEAN CEDE & CO., AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by State statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and the State does not have responsibility for distributing such notices to the Beneficial Owners.

The State does not have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Bonds.

## **SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION**

The following summarizes certain provisions of the Bond Resolution. This summary does not purport to be complete and reference is made to the Bond Resolution for a full and complete statement of its provisions.

### **Authorization**

The Bond Resolution authorizes the issuance, sale and delivery of the Bonds in the amounts and upon the terms set out therein or determined pursuant thereto. It approves forms of documents, including the forms of the Bonds, as well as the form of Notice of Sale for the Bonds, the form of this Official Statement, the related continuing disclosure undertaking, and also approves other related documents and certificates. It provides for the method of payment of the Bonds, the appointment of the State Treasurer as Paying Agent and Registrar for the Bonds, and terms and provisions relating to the registration, transfer and exchange of the Bonds. The Bond Resolution reflects the ad valorem tax to be imposed on taxable property in the State to provide for the payment of principal of and interest on the Bonds, and establishes certain funds and accounts relating to the Bonds and the projects to be funded with the proceeds of the Bonds (as well as provisions relating to the administration of such funds and accounts and the investment of funds from time to time on deposit therein). It includes provisions relating to the repayment and defeasance of the Bonds as well as other covenants described below.

### **Covenants**

So long as any Bonds are outstanding, the State and the Board have covenanted and agreed with the owners of Bonds that: (a) the State will levy, assess and collect ad valorem taxes, without limit as to rate or amount, in amounts sufficient to pay the principal of and interest on the Bonds as they become due and the State will cause the proceeds of the ad valorem taxes collected to be set aside and applied promptly to pay the principal of and interest on the Bonds when due; (b) the State will promptly pay the principal of and the interest on the Bonds, at the places, on the dates and in the manner specified in the Bond Resolution and in the Bonds; (c) the State will keep proper books of record and account, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to each of the funds and the accounts designated in the Bond Resolution; (d) any owner of any of the Bonds or any duly authorized agent of an owner, will have the right, at all reasonable times, to inspect all records, accounts and data relating to the Bonds, the collection of ad valorem taxes and the accounts designated in the Bond Resolution; provided, however, that pursuant to Section 6-14-10E NMSA 1978, as amended, records with regard to the ownership of or pledges of the Bonds are not subject to inspection or copying under any law of the State relating to the right of the public to inspect or copy public records; (e) the State will prepare annual statements or audits of collections and disbursements of ad valorem taxes in sufficient detail to show compliance with requirements of the Bond Resolution and the State will furnish a copy of such audit to any owner of Bonds upon written request therefor; (f) in order to prevent any accumulation of claims for interest after maturity, the State will not directly or indirectly extend or assent to the extension of time for the payment of interest on any of the Bonds and if the time for the payment of any such claim is extended, such extended payment or payments of interest will not be entitled, in the event of default under the Bond Resolution, to the benefit or security of the Bond Resolution, except upon the prior payment in full of the principal of and interest on the Bonds, on which the payment of interest has not been executed; (g) each official or other person having custody of any funds derived from State ad valorem taxes, or responsible for their handling, will be bonded as provided by law, which bond will be conditioned upon the proper application of those funds; (h) the State will make no use of the proceeds of the Bonds or any funds reasonably expected to be used to pay the Bonds which will cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") or which would result in the loss of the exclusion from gross income for federal income tax



purposes of the interest on the Bonds, and the Governor and the Secretary of the Department of Finance and Administration of the State, or any other officer of the State having responsibility for the issuance of the Bonds, will give an appropriate certificate of the State, for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the State regarding the amount and use of all the proceeds of the Bonds, the facts, circumstances and estimate on which they are based, and other facts and circumstances relevant to the tax treatment of interest on the Bonds; (i) the State (1) will take or cause to be taken such actions which may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes and (2) will not take or permit to be taken any actions which would adversely affect that exclusion, and the State or persons acting for it, will, if necessary to maintain such exclusion, among other acts of compliance, (i) apply, or cause to be applied, the proceeds of the Bonds to the purpose of the borrowing, (ii) restrict the yield on investment property acquired with those proceeds, (iii) make timely rebate payments to the federal government in accordance with Section 148 of the Code and the Bond Resolution, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code, which the Secretary of the Department of Finance and Administration of the State, State Treasurer and other appropriate officers are authorized and directed to take any and all actions, make calculations and rebate payments, and make or give reports and certifications, as may be appropriate to assure; and (j) interest on the Bonds is exempt from taxation by the State.

### **Defeasance**

If the State pays all of the outstanding Bonds, or causes them to be paid and discharged in accordance with the next paragraph of this section, or if all payments of principal of and interest on the Bonds, due or to become due, are otherwise paid to the owners of the outstanding Bonds, then the Bond Resolution will cease and become null and void (except for those provisions surviving in accordance with the last paragraph of this section), and the covenants, agreements and obligations of the Board and the State under the Bond Resolution will be released, discharged and satisfied.

All or any part of the Bonds shall be deemed to have been paid and discharged if: (1) the Registrar/Paying Agent, in advance of any payment to the owners of the outstanding Bonds, has received sufficient moneys for the payment in full of the principal of and interest on the Bonds, or part thereof, or (2) there has been placed in trust for the payment of the Bonds and irrevocably committed to such payment, noncallable Defeasance Obligations (defined below) which are certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and scheduled to bear such interest, as will be sufficient, together with any moneys on deposit with the Registrar/Paying Agent available to pay principal of and interest on the Bonds, without further investment or reinvestment of either the principal amount or the interest earnings on such Defeasance Obligations (which earnings are to be held likewise in trust and so committed, except as provided herein), for the payment in full of all principal of and interest on the Bonds, or part of the Bonds, deemed to have been paid, at their maturity.

As used in the Bond Resolution, "Defeasance Obligations" means, as permitted by law:

(i) direct obligations of, or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by, or obligations issued by or backed by the full faith and credit of corporations sponsored by, the United States of America;

(ii) obligations issued or guaranteed as to full and timely payment of principal and interest by any agency or person controlled by and acting as an instrumentality of the United States of America, pursuant to authority granted by the Congress of the United States of America; and

(iii) obligations described in Section 103(a) of the Code (a) provisions for the payment of the principal of, premium, if any, and interest on which (1) have been made by the irrevocable deposit, with a bank or trust company acting as a trustee or escrow agent for holders of such obligations, of non-callable securities described in clauses (i) and (ii) above, the maturing principal of and interest on which, when due and payable, without further investment or reinvestment, will provide sufficient moneys to pay when due the principal of and interest on such obligations, and (2) which securities described in clauses (i) and (ii) are not available to satisfy any other claim, including any claim of such trustee or escrow agent or of any person claiming through such trustee or escrow agent or to whom such trustee or escrow agent may be obligated, including claims in the event of the insolvency of such trustee or escrow agent or proceedings arising out of such insolvency or (b) rated by either S&P Global Ratings or Moody's Investors Service, or similar rating agency in its highest rating category (without regard to any refinement or gradation by numerical modifier or otherwise).

Any moneys held in trust in accordance with the defeasance provisions of the Bond Resolution may be invested only in noncallable Defeasance Obligations having maturity dates, or having redemption dates which, at the option of the holder of such Defeasance Obligations, shall not be later than the date or dates at which moneys will be required for the purposes described above. Within fifteen (15) days after any Bonds are deemed to be paid and discharged pursuant to this paragraph, a written notice of such deemed payment and discharge will be given to each registered owner of Bonds as shown on the registration books kept by the Registrar/Paying Agent on the date on which such Bonds are deemed paid and discharged. Such notice will state the numbers of the Bonds deemed paid and discharged or state that all Bonds are deemed paid and discharged and set forth a description of the obligations held pursuant to this paragraph.

Notwithstanding that Bonds may be deemed to have been paid and discharged pursuant to the above paragraph, any provisions of the Bond Resolution which relate to the maturity of Bonds, interest payments and dates thereof, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Registrar/Paying Agent in connection with all of the foregoing, will remain in effect and be binding upon the State and the Registrar/Paying Agent until final payment of all Bonds notwithstanding the release and discharge of the Bond Resolution. Notwithstanding any provision of the Bond Resolution to the contrary, any provisions of the Bond Resolution that relate to the exclusion of interest from gross income for federal income tax purposes will remain in effect and be binding upon the State and the Registrar/Paying Agent.

### **Amendment of Resolution**

The Bond Resolution may be amended or supplemented from time to time without the consent of or notice to the holders of the Bonds for any of the following purposes: (a) to cure any ambiguity, omission, formal defect or inconsistency, or (b) to make any change that, in the judgment of the Board, in reliance upon an opinion of counsel, does not have a material adverse effect on the rights of the owners of any Bonds, or (c) to achieve compliance with any applicable federal securities or tax laws or to ensure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds for federal income tax purposes.

Except as provided above, the Bond Resolution may only be amended or supplemented by resolution adopted by the Board in accordance with applicable law, with or without receipt by the State of any additional consideration, but with the written consent of the owners of a majority in principal amount of the Bonds then outstanding; provided, however, that no such resolution shall have the effect of permitting: (i) an extension of the maturity of any Bond; or (ii) a reduction in the principal amount of, or the rate of interest on, any Bond; or (iii) a reduction of the principal amount of Bonds required for consent

to such amendatory or supplemental resolution; or (iv) the establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Resolution; or (v) the modification of, or otherwise affecting, the rights of the owners of less than all of the Bonds then outstanding (other than originally permitted by the Bond Resolution).

### **Remedies of Holders of Bonds**

The registered owners, or Beneficial Owners, of not less than 25% in aggregate principal amount of the Bonds then outstanding may bring an action to protect the rights of the registered owners and Beneficial Owners of Bonds under the Bond Resolution in any court of competent jurisdiction, for the specific performance of any covenant or agreement contained in the Bond Resolution or to enjoin any act or thing which may be unlawful or in violation of any right of any owner of the Bonds. All such proceedings at law or in equity will be instituted, had and maintained for the equal benefit of all owners of the Bonds then outstanding. The failure of any registered owner or owners or Beneficial Owner or Beneficial Owners of Bonds to so proceed will not relieve the State or the Board of any obligation to perform any duty under the Bond Resolution. Each right or privilege of such owner and Beneficial Owner is in addition and cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any registered owner or Beneficial Owner shall not be deemed a waiver of any other right or privilege.

### **Payment of Principal and Interest**

Interest on the Bonds will be payable by check or draft, automated clearing house, electronic payment sent to their registered owners, as shown on the registration books for the Bonds maintained by the Registrar/Paying Agent at the address appearing in such books at the close of business on the fifteenth (15th) day of the calendar month next preceding each applicable interest payment date (the "Record Date") or, if such date is not a business day, the first (1st) business day thereafter, or in such other manner as may be agreed upon by the Registrar/Paying Agent and the registered owner of a Bond. Interest which is not timely paid or duly provided for will cease to be payable to the owners of the Bonds (or of one or more predecessor Bonds) as of the Record Date, but will be payable to the registered owners of the Bonds (or of one or more predecessor Bonds) at the close of business on a special record date (the "Special Record Date") for the payment of that overdue interest to be fixed by the Registrar/Paying Agent. The Special Record Date will be fixed by the Registrar/Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the Special Record Date will be given to owners of Bonds not less than ten (10) days prior to such date. The principal of the Bonds is payable upon presentation and surrender of the Bonds without deduction for exchange or collection charges at the office of the Registrar/Paying Agent. Principal of and interest on the Bonds are payable in lawful money of the United States of America.

While registered in the name of DTC or its nominee, payments of principal of and interest on the Bonds will be made to DTC or its nominee as set forth in the Letter of Representation between DTC and the State.

## **TRANSCRIPT AND LEGAL OPINIONS**

The Board will prepare an official transcript of proceedings of the authorization and issuance of the Bonds.

Legal matters incident to the issuance of the Bonds and the exclusion from gross income for Federal and State of New Mexico income tax purposes of interest on the Bonds (see "TAX MATTERS" below and the forms of opinions of Co-Bond Counsel and Tax Counsel, attached hereto as Appendix C)

are subject to the approving legal opinions of Rodey, Dickason, Sloan, Akin & Robb, P.A. and Sherman & Howard L.L.C., Co-Bond Counsel to the State (“Co-Bond Counsel”), and by Gilmore & Bell, P.C., Tax Counsel to the State (“Tax Counsel”). Certain legal matters will be passed upon for the State of New Mexico by Kutak Rock LLP, Disclosure Counsel. Certain legal matters will be passed upon for the State of New Mexico by the Office of the Attorney General of the State of New Mexico.

## **TAX MATTERS**

The following is a summary of the material federal and State of New Mexico income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of New Mexico, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

### **Opinion of Tax Counsel**

In the opinion of Gilmore & Bell, P.C., Tax Counsel to the State, under the law currently existing as of the issue date of the Bonds:

***Federal Tax Exemption.*** The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

***Alternative Minimum Tax.*** Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

***State of New Mexico Tax Exemption.*** The interest on the Bonds is exempt from income taxation by the State of New Mexico.

Tax Counsel’s opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

***No Other Opinion.*** Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the heading “TAX MATTERS.”

### **Other Tax Consequences**

***Original Issue Discount.*** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Bond over its issue price. The stated redemption price at

maturity of a Bond is the sum of all payments on a Bond other than “qualified stated interest” (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

***Original Issue Premium.*** For federal income tax purposes, premium is the excess of the issue price of a Bond over its stated redemption price at maturity. The stated redemption price at maturity of a Bond is the sum of all payments on a Bond other than “qualified stated interest” (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

***Sale, Exchange or Retirement of the Bonds.*** Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bonds generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bonds (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Bonds. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

***Reporting Requirements.*** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Bonds, and to the proceeds paid on the sale of the Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

***Collateral Federal Income Tax Consequences.*** Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Tax Counsel expresses no opinion

regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

A copy of the proposed form of opinion of Tax Counsel is attached hereto in Appendix C.

## **LITIGATION**

At the time of the original delivery of the Bonds, the Board will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending, or, to the knowledge of the appropriate State officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the legislation authorizing the issuance of the Bonds, the levying or collecting of any taxes for the payment of the debt service on the Bonds (other than those cases described in Appendix B, which proceedings are not, in the opinion of the State Attorney General, reasonably expected to have a material effect on the bondholders), or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

The State is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations which proceedings are unrelated to the Bonds, and to the security therefor. In particular, the State is complying with court orders from certain litigation relating to education funding which have been (and will be included in future) school funding budgets from the State General Fund. See “FINANCIAL OVERVIEW OF THE STATE—Review of Results and Projections in the General Fund—*Education Funding Litigation*.” The ultimate disposition and impact of such educational litigation and other proceedings is not presently determinable. Such proceedings are not, in the opinion of the State Attorney General, reasonably expected to have a material adverse effect on the Bonds or the security for the payment of the Bonds for the following reason: The State is a party to suits in which the taxpayers contest the assessed value of their properties, but do not contest the validity of the State’s imposition of the tax itself. See Appendix B for a summary of litigation and administrative action or proceedings that impact property taxes.

## **FINANCIAL STATEMENTS**

Appendix A contains the State of New Mexico State Annual Report for the year ended June 30, 2020, the most recent year for which such financial statements are available.

## **FINANCIAL ADVISORS**

The Board has retained Fiscal Strategies Group, Inc., as Financial Advisor in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. Fiscal Strategies Group, Inc. has contracted with Public Resources Advisory Group (together with Fiscal Strategies Group, Inc., the “Financial Advisors”) with respect to the issuance of the Bonds. The Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement nor the information, covenants and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds. The Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The financial advisory fee for services performed with respect to the Bonds is contingent upon the issuance and delivery of the Bonds.

## **RATINGS**

The Bonds have received ratings from Moody's Investors Service, Inc., and S&P Global Ratings, as set forth on the cover of this Official Statement.

Such ratings reflect only the views of the respective organizations. An explanation of the significance of each rating may be obtained from the rating agency furnishing such rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any downward revision or withdrawal of either rating can be expected to have an adverse effect on the market price of the Bonds.

## **CONTINUING DISCLOSURE UNDERTAKING**

The Board will agree, by means of a continuing disclosure undertaking (the substantial form of which appears in Appendix D) to be delivered to the purchaser of the Bonds at closing, for the benefit of owners of the Bonds, to provide certain annual financial information relating to the State by no later than 210 days after the end of each fiscal year of the State, commencing with the fiscal year ending June 30, 2021, and to provide notices of occurrence of certain enumerated events. The Board will further agree in the continuing disclosure undertaking that if its audited financial statements are not provided as part of the annual financial information, the Board will provide such audited statements when available. The annual financial information and audited financial statements (when available) and material event notices will be filed by the Board with the Municipal Securities Rulemaking Board and with any New Mexico State Information Depository. In the event of a failure of the Board to comply with any provision of the continuing disclosure undertaking, any owner of Bonds (including beneficial owners of the Bonds) may seek specific performance by court order from the First Judicial District Court in Santa Fe County, New Mexico.

The continuing disclosure undertaking with respect to the Bonds will be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of: (i) the date the principal and interest on the Bonds is paid or deemed paid; (ii) the date the Board is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; and (iii) the date on which those portions of the Rule which require the continuing disclosure undertaking are held invalid or repealed.

## **MISCELLANEOUS**

The foregoing summaries, descriptions and references do not purport to be comprehensive or definitive, and such summaries, descriptions and references are qualified in their entirety by reference to each statute, document, exhibit or other materials summarized or described. The instruments and other materials referred to in this Official Statement may be examined, or copies thereof will be furnished in reasonable amounts, upon written request to the New Mexico State Board of Finance, 407 Galisteo Street, Bataan Memorial Building, Room 181, Santa Fe, New Mexico 87501, or by telephone at (505) 827-4980.

Statements made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. The Appendices are integral parts of this Official Statement and must be read with all other parts of this Official Statement.

This Official Statement has been authorized and issued by the Board.

STATE BOARD OF FINANCE  
OF THE STATE OF NEW MEXICO

By: \_\_\_\_\_



**APPENDIX A**

**STATE OF NEW MEXICO ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

# STATE OF NEW MEXICO COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019



*NM State capitol building*

*Source – Photobyjohnbo.wordpress.com*

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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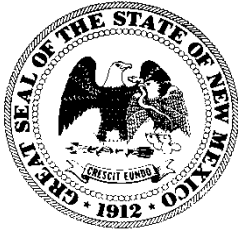
STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

# INTRODUCTORY SECTION



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**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**

*Michelle Lujan-Grisham*  
Governor

*Olivia Padilla-Jackson*  
Cabinet Secretary

*Donna Montoya-Trujillo*  
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, 2019.

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 this letter.

CliftonLarsonAllen LLP (CLA), an independent accounting firm and the New Mexico Office of the State Auditor, have 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, 2019 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. The existing group audit process affects timeliness, as CAFR development may only commence after completion of the underlying agency audits, some that were not complete until late December. 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. In addition, the State Auditor's Office is jointly auditing the CAFR to learn more about the process and make recommendations for changes to state law, rules, and regulations.

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 continuing.

## **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, 2019, which is required to be recorded on the financial statements, is \$6.8 billion for the primary government, an increase of \$0.71 billion. The State's share of the net OPEB liability, net of deferred items and

based on a measurement date of June 30, 2019, which is required to be recorded on the financial statements, is \$1.5 billion for the primary government.

## **ECONOMIC CONDITIONS AND OUTLOOK**

Economic Factors Affecting New Mexico's Fiscal Year 2019 Budget - New Mexico utilizes a consensus revenue estimating group (CREG) comprised of legislative and executive economists to forecast General Fund revenue so that the Executive and Legislature work with the same revenue forecast in preparing their respective General Fund operating budget recommendations.

New Mexico state revenues are highly sensitive to boom and bust cycles in the energy industry; the CREG conducts a Stress-Test on state revenues during the process. The establishment and use of Stress-Testing hedges against an economic downturn or an unforeseen downswing in the energy sector by targeting appropriate levels of general fund reserves to offset the impact of a major downturn.

The New Mexico economy grew moderately in fiscal year 2019 and the energy sector continued to provide significant contributions. Reflective of New Mexico economic growth, state wages and salaries grew by 4.9 percent and total personal income in the state grew by 4.6 percent. During fiscal year 2019, New Mexico employment growth averaged 1.9 percent, adding 15,800 jobs. Oil prices in fiscal year 2019 remained lower than oil prices in fiscal year 2018. New Mexico continued to be the third largest producing state for oil and the ninth largest for natural gas.

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.

*On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impact could occur though such potential impact is unknown at this time.*

## **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 are repaid from a dedicated statewide property tax. Article 9, Section 8 of the New Mexico Constitution limits General Obligation indebtedness to no more than one percent of the assessed valuation of all the property subject to taxation in the State. Severance Tax Bonds are used to finance statewide capital projects that have been authorized by the Legislature and approved by the Governor. Severance and Supplemental Severance Tax Bonds are repaid from revenues deposited into the Severance Tax Bonding Fund, which primarily include taxes on mineral production in the State. 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, 2019

### Executive

**Michelle Lujan Grisham, Governor**

**Howie Morales, Lieutenant Governor**

<b>Maggie Toulouse Oliver</b> Secretary of State	<b>Brian S. Colón</b> State Auditor	<b>Tim Eichenberg</b> State Treasurer	<b>Hector H. Balderas</b> Attorney General	<b>Stephanie Garcia Richard</b> Commissioner of Public Lands
-----------------------------------------------------	----------------------------------------	------------------------------------------	-----------------------------------------------	-----------------------------------------------------------------

- **Cynthia B. Hall**, Public Regulation Commission • **Jefferson L. Byrd**, Public Regulation Commission • **Valerie Espinoza**, Public Regulation Commission • **T. Becenti Aguilar**, Public Regulation Commission • **Stephen Fischmann**, Public Regulation Commission

### Judicial

<b>Judith K. Nakamura</b> Chief Justice of the Supreme Court	<b>Barbara J. Vigil</b> Justice of the Supreme Court	<b>Michael E. Vigil</b> Justice of the Supreme Court	<b>C. Shannon Bacon</b> Justice of the Supreme Court	<b>David K. Thomson</b> Justice of the Supreme Court
-----------------------------------------------------------------	---------------------------------------------------------	---------------------------------------------------------	---------------------------------------------------------	---------------------------------------------------------

- **J. Miles Hanisee**, Chief Judge of the Court of Appeals • **Linda M. Vanzi**, Judge of the Court of Appeals • **Julie J. Vargas**, Judge of the Court of Appeals • **Jennifer L. Attrep**, Judge of the Court of Appeals • **Kristina Bogardus**, Judge of the Court of Appeals • **Jacqueline R. Medina**, Judge of the Court of Appeals • **Megan P. Duffy**, Judge of the Court of Appeals • **Briana H. Zamora**, Judge of the Court of Appeals • **Zachary A. Ives**, Judge of the Court of Appeals

### Legislative - Senate

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

### Legislative – House of Representatives

<b>Brian Egolf, Jr.</b> Speaker of the House	<b>Sheryl Williams Stapleton</b> Majority Floor Leader	<b>James G. Townsend</b> Minority Floor Leader	<b>Doreen Y. Gallegos</b> Majority Whip
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# STATE OF NEW MEXICO

## ORGANIZATIONAL CHART

June 30, 2019

### Citizens of New Mexico



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

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STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

# FINANCIAL SECTION MANAGEMENT'S DISCUSSION AND ANALYSIS



HATCH NEW MEXICO  
SOURCE - SANTAFENETWORK.TV



## 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,  
Ms. Donna M. Trujillo, 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, 2019, 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 relates 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,  
 Ms. Donna M. Trujillo, State Controller of the New Mexico Department  
 of Finance and Administration, and  
 Mr. Brian Colón, New Mexico State Auditor

**Percentage Audited by Other Auditors**

<b><u>Government-Wide</u></b>	<b><u>Total Assets</u></b>	<b><u>Total Revenues</u></b>
Governmental activities	87%	90%
Business-type activities	99%	92%
Aggregate discretely presented component units	67%	32%

**Fund Statements**

Major governmental fund - General Fund	42%	54%
Major governmental fund - Debt Service Fund	100%	100%
Major governmental fund - Capital Projects Fund	36%	24%
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	50%	87%

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,  
 Ms. Donna M. Trujillo, State Controller of the New Mexico Department  
 of Finance and Administration, and  
 Mr. Brian Colón, New Mexico State Auditor

**Summary of Opinions**

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental activities	Qualified
Business-type activities	Unmodified
Major governmental fund – General Fund	Unmodified
Major governmental fund – Debt Service Fund	Unmodified
Major governmental fund – Capital Projects Fund	Unmodified
Major governmental fund – Severance Tax Fund	Unmodified
Major governmental fund – Land Grant Fund	Unmodified
Major enterprise fund - Educational Institutions Fund	Unmodified
Aggregate remaining fund information	Unmodified
Aggregate discretely presented component units	Unmodified

**Basis for Qualified Opinion on Governmental Activities**

The component auditor of the General Services Department, a significant component of the State, was unable to obtain sufficient audit evidence to support the completeness, existence, accuracy, and valuation of the reported land and construction in process balances on the General Services Department’s separately issued financial statements. As a result the component auditor issued a qualified opinion as reported in their separate opinion of the General Services Department financial statements.

**Qualified Opinion**

In our opinion, based on our audit and the reports of the other auditors, except for the matters described in the “*Basis for Qualified Opinion on Governmental Activities*” paragraphs above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities as of June 30, 2019, 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.

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,  
Ms. Donna M. Trujillo, State Controller of the New Mexico Department  
of Finance and Administration, and  
Mr. Brian Colón, New Mexico State Auditor

## **Unmodified Opinions**

In our opinion, based on our audit 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 as “Unmodified” in the schedule “Summary of Opinions” of the State, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

### Correction of Errors

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

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (pages 7-25), Budgetary Comparison Schedule – General Fund and Notes to Budgetary Reporting (pages 207-214), Schedules of Changes in Net Pension Liability (pages 215-219), Schedule of Changes in Net OPEB Liability (page 220); Schedules of Net Pension Liability (pages 221-225), Schedules of Net OPEB Liability (page 226-229), Schedules of Employer Contributions - Pension (pages 230-239), Schedules of Employer Contributions – OPEB (pages 240-242), Schedules of Investment Returns - Pension (pages 243-244), Schedule of Investment Returns – OPEB (pages 245-247), Schedule of Actuarial Methods and Assumptions – All Retirement Systems (page 248), Schedule of Actuarial Methods and Assumptions – New Mexico Retiree Health Care Authority (page 249), Schedule of the State of New Mexico’s Proportionate Share of the Net Pension Liability (pages 251-256), Schedule of the State of New Mexico’s Proportionate Share of the Net OPEB Liability (pages 257-258), and Schedule of the State’s Contributions (pages 260-267) 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.

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,  
Ms. Donna M. Trujillo, State Controller of the New Mexico Department  
of Finance and Administration, and  
Mr. Brian Colón, New Mexico State Auditor

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 combining statements and individual fund financial statements and schedules, introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and individual fund financial statements and schedules presented as other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2020 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**

Albuquerque, New Mexico  
March 31, 2020

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### INTRODUCTION

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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, 2019. 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

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#### Government-wide

##### Net Position of the Primary Government

- ✦ The primary government (governmental activities and business-type activities) ended fiscal year 2019 with a net position of \$31.4 billion, an increase of \$3 billion, or 10.5 percent, from the previous year.
- ✦ The net position is comprised of \$7.6 billion in capital assets, net of related debt, \$29 billion in restricted, and a deficit \$5.1 billion in unrestricted, excluding component units.
- ✦ As a result of operating activities, the primary government's total net position increased by \$3 billion, or 10.5 percent, in fiscal year 2019 when compared to the previous year's ending net position. The net position of governmental activities increased \$3.3 billion, or 12.16 percent, from previous year's ending net position.
- ✦ Program revenues for the primary government increased around 5.35 percent on a year to year basis. Taxes and other general revenues increased by 7.61 percent from previous year. Expenses of \$19.2 billion, increased by \$351 million, with the majority of the increase being in the Education and Education Institutional functions.
- ✦ The net position of the business-type activities decreased by \$283 million or 18.48 percent, from the previous year's ending net position. The business-type activities from the prior fiscal year saw an increase in total revenue by \$32 million and an increase in expenses by \$192 million. Program revenue increased by \$44 million while transfers increased by \$116 million.

##### Long-term Debt

- ✦ The State's long-term bonded debt decreased a net of \$340 million for both governmental and business-type activities, combined, due to the payment on the prior year bonds was higher than the issuance of new bonds. New bond issuance was \$65 million for governmental activities; composed of \$65 million for revenue bonds. New bond issuance for business type activities was \$18 million in revenue bonds. See Note 8 for more detailed information on long-term liabilities. More detailed information regarding the government-wide, fund level, and long-term debt activities can be found in the capital asset and debt administration section of this management's discussion and analysis (MD&A).

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### Fund Level

#### Governmental Funds

- ✚ As of June 30, 2019, the State's combined governmental funds reported a ending fund balance of \$29.8 billion, an increase of \$3 billion, or 11.34 percent, from fiscal year 2018 year's ending net position, (see the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances).
- ✚ Year to Year there was an increase in revenue of \$1.1 billion, primarily the result of higher investment and rental and royalty income and strengthened General and Selective Tax Revenues. Year to Year, expenditures increased by \$570 million. Operationally, expenditure increase in the areas of Education and Highway and Transportation being the primary drivers.
- ✚ The unassigned fund balance as of the end of fiscal year 2019 was \$1.6 billion.

#### Proprietary Funds

- ✚ The proprietary funds reported net position of \$1.3 billion as of June 30, 2019, a decrease of \$283 million, or 18.48 percent, from fiscal year 2018 ending net position.

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## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This report also includes statistical data.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### 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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### **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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### 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.

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## ADJUSTMENTS TO BEGINNING NET POSITION AND FUND BALANCES

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

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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#### Net Position

- ✚ Total Assets and Deferred Outflows of the State as of June 30, 2019, were \$47.2 billion, an increase of \$3.1 billion or 7 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 \$40.3 billion, an increase of \$3.1 billion, or 8.45 percent.
  - For business-type activities, total assets and deferred outflows were \$6.9 billion, a decrease of \$40 million or .6 percent.
  
- ✚ Total Liabilities and Deferred Inflows as of June 30, 2019 were \$15.8 billion, a decrease of \$102 million or .65 percent from prior fiscal year.
  - Total liabilities and deferred inflows for governmental activities were \$10.1 billion, down \$135 million, or 1.32 percent.
  - For business-type activities, total liabilities and deferred inflows were \$5.7 billion, an increase of \$237 million or 4.36 percent.
  
- ✚ The State's total net position of \$31.4 billion was \$3 billion or 10.5 percent higher in fiscal year 2019 compared to the prior year. Of the State's net position, \$7.6 billion was invested in capital assets, net of related debt, while \$29 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 \$5.1 billion deficit.

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

**State of New Mexico**  
**Net Position as of June 30, 2019**  
*(Expressed in Thousands)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 32,358,724	\$ 29,312,433	\$ 3,436,924	\$ 3,291,377	\$ 35,795,647	\$ 32,603,810
Capital Assets	7,113,854	7,170,922	2,587,985	2,554,238	9,701,839	9,725,161
Total Assets	\$ 39,472,578	\$ 36,483,355	\$ 6,024,909	\$ 5,845,615	45,497,487	42,328,969
Deferred Outflow of Resources	817,683	668,585	897,930	1,117,334	1,715,613	1,785,919
Current Liabilities	2,798,521	2,954,532	608,947	561,044	3,407,468	3,515,576
Long-term Liabilities	6,863,127	6,764,206	4,911,326	4,740,571	11,774,453	11,504,777
Total Liabilities	9,661,648	9,718,738	5,520,273	5,301,615	15,181,921	15,020,353
Deferred Inflows of Resources	438,655	516,465	151,785	133,637	590,440	650,102
Net Position:						
Net Investment in Capital Assets	5,826,283	5,866,806	1,770,690	1,755,991	7,596,973	7,622,797
Restricted	27,579,789	25,740,851	1,386,077	1,319,357	28,965,866	27,060,208
Unrestricted	(3,216,115)	(4,690,920)	(1,905,986)	(1,547,651)	(5,122,101)	(6,238,571)
<b>Total Net Position</b>	<b>\$ 30,189,958</b>	<b>\$ 26,916,737</b>	<b>\$ 1,250,781</b>	<b>\$ 1,527,697</b>	<b>\$ 31,440,739</b>	<b>\$ 28,444,434</b>
Percentage change in total net position from prior year	12.2 %		(18.1) %		10.5 %	

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### Changes in Net Position

The State's net position as of June 30, 2019, was \$31.4 billion which was \$3 billion greater than the 2018 net position restated. The State earned program revenues of \$12.6 billion, collected tax revenue of \$7.4 billion, and received \$2.2 billion of general revenues. Total revenues for 2019 were \$22.2 billion, an increase of \$1.2 billion, or 5.9 percent, from fiscal year 2018. Increased revenue was primarily attributable to the \$986 million increase in taxes and \$687 million in charges for services account for the remainder while other general revenues decreased by \$304 million. The expenses of the State were \$19.1 billion, an increase of \$262 million or 1.39 percent, from fiscal year 2018. 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 \$3.1 billion, whereas in fiscal year 2018 this amount was \$2.1 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 2019:

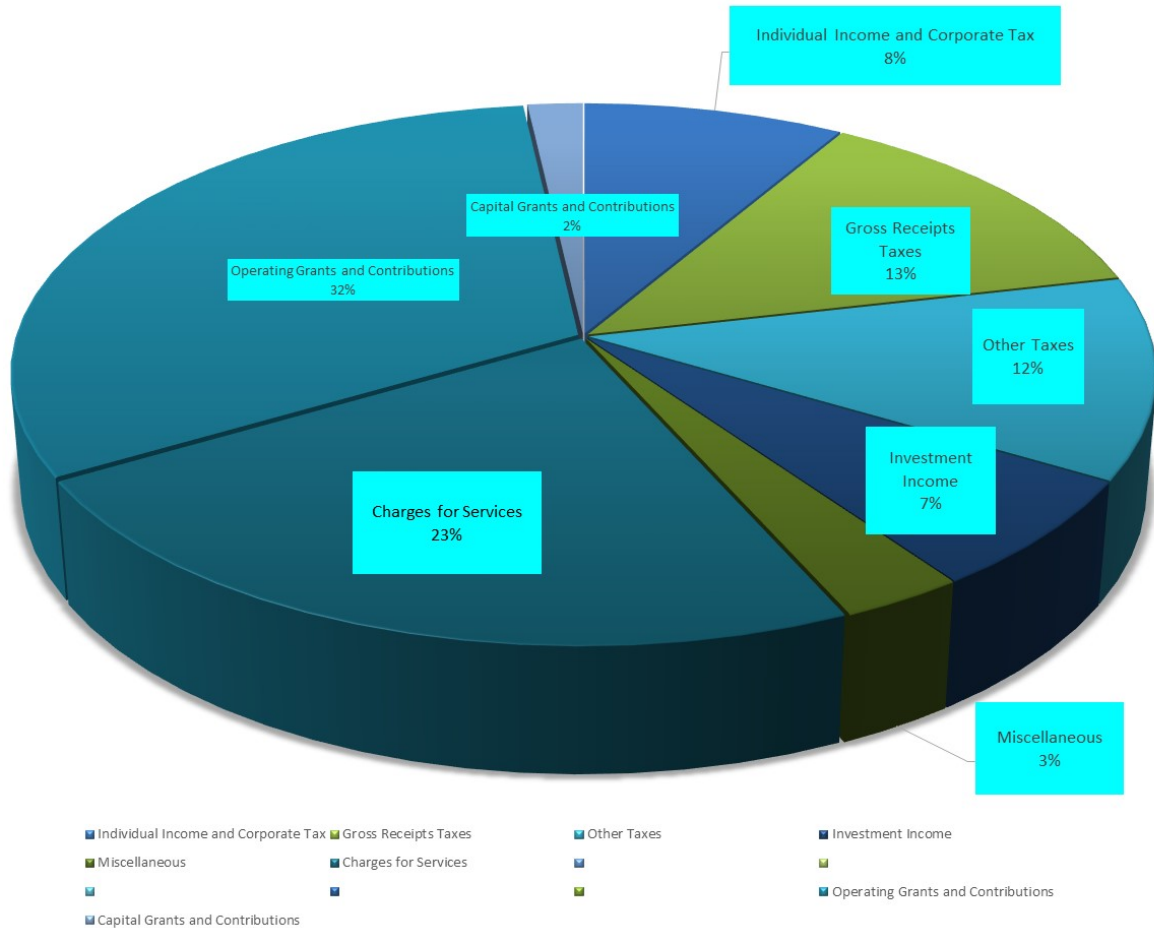
State of New Mexico Changes in Net Position							
For the Fiscal Year Ended June 30, 2019 (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2018 to 2019
	2019	2018	2019	2018	2019	2018	
<b>Revenues</b>							
General Revenues:							
Taxes	\$ 7,317,368	\$ 6,289,836	\$ 126,103	\$ 167,975	\$ 7,443,471	\$ 6,457,811	15.3 %
Other General Revenues	1,849,466	2,184,419	332,515	302,202	2,181,980	2,486,621	(12.3) %
Program Revenues:							
Charges for Services	3,013,662	2,392,591	2,159,341	2,093,262	5,173,003	4,485,852	15.3 %
Operating Grants and Contributions	6,363,981	6,850,440	663,285	697,032	7,027,265	7,547,473	(6.9) %
Capital Grants and Contributions	376,591	-	23,997	12,437	400,588	12,437	3,120.9 %
<b>Total Revenues</b>	<b>18,921,067</b>	<b>17,717,286</b>	<b>3,305,241</b>	<b>3,272,908</b>	<b>22,226,307</b>	<b>20,990,194</b>	<b>5.9 %</b>
<b>Expenses</b>							
General Control	949,925	1,244,170	-	-	949,925	1,244,170	(23.6) %
Culture, Recreation, and Natural Resources	263,383	247,368	-	-	263,383	247,368	6.5 %
Highway and Transportation	876,159	805,736	-	-	876,159	805,736	8.7 %
Judicial	341,818	306,806	-	-	341,818	306,806	11.4 %
Legislative	28,024	24,068	-	-	28,024	24,068	16.4 %
Public Safety	548,909	534,228	-	-	548,909	534,228	2.7 %
Regulation and Licensing	194,956	175,084	-	-	194,956	175,084	11.4 %
Health and Human Services	7,864,173	7,982,533	-	-	7,864,173	7,982,533	(1.5) %
Education	3,483,071	3,167,364	-	-	3,483,071	3,167,364	10.0 %
Indirect Interest on Long-term Debt	130,183	123,439	-	-	130,183	123,439	5.5 %
Special Items	-	-	-	-	-	-	-
Educational Institutions	-	-	3,844,397	3,645,245	3,844,397	3,645,245	5.5 %
Public Schools Insurance	-	-	370,389	354,996	370,389	354,996	4.3 %
Environmental Loans	-	-	2,726	1,526	2,726	1,526	100.0 %
Miners' Colliery Medical Center	-	-	37,506	34,807	37,506	34,807	7.8 %
Unemployment Insurance	-	-	137,995	166,040	137,995	166,040	(16.9) %
State Fair	-	-	15,919	16,357	15,919	16,357	(2.7) %
Other Business-type Activities	-	-	22,845	20,536	22,845	20,536	11.2 %
<b>Total Expenses</b>	<b>14,680,602</b>	<b>14,610,796</b>	<b>4,431,777</b>	<b>4,239,507</b>	<b>19,112,380</b>	<b>18,850,302</b>	<b>1.4 %</b>
Excess Before Transfers	4,240,465	3,106,490	(1,126,536)	(966,599)	3,113,929	2,139,892	
Transfers	(843,055)	(727,311)	843,055	727,311	(0)	-	
<b>Change in Net Position</b>	<b>3,397,410</b>	<b>2,379,179</b>	<b>(283,481)</b>	<b>(239,288)</b>	<b>3,113,930</b>	<b>2,139,892</b>	<b>45.5 %</b>
Net Position - Beginning, as Restated	26,792,548	24,537,558	1,534,262	1,766,984	28,326,810	26,304,542	
<b>Net Position - Ending</b>	<b>\$ 30,189,958</b>	<b>\$ 26,916,737</b>	<b>\$ 1,250,781</b>	<b>\$ 1,527,697</b>	<b>\$ 31,440,739</b>	<b>\$ 28,444,435</b>	<b>10.5 %</b>

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

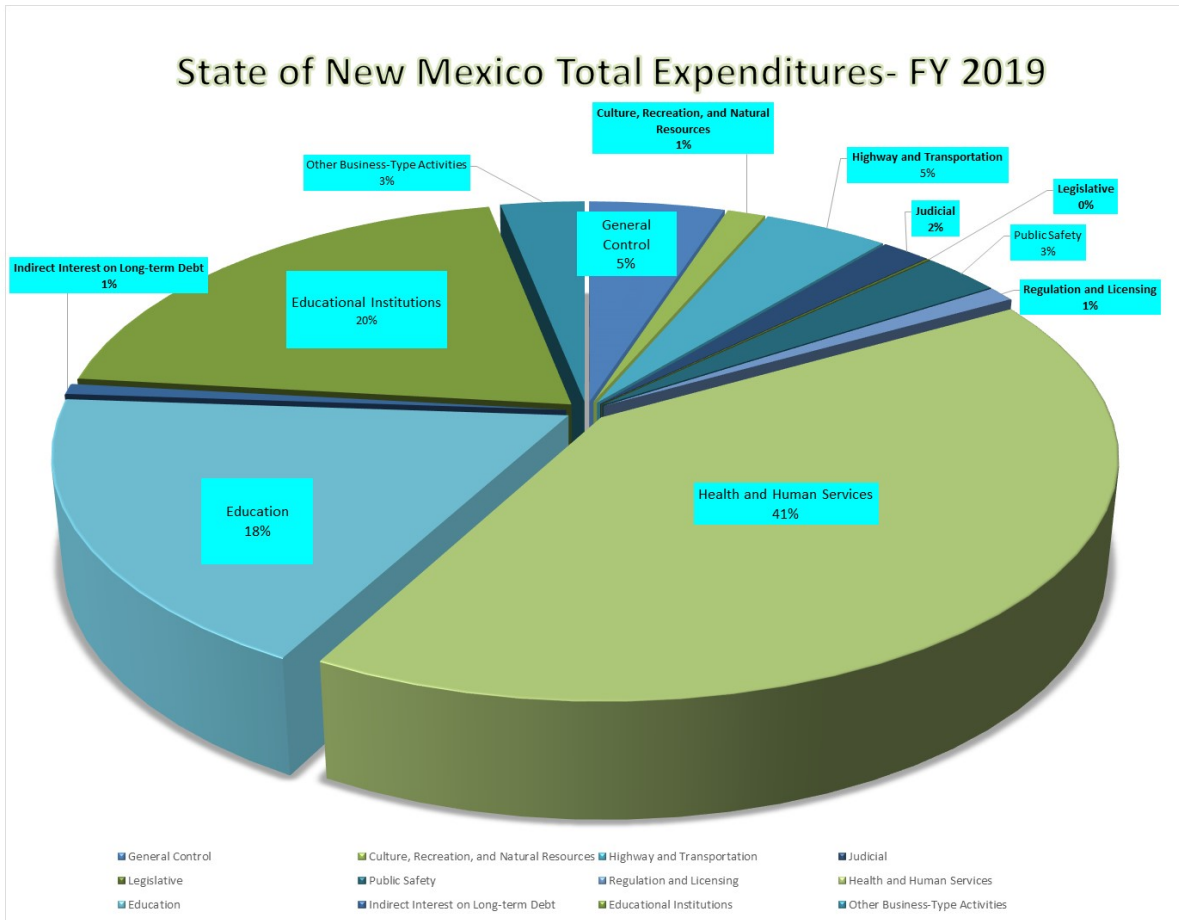
State of New Mexico Total Revenues - FY 2019



STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019



# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### Governmental Activities

Governmental activities program revenue was \$9.8 billion, consisting of operating grants and contributions of \$6.4 billion, capital grants and contributions of \$377 million, and \$3 billion in service charges. Program revenues increased \$511 million from the prior fiscal year the result of a \$486 million decrease in operating grants and contributions, a \$376 million increase in capital grants and contributions, along with a \$621 million increase in charges for services. Governmental activities expenses increased by \$70 million year to year bring the total to \$14.7 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 charges for services increased due to additional rent royalty for the general control function.

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 2019, state taxes and other general revenues covered 62.06 percent of expenses. The remaining 37.94 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, 2019**  
*(Expressed in Thousands)*

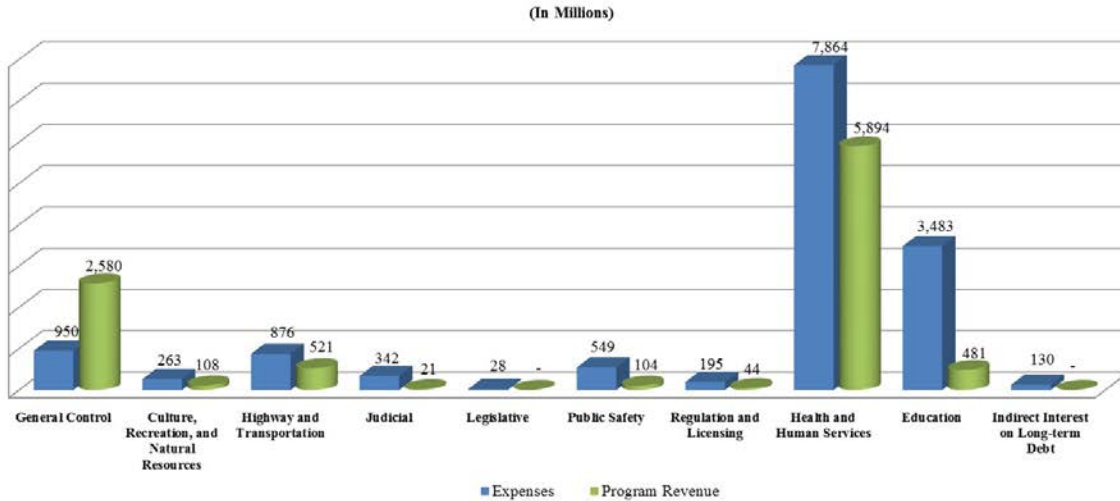
	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
	2019	2019	2019	2018	2019	2018
General Control	\$ 949,926	\$ (2,580,283)	\$ (1,630,357)	\$ (946,368)	271.6 %	176.1 %
Culture, Recreation, and Natural Resources	263,383	(107,868)	155,515	125,457	41.0 %	49.3 %
Highway and Transportation	876,159	(521,240)	354,919	280,025	59.5 %	65.2 %
Judicial	341,818	(21,009)	320,809	286,677	6.1 %	6.6 %
Legislative	28,024	0	28,024	24,068	-	-
Public Safety	548,909	(104,309)	444,600	462,696	19.0 %	13.4 %
Regulation and Licensing	194,956	(44,078)	150,878	130,796	22.6 %	25.3 %
Health and Human Services	7,864,173	(5,894,219)	1,969,954	1,958,446	75.0 %	75.5 %
Education	3,483,071	(481,228)	3,001,843	2,922,529	13.8 %	7.7 %
Indirect Interest on Long-term Debt	130,183	-	130,183	123,439	-	-
	<b>\$ 14,680,602</b>	<b>\$ (9,754,234)</b>	<b>\$ 4,926,368</b>	<b>\$ 5,367,765</b>	<b>66.4 %</b>	<b>63.3 %</b>

# STATE OF NEW MEXICO

## MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### STATE OF NEW MEXICO EXPENSES AND PROGRAM REVENUES: GOVERNMENTAL ACTIVITIES For the Fiscal Year Ended June 30, 2019



### Business-type Activities

Business-type activities generated program revenues of \$2.8 billion, including charges for services of \$2.2 billion, operating grants and contributions of \$663 million and \$24 million in capital grants and contributions. This was \$44 million more than the prior year, attributable to the education function. The total expenses for business-type activities were \$4.4 billion, an increase of \$192 million from the prior year. The largest change occurred in the education institution function, where expenses increase by \$199 million versus prior year and a \$15 million increase in public schools insurance and, offsetting this by \$28 million was a decrease in unemployment insurance. Net expenses exceeded program revenues from the primary government’s business-type activities by \$1.1 billion, an increase of \$160 million from the prior year.



# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

#### Fund Balances

At June 30, 2019, the State's governmental funds reported combined ending fund balances of \$29.8 billion. The State reported \$28.1 billion, or 94.2 percent, as restricted, including \$19 billion related to the Land Grant Fund, \$5.5 billion associated with the Severance Tax Fund and \$1.6 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, 2019. Committed, assigned, nonspendable and unassigned totaled \$1.7 billion, or 5.6 percent.

State of New Mexico  
Fund Balances as of June 30, 2019  
(Expressed in Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax	Land Grant	Totals Governmental Funds
Nonspendable	\$ 47,309	\$ -	\$ -	\$ -	\$ -	\$ 47,309
Restricted	1,389,540	535,184	1,578,346	5,528,038	19,047,479	28,078,586
Committed	35,352	-	-	-	-	35,352
Assigned	15,472	-	150	-	-	15,622
Unassigned	1,607,072	-	-	-	-	1,607,072
<b>Total</b>	<b>\$ 3,094,745</b>	<b>\$ 535,184</b>	<b>\$ 1,578,495</b>	<b>\$ 5,528,038</b>	<b>\$ 19,047,479</b>	<b>\$ 29,783,941</b>

Percent Change from Prior Year

11.3 %

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, 2019 totaled \$3.1 billion. Net change in General Fund balance, was an increase \$952 million. The General Fund ended the fiscal year 2019 with unassigned fund balance of \$1.6 billion.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

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

The initial fiscal year 2019 budget was adopted by the Legislature during the 2018 Regular Session. The General Fund original budgeted revenues for fiscal year 2019 were 5 percent higher than the fiscal year 2018 final budget basis revenues. During the year, federal revenue was \$839 million less than the final approved budget. After budget amendments, the actual expenditures in the General Fund were \$1.3 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, 2019, totaled \$5.5 billion, an increase of \$247 million, or 4.7 percent, related increase in investment earnings.

### **Land Grant Fund**

Fund balance at June 30, 2019, totaled \$19 billion, an increase \$1.1 billion, or 6.40 percent, reflective of increased investment earnings compared to the portfolio in the prior year.

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## FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Exclusive of Internal Service Funds, the State's proprietary funds reported Net Position of \$1.3 billion, a decrease of \$277 million from the prior year net position.

### **Educational Institutions**

Net Position at June 30, 2019, totaled \$329 million. Current period activity decreased the Net Position of the State's educational institutions by \$314 million, or 48.89 percent. For the fiscal year 2019 the State transferred \$871 million to the State's educational institutions, an increase of \$109 million, or 14.26 percent from fiscal year 2018.

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## 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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

-  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.

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### CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

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#### Capital Asset Activity

As of June 30, 2019, the State's investment in capital assets, net of accumulated depreciation, for governmental activities totaled \$5.8 billion and \$2.3 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 .34 percent in total, for governmental activities decrease of .69 percent and increase of .84 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, 2019

The State had the following bond ratings at June 30, 2019:

### State of New Mexico Bond Ratings at June 30, 2019

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

Revenue Bonds issuances during the year totaled \$83 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, 2019 (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2018 to 2019
	2019	2018	2019	2018	2019	2018	
General Obligation Bonds, Net	\$ 350,925	\$ 411,525	\$ -	\$ -	\$ 350,925	\$ 411,525	(14.7) %
Severance Tax Bonds, Net	814,370	943,670	-	-	814,370	943,670	(13.7) %
Revenue Bonds, Net	1,221,323	1,276,703	865,272	909,046	2,086,595	2,185,749	(4.5) %
Bond Premium, Discount, Net	257,988	304,222	41,791	46,147	299,781	350,369	(14.4) %
<b>Total Bonds Payable</b>	<b>\$ 2,644,607</b>	<b>\$ 2,936,121</b>	<b>\$ 907,063</b>	<b>\$ 955,194</b>	<b>\$ 3,551,671</b>	<b>\$ 3,891,315</b>	<b>(8.7) %</b>

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### ECONOMIC CONDITIONS AND OUTLOOK

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#### **Economic Factors Affecting New Mexico's Fiscal Year 2019 Budget**

New Mexico utilizes a consensus revenue estimating group (CREG) comprised of legislative and classified executive economists to forecast General Fund revenue so that the Executive and Legislature work with the same revenue forecast in preparing their respective General Fund operating budget recommendations. The CREG bases its State General revenue forecast on forecasts of the U.S. economy from IHS Global Insight and Moody's Analytics in combination with forecasts of the New Mexico economy prepared by the University of New Mexico's Bureau of Business and Economic Research and Moody's Analytics. Economic inputs are supplemented with information provided by state agencies, the Congressional Budget Office, and other national data sources. Historical information on the value and volume of crude oil and natural gas produced in the state is derived from the state's GenTax Database reporting system, and product price forecasts are derived from the national economic forecasting services and other sources.

#### **Trends in the U.S. Economy**

The U.S. economy continued to grow in State fiscal year 2019. The national economy, as measured by real gross domestic, grew by 2.6 percent in fiscal year 2019. Total employment levels averaged 2.4 million, or 1.5 percent, above fiscal year 2018. U.S. average hourly wages grew by 3.2 percent, exceeding inflation of 2.1 percent.

U.S. economic growth grew at a moderate pace in fiscal year 2019, with GDP growth of 2.6 percent. In fiscal year 2019 the international trade war created economic uncertainty and national analytics firms have warned of a potential recession on the horizon. The Federal Reserve is expected to lower short-term interest rates headed into fiscal year 2020, in an effort to bolster US economic strength.

In 2020 the economic outlook for the national economy has changed drastically. In calendar 2020Q1 the national economy is either in a recession or headed into one by 2020Q2. This is due to unprecedented policy actions around the world designed to contain the Covid-19 outbreak. Causing additional uncertainty has been the Saudi Arabia-Russia price war which has flooded the international market with an oversupply of oil. Coupled with the collapse in economic activity due to Covid-19 the national economy faces a recessionary event in 2020.

The economic outlook does not incorporate the changes in oil prices in 2020 as a result of the Covid-19 outbreak and the Saudi Arabia-Russia price war.

#### **New Mexico Economy**

The New Mexico economy grew moderately in fiscal year 2019 and the energy sector continued to provide significant contributions. Reflective of New Mexico economic growth, state wages and salaries grew by 4.9 percent and total personal income in the state grew by 4.6 percent. During fiscal year 2019, New Mexico employment growth averaged 1.9 percent, adding 15,800 jobs. During fiscal year 2019 the Mining Sector has continued to grow setting new record levels for rig count, oil production, and taxable gross receipts. The Mining sector added 2,000 jobs during fiscal year 2019. Other sectors driving growth in fiscal year 2019 were the Construction Sector, the Professional and Business Services Sector, and the Leisure and Hospitality sector increasing employment by 3,100 jobs, 2,000 jobs, and 1,800 jobs respectively.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

Natural gas prices remained low in fiscal year 2019. Oil prices in fiscal year 2019 have remained lower than oil prices in fiscal year 2018. However, this has been offset by record levels of oil production in fiscal year 2019. Average New Mexico prices in fiscal year 2019 for crude oil and natural gas were \$51.80 per barrel and \$3.05 per mcf, respectively. New Mexico continued to be the third largest producing state for oil and the ninth largest for natural gas.

### General Fund Revenue and Reserve Outlook

According to the December 2019 consensus revenue estimate, fiscal year 2019 recurring revenue is expected to have grown by 17.5 percent to over \$8 billion, while year-end financial reserves are estimated to be 28.9 percent of recurring appropriations. The growth in the revenue estimate is due to the increased oil and natural gas productions and the related revenues (both direct severance and direct gross receipts tax receipts from the industry) in fiscal year 2019 added to growth in personal and corporate income taxes and earnings on state balances.

Fiscal year 2020 recurring revenues are estimated to decline slightly by 2.9 percent when compared to fiscal year 2019. Total revenues for fiscal year 2020 are estimated to be around \$7.7 billion. The decline is due to an above average mineral rents and royalties payment received in fiscal year 2019. Mineral rent and royalties revenues are expected to return to trend in fiscal year 2020.

Oil and natural gas- related revenues are projected to be even higher than fiscal year 2019 levels as oil volumes continue to grow in fiscal year 2020. New Mexico oil prices are projected to average \$52.00 per barrel in fiscal year 2020. Natural gas prices have remained low and flat during the time period considered. New Mexico has vast amounts of natural gas in proved reserves. Natural gas production has increased as the energy industry increases its oil production. New Mexico is currently experiencing an oversupply of natural gas production. Putting downward on natural gas prices. New Mexico natural gas prices are expected to average \$2.10 per mcf in fiscal year 2020. Oil volumes are projected to increase by 16.5 percent and natural gas volumes are estimated to increase by 3.1 percent.

Oil and natural gas related growth, including severance, federal mineral leasing bonus and royalty payments and gross receipts tax revenue growth associated with oil exploration, is expected to be the largest driver of General Fund revenue growth in fiscal year 2020. Non-energy related growth in gross receipts tax is also expected as the Rio Grande corridor is expected to continue to see moderate growth, and food and medical hold harmless distributions to local governments continue to be phased out. Distributions from the Permanent Funds are also expected to contribute to growth, increasing general fund revenue by an estimated \$35 million in fiscal year 2020 due to a higher average 5-year market value driven by fund growth. Fiscal year 2020 ending reserves are projected to be \$2,406.7 million or 34 percent of recurring appropriations if no additional FY 2020 supplemental or special appropriations are made mid-year during the 2020 legislative session.

New Mexico is an energy state with a high degree of sensitivity to changes in the oil and natural gas markets. Energy-related revenues contribute significantly to the general fund. The economic outlook does not incorporate the changes oil prices in 2020 as a result of the Covid-19 outbreak and the Saudi Arabia-Russia price war. As this data are not available yet. These economic uncertainties are likely to negatively impact net income. Other financial impacts could occur though such potential impacts are unknown at this time.

## **STATE OF NEW MEXICO**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2019

### **CONTACT THE STATE'S FINANCIAL MANAGEMENT**

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

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

STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

# FINANCIAL SECTION

## BASIC FINANCIAL STATEMENTS



VALLES CALDERA  
SOURCE - [NEWMEXICONOMAD.COM](http://NEWMEXICONOMAD.COM)



# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION

June 30, 2019

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,442,562	\$ 1,049,744	\$ 2,492,306	\$ 177,883
Cash and Cash Equivalents - Restricted	15,613	34,050	49,663	275,333
Investment in State General Fund Investment Pool	5,503,539	188,258	5,691,797	-
Investment in Local Government Investment Pool	-	98,080	98,080	18,156
Internal Balances	153	(153)	-	-
Due From Component Units	6,396	11,470	17,866	-
Due From Primary Government	-	-	-	7,349
Due from Higher Educational Institutions	204	-	204	-
Receivables, Net	2,045,935	479,577	2,525,512	36,014
Loans Receivable, Net	20,402	10,745	31,147	164,936
Investments	5	506,702	506,707	34,195
Due from Broker	337,302	-	337,302	-
Prepaid Expenses	9,041	5,194	14,235	635
Inventories	31,851	28,749	60,600	425
Other Current Assets	7,089	18,135	25,224	3,605
Total Current Assets	9,420,092	2,430,551	11,850,643	718,531
Noncurrent Assets:				
Unrestricted Cash and Cash Equivalents	-	52,446	52,446	-
Restricted Cash and Cash Equivalents	725	82,744	83,469	47,829
Restricted Investments	-	58,293	58,293	1,654,296
Loans Receivable, Net	6,976	210,899	217,875	1,730,762
Receivables, Net	11,229	-	11,229	-
Due From Component Units	-	4,053	4,053	-
Investments	22,901,217	575,306	23,476,523	282,995
Derivative Instruments - Interest Rate Swaps	-	854	854	-
Net Pension Assets	18,485	-	18,485	-
Other Noncurrent Assets	-	21,778	21,778	88,854
Nondepreciable Capital Assets	1,291,387	269,850	1,561,237	22,363
Other Capital Assets, Net	5,822,467	2,318,135	8,140,602	83,574
Total Noncurrent Assets	30,052,486	3,594,358	33,646,844	3,910,673
Total Assets	39,472,578	6,024,909	45,497,487	4,629,204
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Interest Rate Swaps	-	7,186	7,186	-
Deferred Charge on Refunding	70,901	4,792	75,693	1,120
Deferred Outflows - OPEB	21,469	19,594	41,063	4,255
Deferred Outflows - Pension	725,313	866,358	1,591,671	81,356
Total Deferred Outflows of Resources	817,683	897,930	1,715,613	86,731

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

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION (CONTINUED)

June 30, 2019  
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 524,408	\$ 212,390	\$ 736,798	\$ 16,259
Accrued Liabilities	66,336	92,960	159,296	24,229
Accrued Interest	24,672	19	24,691	-
Unearned Revenue	14,682	89,949	104,631	2,268
Due to Primary Government	-	-	-	14,613
Due to Component Units	17,483	53	17,536	-
Due To Higher Educational Institutions	14,476	53	14,529	-
Due To Broker	368,102	-	368,102	-
Intergovernmental Payables	163,368	89	163,457	-
Other Obligations	223,042	1,439	224,481	-
Funds Held for Others	408,870	8,681	417,551	10,835
Bonds Payable - Current Portion:	339,899	50,108	390,007	138,157
Other Liabilities - Current Portion	633,183	153,206	786,389	427,336
Total Current Liabilities	<u>2,798,521</u>	<u>608,947</u>	<u>3,407,468</u>	<u>633,697</u>
Noncurrent Liabilities:				
Bonds Payable, Net of Current Portion:	2,304,708	856,956	3,161,664	2,324,487
Due to Primary Government	-	-	-	4,053
Net Pension Liability	3,341,570	3,485,718	6,827,288	263,215
Net OPEB Liability	1,035,068	432,301	1,467,369	63,324
Other Liabilities, Net of Current Portion	181,781	136,351	318,132	131,500
Total Noncurrent Liabilities	<u>6,863,127</u>	<u>4,911,326</u>	<u>11,774,453</u>	<u>2,786,579</u>
Total Liabilities	<u>9,661,648</u>	<u>5,520,273</u>	<u>15,181,921</u>	<u>3,420,276</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow - Pension	161,025	94,489	255,514	9,513
Deferred Inflow - OPEB	267,443	56,483	323,926	40,476
Deferred Inflow - other	10,187	813	11,000	4,969
	<u>438,655</u>	<u>151,785</u>	<u>590,440</u>	<u>54,958</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,826,283	1,770,690	7,596,973	40,125
Restricted for:				
Nonexpendable:				
Financial Aid	-	153,112	153,112	-
Endowment	-	95,520	95,520	-
Other Purposes	-	13,071	13,071	466,298
Expendable:				
Highway Construction and Maintenance	647,943	-	647,943	-
Education	143,817	667	144,484	-
Debt Service	21,091	69,010	90,101	82,223
Capital Projects	1,580,293	86,523	1,666,816	-
Scholarships	-	23,781	23,781	-
Unemployment and Insurance	-	482,104	482,104	-
Loan Programs	-	375,074	375,074	-
Other Purposes	25,186,646	87,215	25,273,861	621,297
Unrestricted Net Position	<u>(3,216,115)</u>	<u>(1,905,986)</u>	<u>(5,122,101)</u>	<u>30,758</u>
Total Net Position	<u>\$ 30,189,958</u>	<u>\$ 1,250,781</u>	<u>\$ 31,440,739</u>	<u>\$ 1,240,701</u>

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

# STATE OF NEW MEXICO

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	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		
<b>Primary Government:</b>								
Governmental Activities:								
General Control	\$ 949,926	\$ 2,563,050	\$ 17,233	\$ -	\$ 1,630,357	\$ -	\$ 1,630,357	\$ -
Culture, Recreation, and Natural Resources	263,383	57,330	50,538	-	(155,515)	-	(155,515)	-
Highway and Transportation	876,159	115,639	29,010	376,591	(354,919)	-	(354,919)	-
Judicial	341,818	17,873	3,136	-	(320,809)	-	(320,809)	-
Legislative	28,024	-	-	-	(28,024)	-	(28,024)	-
Public Safety	548,909	44,304	60,005	-	(444,600)	-	(444,600)	-
Regulation and Licensing	194,956	41,915	2,163	-	(150,878)	-	(150,878)	-
Health and Human Services	7,864,173	167,077	5,727,142	-	(1,969,954)	-	(1,969,954)	-
Education	3,483,071	6,474	474,754	-	(3,001,843)	-	(3,001,843)	-
Interest on Long-term Debt	130,183	-	-	-	(130,183)	-	(130,183)	-
<b>Total Governmental Activities</b>	<b>14,680,602</b>	<b>3,013,662</b>	<b>6,363,981</b>	<b>376,591</b>	<b>(4,926,368)</b>	<b>-</b>	<b>(4,926,368)</b>	<b>-</b>
Business-type Activities:								
Educational Institutions	3,844,396	1,732,441	642,171	23,997	-	(1,445,787)	(1,445,787)	-
Public Schools Insurance	370,389	375,555	-	-	-	5,166	5,166	-
Environmental Loans	2,726	-	7,859	-	-	5,133	5,133	-
Miners' Colfax Medical Center	37,506	16,875	8,809	-	-	(11,822)	(11,822)	-
Unemployment Insurance	137,995	189	4,446	-	-	(133,360)	(133,360)	-
State Fair - EXPO	15,919	12,182	-	-	-	(3,737)	(3,737)	-
Other Business-type Activities	22,846	22,099	-	-	-	(747)	(747)	-
<b>Total Business-type Activities</b>	<b>4,431,777</b>	<b>2,159,341</b>	<b>663,285</b>	<b>23,997</b>	<b>-</b>	<b>(1,585,154)</b>	<b>(1,585,154)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 19,112,379</b>	<b>\$ 5,173,003</b>	<b>\$ 7,027,266</b>	<b>\$ 400,588</b>	<b>(4,926,368)</b>	<b>(1,585,154)</b>	<b>(6,511,522)</b>	<b>-</b>
<b>Discretely Presented Component Units</b>								
New Mexico Finance Authority	\$ 104,622	\$ 57,981	\$ 11,588	\$ -	-	-	-	(35,053)
New Mexico Mortgage Finance Authority	51,108	14,049	78,249	-	-	-	-	41,190
Other Major Component Units	128,113	145,429	43,081	-	-	-	-	60,397
Nonmajor Component Units	219,466	2,330	45,350	-	-	-	-	(171,786)
<b>Total Component Unit Activities</b>	<b>\$ 503,309</b>	<b>\$ 219,789</b>	<b>\$ 178,268</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(105,252)</b>
General Revenues:								
Taxes:								
Individual Income					1,713,643	-	1,713,643	-
Corporate Income					179,781	-	179,781	-
Gross Receipts Taxes					2,869,466	-	2,869,466	-
Business Privilege					2,531,119	-	2,531,119	-
Unemployment Insurance					18,510	126,103	144,613	-
Other Taxes					4,849	-	4,849	-
Payment to the State of New Mexico					-	-	-	(75,080)
Payment From State of New Mexico					-	-	-	197,697
Operating Investment Income					1,407,042	23,776	1,430,818	-
Capital Gain					7,792	-	7,792	-
Non Operating Investment Income and Other					-	50,207	50,207	34,278
Miscellaneous					434,631	258,532	693,163	20,704
Transfers, Net					(843,055)	843,055	-	-
<b>Total Net General Revenues and Transfers</b>					<b>8,323,778</b>	<b>1,301,673</b>	<b>9,625,451</b>	<b>177,599</b>
<b>Change in Net Position</b>					<b>3,397,410</b>	<b>(283,481)</b>	<b>3,113,929</b>	<b>72,347</b>
<b>Net Position - Beginning, as Restated - See Note 9.C.</b>					<b>26,792,548</b>	<b>1,534,262</b>	<b>28,326,810</b>	<b>1,168,354</b>
<b>Net Position - Ending</b>					<b>\$ 30,189,958</b>	<b>\$ 1,250,781</b>	<b>\$ 31,440,739</b>	<b>\$ 1,240,701</b>

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

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# STATE OF NEW MEXICO

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

### **General Fund**

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

### **Debt Service Fund**

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

### **Capital Projects Fund**

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

### **Severance Tax Fund**

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

### **Land Grant Fund**

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

# STATE OF NEW MEXICO

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2019

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 41,654	\$ 13,892	\$ -
Investment in the State General Fund Investment Pool	2,928,344	306,379	1,648,769
Prepaid Expenses	908	-	-
Due From Other Funds	29,027	128,120	2,207
Due From Higher Educational	204	-	-
Due from Other Parties	6,132	-	265
Receivables, Net	2,013,313	1,357	10,868
Investments	243,280	85,607	-
Inventories	31,851	-	-
Other Assets	6	-	-
<b>Total Assets</b>	<b>\$ 5,294,719</b>	<b>\$ 535,355</b>	<b>\$ 1,662,109</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 450,451	\$ 169	\$ 58,292
Accrued Liabilities	65,430	-	22
Due To Other Funds	309,930	1	3,018
Due to Brokers	3,515	-	-
Intergovernmental Payables	171,592	-	16,652
Funds Held For Others	407,335	-	-
Other Obligations	672,105	1	5,476
Unearned Revenue	14,447	-	-
<b>Total Liabilities</b>	<b>2,094,805</b>	<b>171</b>	<b>83,460</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues	105,169	-	154
	105,169	-	154
<b>FUND BALANCES</b>			
Nonspendable	47,309	-	-
Restricted	1,389,540	535,184	1,578,345
Committed	35,352	-	-
Assigned	15,472	-	150
Unassigned (Deficit)	1,607,072	-	-
<b>Total Fund Balances</b>	<b>3,094,745</b>	<b>535,184</b>	<b>1,578,495</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,294,719</b>	<b>\$ 535,355</b>	<b>\$ 1,662,109</b>

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

# STATE OF NEW MEXICO

## BALANCE SHEET (CONTINUED)

### GOVERNMENTAL FUNDS

June 30, 2019

(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 274,526	\$ 1,128,828	\$ 1,458,900
Investment in the State General Fund Investment Pool	240,675	181,521	5,305,688
Prepaid Expenses	-	-	908
Due From Other Funds	8	153,740	313,102
Due From Higher Educational	-	-	204
Due from Other Parties	-	-	6,397
Receivables, Net	91,088	297,383	2,414,009
Investments	5,006,486	17,565,850	22,901,223
Inventories	-	-	31,851
Other Assets	-	-	6
<b>Total Assets</b>	<b>\$ 5,612,783</b>	<b>\$ 19,327,322</b>	<b>\$ 32,432,288</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 508,912
Accrued Liabilities	-	-	65,452
Due To Other Funds	-	-	312,949
Due to Brokers	84,745	279,843	368,103
Intergovernmental Payables	-	-	188,244
Funds Held For Others	-	-	407,335
Other Obligations	-	-	677,582
Unearned Revenue	-	-	14,447
<b>Total Liabilities</b>	<b>84,745</b>	<b>279,843</b>	<b>2,543,024</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues	-	-	105,323
	-	-	105,323
<b>FUND BALANCES</b>			
Nonspendable	-	-	47,309
Restricted	5,528,038	19,047,479	28,078,586
Committed	-	-	35,352
Assigned	-	-	15,622
Unassigned (Deficit)	-	-	1,607,072
<b>Total Fund Balances</b>	<b>5,528,038</b>	<b>19,047,479</b>	<b>29,783,941</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,612,783</b>	<b>\$ 19,327,322</b>	<b>\$ 32,432,288</b>

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

# STATE OF NEW MEXICO

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

June 30, 2019  
(In Thousands)

**Total Fund Balances - Governmental Funds** **\$ 29,783,941**

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 \$826 ISF)	\$ 1,290,561	
Buildings, Equipment, Infrastructure and Other Depreciable Assets (not including \$ 143,293 in Internal Service Fund balances)	16,470,667	
Accumulated Depreciation (less \$87,850 ISF)	<u>(10,703,644)</u>	7,057,584

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. 105,323

Prepaid warranty expenses recorded as expenditures in the governmental funds and recorded as an asset, net of amortization, in the Statement of Net Position 8,123

The deferred loss on bond refunding issues is not recognized in the governmental funds, but is recognized in the government-wide statements. 70,901

The net pension asset for the pension fund which has a positive net position is not reported in the funds statements 18,485

The pension and OPEB related deferred outflows of resources are not recognized in the government-wide statements, and neither are the deferred inflows of resources. (less \$11,457 and (\$6,548) for ISF)	735,325	
	<u>(421,920)</u>	313,405

The deferred gain on refunding is not recognized in the governmental funds, but is recognized the government-wide statements (10,187)

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. 15,023

Accrued interest payable is not recognized in the governmental funds statements (24,672)

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 \$50,887 for ISF)	\$ (3,290,683)	
Net OPEB liability (Less \$16,531 for ISF)	(1,018,537)	
Bonds payable, including bond premium and loans payable to component unit	(2,644,607)	
Compensated absences, notes payable, contingent liabilities, and other liabilities	<u>(192,702)</u>	(7,146,529)

Other (1,439)

**Total Net Position - Governmental Activities** **\$ 30,189,958**

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, 2019

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
<b>REVENUES</b>			
Taxes:			
General and Selective Taxes	\$ 4,622,354	\$ 772,015	6,975
Income Taxes	1,694,822	-	-
Total Taxes	<u>6,317,176</u>	<u>772,015</u>	<u>6,975</u>
Other Revenues:			
Federal Revenue	6,714,376	-	20,097
Investment Income (Loss)	122,313	30,777	369
Rentals and Royalties	1,331,343	-	3,389
Charges for Services	164,815	3,461	116
Licenses, Fees, and Permits	316,276	2,180	-
Assessments	14,976	-	7
Miscellaneous and Other	376,812	708	11,134
<b>Total Revenues</b>	<u>15,358,087</u>	<u>809,141</u>	<u>42,087</u>
<b>EXPENDITURES</b>			
Current:			
Culture, Recreation, and Natural Resources	221,378	167	22,393
Education	3,439,729	-	41,201
General Control	418,910	1,500	46,220
Health and Human Services	7,829,540	1,940	24,175
Highway and Transportation	464,368	-	39,563
Judicial	324,502	23	1,119
Legislative	27,331	-	-
Public Safety	539,302	-	1,263
Regulation and Licensing	162,600	-	25,674
Capital Outlay	356,868	308	130,327
Debt Service:			
Principal	94,031	473,613	-
Interest and Other Charges	52,634	67,790	-
<b>Total Expenditures</b>	<u>13,931,193</u>	<u>545,341</u>	<u>331,935</u>
<b>Excess Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>1,426,894</u>	<u>263,800</u>	<u>(289,848)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds Issued	53,755	-	256,363
Bond Premium	7,170	-	-
Proceeds from the Sale of Capital Assets	1,577	-	-
Transfers In	1,082,250	9,351	835,619
Transfers to Higher Ed	(761,232)	-	(44,955)
Transfers Out	(858,314)	(246,097)	(95,350)
Payment to Refunding Bond Escrow Agent	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(474,794)</u>	<u>(236,746)</u>	<u>951,677</u>
<b>Net Change in Fund Balances</b>	952,100	27,054	661,829
<b>Fund Balances - Beginning, as Restated -</b>			
<b>Due to Change in Inventory</b>	130	-	-
See Note 9.C.	2,142,515	508,130	916,666
<b>Fund Balances - Ending</b>	<u>\$ 3,094,745</u>	<u>\$ 535,184</u>	<u>1,578,495</u>

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

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2019

(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
<b>REVENUES</b>	\$ -	\$ -	\$ 5,401,344
Taxes:	-	-	1,694,822
General and Selective Taxes	-	-	7,096,166
Income Taxes	-	-	-
Total Taxes	-	-	6,734,473
Other Revenues:	233,141	1,015,673	1,402,273
Federal Revenue	-	912,111	2,246,843
Investment Income (Loss)	-	-	168,392
Rentals and Royalties	-	-	318,456
Charges for Services	-	-	14,983
Licenses, Fees, and Permits	-	-	388,654
Assessments	233,141	1,927,784	18,370,240
Miscellaneous and Other	-	-	-
<b>Total Revenues</b>	233,141	1,927,784	18,370,240
<b>EXPENDITURES</b>	-	-	243,938
Current:	-	-	3,480,930
Culture, Recreation, and Natural Resources	-	792	467,422
Education	-	-	7,855,655
General Control	-	-	503,931
Health and Human Services	-	-	325,644
Highway and Transportation	-	-	27,331
Judicial	-	-	540,565
Legislative	-	-	188,274
Public Safety	-	-	487,503
Regulation and Licensing	-	-	-
Capital Outlay	-	-	567,644
Debt Service:	-	-	120,424
Principal	-	-	-
Interest and Other Charges	-	792	14,809,261
<b>Total Expenditures</b>	-	792	14,809,261
<b>Excess Revenues Over (Under)</b>	233,141	1,926,992	3,560,979
<b>Expenditures</b>	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>	-	-	310,118
Bonds Issued	-	-	7,170
Bond Premium	-	-	1,577
Proceeds from the Sale of Capital Assets	245,455	-	2,172,675
Transfers In	-	(64,474)	(870,661)
Transfers to Higher Ed	(231,157)	(717,611)	(2,148,529)
Transfers Out	-	-	-
Payment to Refunding Bond Escrow Agent	14,298	(782,085)	(527,650)
<b>Total Other Financing Sources (Uses)</b>	14,298	(782,085)	(527,650)
<b>Net Change in Fund Balances</b>	247,439	1,144,907	3,033,329
<b>Fund Balances - Beginning, as Restated -</b>	-	-	130
<b>Due to Change in Inventory</b>	-	-	-
<b>See Note 9.C.</b>	5,280,599	17,902,572	26,750,482
<b>Fund Balances - Ending</b>	\$ 5,528,038	\$ 19,047,479	\$ 29,783,941

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, 2019

(In Thousands)

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 3,033,329</b>	
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	\$ 487,503	
Depreciation expense (less \$ 9,578 ISF)	<u>(513,464)</u>	(25,961)
Excess of capital outlay over depreciation expense		
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.		105,323
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.		47,128
The governmental funds statements report warranty costs as expenditures, but the government-wide statements report these as prepaid expenses, net of amortization.		8,123
Net capital gain on the disposal of a building is not recognized in the funds financial statements, but is recognized in the government-wide statements.		5,940
The change in estimate of a long-term receivable used for settlement of the Indian Water Rights liability is recognized only in the government-wide financial statements.		6,099
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 and Capital Lease Principal	\$ 567,644	
Bond and Note Proceeds, Net	<u>(321,618)</u>	246,026
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.	\$ (9,316)	
	<u>53,164</u>	43,848
The deferred loss (less deferred gain) on refunding bond issues is capitalized and the amortization is reported in the Statement of Activities.		(20,876)
Pension expense and OPEB expense (revenue) of governmental funds is recognized in the Statement of Activities but not in the funds statements.	\$ (225,556)	
	<u>21,227</u>	(204,329)
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	\$ (1,227)	
Note Payable	(1,250)	
Native American Water Rights Liability	6,974	
Accrued Interest on Bonds Payable	(925)	
Pollution Remediation Obligation	23	
Contingent Liability	<u>153,600</u>	157,195
Other		<u>(4,435)</u>
<b>Change in Net Position of Governmental Activities</b>		<b>\$ 3,397,410</b>

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

# STATE OF NEW MEXICO

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## PROPRIETARY FUND FINANCIAL STATEMENTS

### **Educational Institutions Fund**

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

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

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

### **Internal Service Fund**

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

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2019

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 534,990	\$ 514,754	\$ 1,049,744	\$ -
Cash and Cash Equivalents - Restricted	34,050	-	34,050	-
Investment in the State General Fund Investment Pool	-	188,258	188,258	197,852
Investment in the Local Government Investment Pool	33,924	64,156	98,080	-
Due From Other Funds	-	-	-	16,279
Due From Component Unit	11,470	-	11,470	-
Receivables, Net	421,639	68,683	490,322	7,747
Investments	506,702	-	506,702	-
Inventories	27,122	1,627	28,749	-
Other Current Assets	23,011	318	23,329	11
<b>Total Current Assets</b>	<b>1,592,908</b>	<b>837,796</b>	<b>2,430,704</b>	<b>221,889</b>
Noncurrent Assets:				
Unrestricted Cash and Cash Equivalents	52,446	-	52,446	-
Restricted Cash and Cash Equivalents	82,744	-	82,744	-
Loans Receivable	18,227	192,672	210,899	-
Investments	545,431	29,875	575,306	-
Restricted Investments	58,293	-	58,293	-
Due From Component Units	4,053	-	4,053	-
Derivative Instruments - Interest Rate Swaps	854	-	854	-
Other Noncurrent Assets	21,778	-	21,778	-
Nondepreciable Capital Assets	268,078	1,772	269,850	826
Capital Assets, Net	2,256,460	61,675	2,318,135	55,442
<b>Total Noncurrent Assets</b>	<b>3,308,364</b>	<b>285,994</b>	<b>3,594,358</b>	<b>56,268</b>
<b>Total Assets</b>	<b>4,901,272</b>	<b>1,123,790</b>	<b>6,025,062</b>	<b>278,157</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Interest Rate Swaps	7,186	-	7,186	-
Deferred Charge on Refunding	4,792	-	4,792	-
Deferred Outflows - OPEB	19,299	295	19,594	342
Deferred Outflows - Pension	856,795	9,563	866,358	11,115
<b>Total Deferred Outflows of Resources</b>	<b>888,072</b>	<b>9,858</b>	<b>897,930</b>	<b>11,457</b>

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

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION PROPRIETARY FUNDS (CONTINUED)

June 30, 2019

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 210,217	\$ 2,173	\$ 212,390	\$ 15,500
Deficiency in SGFIP	-	-	-	-
Accrued Liabilities	87,172	5,807	92,979	883
Unearned Revenue	68,869	21,080	89,949	235
Due to Other Funds	-	153	153	16,278
Due to Component Unit	53	-	53	-
Due To Higher Educational Insitutions	-	53	53	-
Funds Held for Others	7,967	714	8,681	6
Bonds Payable, Current Portion	49,078	1,030	50,108	-
Other Liabilities, Current Portion	121,387	33,347	154,734	91,745
<b>Total Current Liabilities</b>	<b>544,743</b>	<b>64,357</b>	<b>609,100</b>	<b>124,647</b>
Noncurrent Liabilities:				
Bonds Payable, Net of Current Portions	848,961	7,995	856,956	-
Net Pension Liability	3,441,938	43,780	3,485,718	50,887
Net OPEB Liability	418,077	14,224	432,301	16,531
Other Liabilities, Net of Current Portion	60,810	75,541	136,351	75,978
<b>Total Noncurrent Liabilities</b>	<b>4,769,786</b>	<b>141,540</b>	<b>4,911,326</b>	<b>143,396</b>
<b>Total Liabilities</b>	<b>5,314,529</b>	<b>205,897</b>	<b>5,520,426</b>	<b>268,043</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow - Pension	92,531	1,958	94,489	2,276
Deferred Inflow - OPEB	52,807	3,676	56,483	4,272
Deferred Inflow - Other	813	-	813	-
<b>Total Deferred Inflows of Resources</b>	<b>146,151</b>	<b>5,634</b>	<b>151,785</b>	<b>6,548</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,716,268	54,422	1,770,690	56,268
Restricted:				
Nonexpendable:				
Scholarships and Student Loans	153,112	-	153,112	-
Endowment	95,520	-	95,520	-
Other Purposes	13,738	-	13,738	-
Expendable:				
Debt Service	69,010	-	69,010	-
Capital Projects	86,523	-	86,523	-
Scholarships	23,781	-	23,781	-
Unemployment and Insurance	-	482,104	482,104	-
Loans	15,613	359,461	375,074	-
Other Purposes	17,682	69,533	87,215	58,510
Unrestricted (Deficit)	(1,862,583)	(43,403)	(1,905,986)	(99,755)
<b>Total Net Position</b>	<b>\$ 328,664</b>	<b>\$ 922,117</b>	<b>\$ 1,250,781</b>	<b>\$ 15,023</b>

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

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2019

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 170,868	\$ 426,900	\$ 597,768	\$ 498,001
Unemployment Insurance	-	126,103	126,103	-
Federal Revenue	371,603	21,115	392,718	-
State, Local, and Private Grants and Contracts	121,872	81	121,953	-
Loans and Other Income	-	8,336	8,336	-
Student Tuition and Fees, Net	268,011	-	268,011	-
Patient Services/Clinical Operations	1,293,562	-	1,293,562	-
Other Operating Revenues	116,738	4,097	120,835	2,238
<b>Total Operating Revenues</b>	<b>2,342,654</b>	<b>586,632</b>	<b>2,929,286</b>	<b>500,239</b>
<b>OPERATING EXPENSES</b>				
Benefits, Claims, and Premiums	-	144,077	144,077	-
Education and General Administration	3,030,830	-	3,030,830	-
General and Administrative	-	424,448	424,448	466,962
Insurance Losses	-	-	-	-
Depreciation and Amortization	173,869	4,991	178,860	9,578
Other Operating Expenses	610,057	13,863	623,920	457
<b>Total Operating Expenses</b>	<b>3,814,756</b>	<b>587,379</b>	<b>4,402,135</b>	<b>476,997</b>
<b>Operating Income (Loss)</b>	<b>(1,472,102)</b>	<b>(747)</b>	<b>(1,472,849)</b>	<b>23,242</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Private Grants and Gifts	40,760	-	40,760	-
State Permanent Fund Income	-	-	-	-
Government Grants and Contracts	229,808	-	229,808	-
Interest and Investment Income	50,206	15,440	65,646	4,806
Interest and Other Expenses on Capital				
Interest-related Debt	(29,643)	-	(29,643)	-
Gain (Loss) on Sale of Capital Assets	569	(41)	528	275
Other Revenue (Expense)	11,962	3,255	15,217	9,315
<b>Total Nonoperating Revenues (Expenses)</b>	<b>303,662</b>	<b>18,654</b>	<b>322,316</b>	<b>14,396</b>
<b>Income (Loss) Before Transfers and Other Revenues (Expenses)</b>	<b>(1,168,440)</b>	<b>17,907</b>	<b>(1,150,533)</b>	<b>37,638</b>
<b>CAPITAL CONTRIBUTIONS AND ENDOWMENTS</b>				
Capital Grants and Gifts	11,003	-	11,003	-
Permanent Fund/Endowment Contributions	12,994	-	12,994	-
<b>Total Capital Contributions and Endowments</b>	<b>23,997</b>	<b>-</b>	<b>23,997</b>	<b>-</b>
<b>TRANSFERS</b>				
Transfers In	870,661	13,973	884,634	36,406
Transfers Out	(40,600)	(979)	(41,579)	(26,916)
<b>Total Transfers</b>	<b>830,061</b>	<b>12,994</b>	<b>843,055</b>	<b>9,490</b>
<b>Change in Net Position</b>	<b>(314,382)</b>	<b>30,901</b>	<b>(283,481)</b>	<b>47,128</b>
<b>Net Position - Beginning, as Restated - See Note 9.C.</b>	<b>643,046</b>	<b>891,216</b>	<b>1,534,262</b>	<b>(32,105)</b>
<b>Net Position - Ending</b>	<b>\$ 328,664</b>	<b>\$ 922,117</b>	<b>\$ 1,250,781</b>	<b>\$ 15,023</b>

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



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# STATE OF NEW MEXICO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2019

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from:				
Fees for Service	\$ 266,132	\$ 408,907	\$ 675,039	\$ 495,037
Sale of Products	1,421,615	20,169	1,441,784	-
Gifts, Grants, and Contracts	501,038	12,287	513,325	-
Loan and Note Repayments	27,443	10,866	38,309	-
Unemployment Insurance	-	142,434	142,434	-
Other Sources	41,267	11,516	52,783	(9)
Cash Payments to or for:				
Suppliers	(1,068,295)	(91,291)	(1,159,586)	(447,317)
Employees	(1,991,323)	(28,441)	(2,019,764)	(20,851)
Unemployment Benefits	-	(138,875)	(138,875)	-
Student Loans and Loan Losses	(49,427)	(302,129)	(351,556)	-
Other Payments	(25,507)	(37,751)	(63,258)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(877,057)</b>	<b>7,692</b>	<b>(869,365)</b>	<b>26,860</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	697,294	21,681	718,975	36,405
Transfers Out	(40,600)	(8,686)	(49,286)	(26,917)
Gifts for Other Than Capital Purposes	95,343	-	95,343	-
Intergovernmental Receipts	236,911	1,501	238,412	-
Other	4,476	1,179	5,655	13,341
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>993,424</b>	<b>15,675</b>	<b>1,009,099</b>	<b>22,829</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(198,056)	(1,877)	(199,933)	(5,960)
Capital Gifts, Grants, and Contracts	-	-	-	-
Capital Debt Service Payments - Principal	(42,053)	(1,244)	(43,297)	-
Capital Debt Service Payments - Interest	(33,253)	-	(33,253)	-
Capital Contributions and Debt Proceeds	120,883	-	120,883	-
Proceeds from Sale of Capital Assets	1,452	-	1,452	236
Other	(760)	-	(760)	(4,695)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(151,787)</b>	<b>(3,121)</b>	<b>(154,908)</b>	<b>(10,419)</b>

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

# STATE OF NEW MEXICO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2019

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts of Interest and Dividends of Investments	\$ 26,599	\$ 13,896	\$ 40,495	\$ 4,807
Purchase of Investments	(260,894)	-	(260,894)	-
Receipts of Rent	16,349	-	16,349	-
Proceeds from Sale and Maturity of Investments	261,197	(4)	261,193	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>43,251</b>	<b>13,892</b>	<b>57,143</b>	<b>4,807</b>
<b>Net Increase (Decrease) in Cash</b>	<b>7,831</b>	<b>34,138</b>	<b>41,969</b>	<b>44,077</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>730,323</b>	<b>733,030</b>	<b>1,463,353</b>	<b>153,776</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 738,154</b>	<b>\$ 767,168</b>	<b>\$ 1,505,322</b>	<b>\$ 197,853</b>
<b>Cash and Cash Equivalents</b>				
Unrestricted	\$ 587,435	\$ 514,754	\$ 1,102,189	\$ -
Restricted	116,795	-	116,795	-
Investment in the Local Government Investment Pool	33,925	64,156	98,081	-
Investment in the State General Fund Investment Pool	-	188,258	188,258	197,852
<b>Total Cash and Cash Equivalents</b>	<b>\$ 738,154</b>	<b>\$ 767,168</b>	<b>\$ 1,505,323</b>	<b>\$ 197,852</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (1,472,102)	\$ (747)	\$ (1,472,849)	\$ 23,242
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	173,877	4,991	178,868	9,577
Bad Debt Expense	123,862	2,101	125,963	-
Realized (Gain) Loss on Disposal of Assets	122	374	496	-
Unrealized (Gain) Loss on Investments	(976)	-	(976)	-
Change in Net Pension Liability	306,616	4,168	310,784	711
Change in Net OPEB Liability	(5,420)	342	(5,078)	(1,831)
Change in Deferred Outflow of Resources	145,253	-	145,253	-
Change in Deferred Inflow of Resources	14,622	-	14,622	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
Short-term Investments	-	-	-	-
Receivables/Due From Other Funds	(194,962)	234	(194,728)	8,818
Notes/Loans	117	(15,486)	(15,369)	-
Inventories	1,536	221	1,757	-
Prepaid Items/Other Assets	2,598	60	2,658	2
Insurance Claims Payable	-	-	-	(5,911)
Accounts Payable/Accrued Liabilities/Due To Other Funds	29,927	4,853	34,780	(7,748)
Loss Adjustments	-	6,083	6,083	-
Unearned Revenue	(2,127)	498	(1,629)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (877,057)</b>	<b>\$ 7,692</b>	<b>\$ (869,365)</b>	<b>\$ 26,860</b>

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

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# STATE OF NEW MEXICO

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## FIDUCIARY FUNDS FINANCIAL STATEMENTS

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

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

### **External Investment Trust Funds**

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

### **Private Purpose Trust Funds**

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

### **Agency Funds**

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

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

# STATE OF NEW MEXICO

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

June 30, 2019

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,175,515	\$ 2,857	\$ 7,966	\$ 22,385
Investment in State General Fund Investment Pool	70,742	-	69,682	62,985
Investment in Local Government Investment Pool	105	-	-	1,905
Investments:				
U.S. Government and Agency Securities	1,110,697	-	-	-
International Securities	2,671,892	-	-	-
Corporate Equity Securities	7,423,090	-	-	-
Corporate and Municipal Bonds	3,258,637	-	-	-
Partnerships and Other Investments	14,657,210	-	-	-
Securities Lending Collateral Investments	341,651	-	-	-
Deferred Comp. Plan Invest.	630,988	-	-	-
Long Term Investments	-	753,689	3,116,060	-
Receivables:				
Brokers	1,488,485	2,850	1,217	-
Accrued Interest and Other	16,160	-	2,543	-
Participant Loans	12,813	-	-	94
Due from Component Units	283	-	-	-
Other Receivables	137,824	1,366	3,949	354,573
Capital Assets, Net	14,139	-	-	-
<b>Total Assets</b>	<b>33,010,231</b>	<b>760,762</b>	<b>3,201,417</b>	<b>\$ 441,942</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows of Resources	-	-	532	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>532</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts Payable	14,687	-	2,440	610
Accrued Liabilities	585	-	6,031	94
Due to Brokers	1,976,328	3,272	521	-
Intergovernmental Payables	-	-	-	396,143
Unearned Revenue	421	-	-	-
Deposits Held in Trust	2,195	-	-	26,350
Due to Component Units	-	-	-	13,685
Due to Higher Educational Inst	-	-	-	-
Other Liabilities	366,587	20	490	5,060
Other Obligations	33	-	119,000	-
<b>Total Liabilities</b>	<b>2,360,836</b>	<b>3,292</b>	<b>128,482</b>	<b>\$ 441,942</b>
<b>NET POSITION</b>				
Restricted for:				
Pension Benefits	29,247,630	-	-	-
Other Postemployment Benefits	756,748	-	-	-
Defined Contribution	645,017	-	-	-
External Investment Pool Participants	-	757,470	-	-
Other Purposes	-	-	3,073,467	-
<b>Net Position</b>	<b>\$ 30,649,395</b>	<b>\$ 757,470</b>	<b>\$ 3,073,467</b>	<b>-</b>

# STATE OF NEW MEXICO

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the Year Ended June 30, 2019

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employee Contributions	\$ 802,844	\$ -	\$ -
Employer Contributions	882,995	-	-
Member Contributions	-	-	942,184
Other	8	-	141,966
<b>Total Contributions</b>	<u>1,685,847</u>	<u>-</u>	<u>1,084,150</u>
 Pool Participant Deposits	 -	 764,246	 -
 Investment Income (Loss):			
Net Increase (Decrease) in			
Fair Value of Investments	1,786,510	-	25,898
Interest and Dividends	457,312	19,472	110,190
	<u>2,243,822</u>	<u>19,472</u>	<u>136,088</u>
Less Investment Expense	179,306	-	4,270
<b>Net Investment Income</b>	<u>2,064,516</u>	<u>19,472</u>	<u>131,818</u>
 Other Additions			
General Fund Appropriation	-	-	20,000
Other Operating Revenues	58,316	-	43,151
<b>Total Other Additions</b>	<u>58,316</u>	<u>-</u>	<u>63,151</u>
 <b>Total Additions</b>	 <u>3,808,679</u>	 <u>783,718</u>	 <u>1,279,119</u>
 <b>DEDUCTIONS</b>			
Benefits and Claims	2,375,251	-	-
Distributions	-	688,332	1,053,876
Refunds	97,827	-	146,162
General and Administrative Expenses	323,004	40,284	36,501
Other Operating Expenses	1,251	-	18,056
<b>Total Deductions</b>	<u>2,797,333</u>	<u>728,616</u>	<u>1,254,595</u>
 <b>Change in Net Position</b>	 1,011,346	 55,102	 24,524
<b>Net Position - Beginning, as Restated</b>	<u>29,638,049</u>	<u>702,368</u>	<u>3,048,943</u>
<b>Net Position - Ending</b>	<u>\$ 30,649,395</u>	<u>\$ 757,470</u>	<u>\$ 3,073,467</u>

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# STATE OF NEW MEXICO

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## COMPONENT UNIT FINANCIAL STATEMENTS

June 30, 2019

### **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, 2019. 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, 2019

(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
<b>ASSETS</b>							
Current Assets:							
Cash and Cash Equivalents	\$ 28,058	\$ 56,344	\$ 6,027	\$ 6,879	\$ 16,994	\$ 63,581	\$ 177,883
Investment in Local Government							
Investment Pool	-	6,096	-	-	-	12,060	18,156
Restricted Cash and Cash Equivalents	265,510	-	3,585	-	-	6,238	275,333
Investments	-	-	-	-	363	33,832	34,195
Due From Primary Government	-	-	-	-	-	7,349	7,349
Due From Other Components	-	-	-	-	-	-	-
Receivables, Net	10,709	4,183	1,167	1,016	13,289	5,650	36,014
Loans Receivable, Current	164,921	-	-	-	-	15	164,936
Prepaid Expenses	162	-	137	-	-	336	635
Other Assets	-	3,209	-	396	-	-	3,605
Inventory	-	-	153	-	-	272	425
<b>Total Current Assets</b>	<b>469,360</b>	<b>69,832</b>	<b>11,069</b>	<b>8,291</b>	<b>30,646</b>	<b>129,333</b>	<b>718,531</b>
Noncurrent Assets:							
Restricted Cash and Cash Equivalents	-	47,308	-	-	-	521	47,829
Restricted Investments	408,804	967,233	-	229,872	-	48,387	1,654,296
Loans Receivable, Net	1,477,364	231,937	-	1,381	-	20,080	1,730,762
Due From Primary Government	-	-	-	-	-	-	-
Investments	-	57,501	-	6,658	141,988	76,848	282,995
Other Noncurrent Assets	-	10,985	-	25,356	49,567	2,946	88,854
Nondepreciable Capital Assets	819	512	744	-	-	20,288	22,363
Other Capital Assets, Net	235	672	2,485	-	77	80,105	83,574
<b>Total Noncurrent Assets</b>	<b>1,887,222</b>	<b>1,316,148</b>	<b>3,229</b>	<b>263,267</b>	<b>191,632</b>	<b>249,175</b>	<b>3,910,673</b>
<b>Total Assets</b>	<b>2,356,582</b>	<b>1,385,980</b>	<b>14,298</b>	<b>271,558</b>	<b>222,278</b>	<b>378,508</b>	<b>4,629,204</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Charge on Refunding	744	376	-	-	-	-	1,120
Deferred Outflows - OPEB	-	-	-	-	-	4,255	4,255
Deferred Outflows - Pension	-	-	-	-	-	81,356	81,356
<b>Total Deferred Outflows</b>	<b>744</b>	<b>376</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,611</b>	<b>86,731</b>

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF NET POSITION (CONTINUED)

### COMPONENT UNITS

June 30, 2019

(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
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts Payable	407	9,439	2,028	158	189	4,038	16,259
Accrued Liabilities	210	5,880	-	1,947	2,358	13,834	24,229
Unearned Revenue	-	-	-	-	-	2,268	2,268
Due to Primary Government	-	-	3,144	4,466	2,151	4,852	14,613
Funds Held for Others	-	10,575	-	-	-	260	10,835
Bonds Payable	117,215	20,942	-	-	-	-	138,157
Other Liabilities	393,813	25,477	4,507	1,583	503	1,453	427,336
<b>Total Current Liabilities</b>	<b>511,645</b>	<b>72,313</b>	<b>9,679</b>	<b>8,154</b>	<b>5,201</b>	<b>26,705</b>	<b>633,697</b>
Noncurrent Liabilities:							
Bonds Payable	1,300,085	1,024,402	-	-	-	-	2,324,487
Due to Primary Government	-	-	-	4,053	-	-	4,053
Net Pension Liability	-	-	-	-	-	263,215	263,215
Net OPEB Liability	-	-	-	-	-	63,324	63,324
Other Liabilities	-	13,368	-	2,061	47,718	68,353	131,500
<b>Total Noncurrent Liabilities</b>	<b>1,300,085</b>	<b>1,037,770</b>	<b>-</b>	<b>6,114</b>	<b>47,718</b>	<b>394,892</b>	<b>2,786,579</b>
<b>Total Liabilities</b>	<b>1,811,730</b>	<b>1,110,083</b>	<b>9,679</b>	<b>14,268</b>	<b>52,919</b>	<b>421,597</b>	<b>3,420,276</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Inflows of Resources	4,280	-	-	-	-	689	4,969
Deferred Inflows - OPEB Liability	-	-	-	21,312	-	19,164	40,476
Deferred Inflows - Pension Liability	-	-	-	-	-	9,513	9,513
<b>Total Deferred Inflows</b>	<b>4,280</b>	<b>-</b>	<b>-</b>	<b>21,312</b>	<b>-</b>	<b>29,366</b>	<b>54,958</b>
<b>NET POSITION</b>							
Net Investment in Capital Assets	1,054	1,184	2,971	-	77	34,839	40,125
Restricted:							
Nonexpendable	-	-	-	211,794	163,570	90,934	466,298
Expendable:							
Debt Service	-	61,715	-	20,508	-	-	82,223
Other Purposes	515,633	30,351	-	-	-	75,313	621,297
Unrestricted Net Position (Deficit)	24,629	183,023	1,648	3,676	5,712	(187,930)	30,758
<b>Total Net Position (Deficit)</b>	<b>\$ 541,316</b>	<b>\$ 276,273</b>	<b>\$ 4,619</b>	<b>\$ 235,978</b>	<b>\$ 169,359</b>	<b>\$ 13,156</b>	<b>\$ 1,240,701</b>

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF ACTIVITIES COMPONENT UNITS

For the Year Ended June 30, 2019

(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	\$ 104,622	\$ 51,108	\$ 98,885	\$ 13,436	\$ 15,792	\$ 219,466	\$ 503,309
Program Revenues:							
Charges for Services	57,981	14,049	143,651	-	1,778	2,330	219,789
Operating Grants and Contributions	11,588	78,249	-	27,513	15,568	45,350	178,268
Total Program Revenues	69,569	92,298	143,651	27,513	17,346	47,680	398,057
Nonoperating Revenues:							
Grant Revenue	-	-	-	-	-	-	-
Net (Expenses) Revenues	(35,053)	41,190	44,766	14,077	1,554	(171,786)	(105,252)
Other Revenues & Expenses:							
Payment from State of New Mexico	62,819	-	-	-	-	134,878	197,697
Payment to State of New Mexico	(4,398)	-	(43,110)	(27,572)	-	-	(75,080)
Other	-	-	(2)	9,606	-	11,100	20,704
Investment Income	7,920	(32)	26	10,307	6,540	9,517	34,278
Total General Revenues	66,341	(32)	(43,086)	(7,659)	6,540	155,495	177,599
Change in Net Position	31,288	41,158	1,680	6,418	8,094	(16,291)	72,347
Net Position - Beginning, as Restated	510,028	235,115	2,939	229,560	161,265	29,447	1,168,354
Net Position - Ending (Deficit)	\$ 541,316	\$ 276,273	\$ 4,619	\$ 235,978	\$ 169,359	\$ 13,156	\$ 1,240,701

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

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# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1

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

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

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

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

##### **B. Reporting Entity**

For financial reporting purposes, the State's financial reporting entity includes the primary government (i.e., legislative agencies, departments and agencies, commissions, the Governor and Cabinet, boards of the Executive Branch, various offices relating to the Judicial Branch, and the ten 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, 2019

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

- **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.

- **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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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.

- **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 OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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, 2019

### 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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 Museums Program, 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.
- **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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

- **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 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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. The legal level of budgetary control is at the appropriation level.

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

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

For the fiscal year ended June 30, 2019, the Gaming Control Board exceeded Pcode/program budget authority.

#### 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).

##### 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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, 2019, 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](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.

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### 4. Inventories

The governmental funds, except for the Department of Transportation are mandated to use the purchase method of accounting for inventories. 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 using either 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.

#### 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.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

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

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.

#### **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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### 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.

#### 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### 13. Interfund Transactions

##### Government-Wide Financial Statements

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

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

##### Governmental Fund Financial Statements

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

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

#### 14. Net Position and Fund Balance

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

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

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

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

*Assigned fund balance* is constrained by the Legislature's intent to be used for specific purposes by directive of the Legislative Finance Committee of the Legislature or in some cases by legislation. Legislative directives dictate that all fund balances remaining at the end of the fiscal year shall be reverted back to the State General Fund unless the fund is stipulated as non-reverting by the Legislature or by laws or regulations imposed by grantors. If the fund is non-reverting, the agency governing board or department head has the authority to assign a fund balance for a specific use. The State has not adopted a formal flow assumption policy and therefore uses the GASB recommendations; that is, it is the State's policy to use restricted fund balance before using components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is used first, followed by assigned fund balance, and lastly, unassigned fund balance.

#### **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.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

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

#### **Grants**

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

#### **Investment Income**

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

#### **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 Prudent Management of Institutional Funds Act, Chapters 46-9A-1 to 46-9A-10, NMSA 1978, except where a donor has specified otherwise. 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

types. Pension and other benefits costs are recognized in the fiscal year in which the underlying payroll costs are incurred.

#### I. Use of Estimates

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

#### J. New Accounting Standards

For the fiscal year ended June 30, 2019, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

*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.

*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.

#### 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. Note: as of March 26, 2020, the GASB is considering postponing all Statement and Implementation Guide provisions with an effective date that begins on or after reporting periods beginning after June 15, 2018, due to the COVID-19 pandemic; however, a final decision on this has not been made.

*GASB Statement No. 84, Fiduciary Activities*

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

*GASB Statement No. 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

*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.

*GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The statement is due to be adopted by the State for the fiscal year ending June 30, 2020.

*GASB Statement No. 91, Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement is due to be adopted by the State for the fiscal year ending June 30, 2022.

*GASB Statement No. 92, Omnibus 2020*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The 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](http://www.saonm.org).

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2

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#### 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, 2019

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

As of June 30, 2019, 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 *	\$ 52,056	\$ 23,700
Less: FDIC Insurance Coverage	-	(1,500)
<b>Total Unsecured Public Funds</b>	<u>\$ 52,056</u>	<u>\$ 22,200</u>
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	<u>\$ 26,028</u>	<u>\$ 11,100</u>
Collateral Pledged:		
U.S. Government Securities	\$ 117,042	\$ 5,429
Surety Bond	-	8,250
<b>Collateral Pledged</b>	<u>117,042</u>	<u>13,679</u>
<b>Over Collateralized</b>	<u>\$ 91,014</u>	<u>\$ 2,579</u>

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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, 2019, the funds held by the State Treasurer in the fiscal agency account were exposed to custodial credit risk as follows:

<b>Office of the State Treasurer</b>	
<b>Custodial Credit Risk</b>	
<i>(Expressed in Thousands)</i>	
	<b>Balance at</b>
	<b>June 30, 2019</b>
Cash in Banks	\$ 793,425
Less: Deposit of Institutions Which are Fully Insured and Collateralized	<u>(135,425)</u>
Deposits of Institutions Not Fully Collateralized	658,000
Less: FDIC Insurance Coverage	<u>(3,000)</u>
Uninsured Deposits	<u>655,000</u>
Collateral Pledged:	
Surety Bond	215,470
Securities	<u>228,856</u>
Total Collateral Pledged	<u>444,326</u>
<b>Subject to Custodial Credit Risk</b>	<b><u>\$ 210,674</u></b>

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

The cash deposits which relate to investments 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, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3

#### NOTE 3. Investments

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

	<b>Balance at June 30, 2019</b>
Primary Government:	
Current:	
Investment in State General Fund Investment Pool	\$ 5,691,797
Investment in Local Government Investment Pool	98,081
Investments	506,708
Noncurrent:	
Investments	23,534,816
Fiduciary Funds:	
Investment in State General Fund Investment Pool	203,410
Investment in Local Government Investment Pool	2,010
Investments	33,963,915
Component Units:	
Investments	1,989,641
<b>Total Investments</b>	<b>\$ 65,990,378</b>
 <i>Reconciliation to Investments presented</i>	
Total presented above	\$ 65,990,378
Less - Information presented separately:	
Component Unit Invest. Excluding LGIP	(1,971,486)
UNM Investments Held by Foundation	(229,871)
Other	(110,353)
<b>Total separately held investments</b>	<b>\$ 63,678,668</b>

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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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Those agencies whose investments are held by either the State Investment Council (SIC) or the State Treasurer's Local Government Investment pool (LGIP) are not presented in the following investment disclosures, since those investments are already included.

#### **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, 2019, 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, 2019, 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, 2019.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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#### *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 funds included in Note 12 and other special funds with respect to which the State Treasurer is the investing authority.

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

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

#### **State Investment Council**

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

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

#### **Pension Benefits Funds**

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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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#### State Universities and Colleges

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

#### Education Trust Board

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

#### A. Fair Value

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

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

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

Investment	State of New Mexico Fair Value of Investments (Expressed in Thousands)			
	Fair Value June 30, 2019	Quoted Prices, Active Markets (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
<b>Investments By Fair Value Level</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 5,731,349	\$ 5,729,410	\$ 1,229	\$ 710
Domestic preferred stock	72	72	-	-
International common stock	3,627,576	3,627,576	-	-
Equities	10,413,642	10,408,341	4,502	799
Domestic Equity Derivatives	1,849	1,849	-	-
Money Market Funds	47,710	47,414	296	-
Mutual Funds - Equity	356,680	351,680	-	5,000
Pooled Funds - Mutual Funds	202	55	147	-
Public MLP	284,309	284,309	-	-
Public REIT	581,021	555,317	25,704	-
Exchange-traded Funds	3,914	3,914	-	-
Nonredeemable Securities	10	-	-	10
Self-directed Investments (Deferred Comp.)	5,139	5,139	-	-
Total Equity Securities	21,053,473	21,015,076	31,878	6,519
<b>Debt Securities:</b>				
U.S. Government Bonds	3,143,530	-	3,143,530	-
US Treasuries	1,877,004	258,120	1,618,884	-
US Agency Securities	566,894	501	566,393	-
Municipal Bonds	152,300	154	152,146	-
Corporate Bonds	2,180,163	294	2,179,869	-
Core Fixed Income	3,454,883	683,773	2,768,270	2,840
Domestic Fixed Income	998,179	998,179	-	-
Global Fixed Income	610,368	111,035	496,362	2,971
Mutual Funds - Fixed	3,218	3,218	-	-
Certificates of Deposit	664,686	659,897	4,789	-
Commercial Paper	19,948	-	19,948	-
Mortgage-backed Securities	630,042	-	630,042	-
Asset-backed Securities	295,313	-	294,807	506
Repurchase Agreements	2,464,000	-	2,464,000	-
Discounted Notes	449,494	-	449,494	-
Bankers' Acceptances	11,426	-	11,426	-
Bank Loans	399,331	-	399,331	-
Collateralized Loan Oblig.	135,887	-	135,887	-
TIPS	501,258	501,258	-	-
STIF-type Instruments	74,810	-	74,810	-
Sovereign Debt	4,345	-	4,345	-
Fixed Income Derivatives	14,630	8,511	6,119	-
Spot Currency Contracts	26,581	26,581	-	-
Contracts	25,076	25,076	-	-
Currency Derivatives	161	161	-	-
Balanced Funds	111,993	111,993	-	-
Securities Lending Collateral Investments	341,651	-	341,651	-
Cash in Banks	23,700	23,700	-	-
Fiscal Agency Account	63,067	63,067	-	-
Total Debt Securities	19,243,938	3,475,518	15,762,103	6,317
<b>Alternative Investments:</b>				
Master Limited Partnerships	262,786	262,786	-	-
Total Alternative Investments	262,786	262,786	-	-

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

Investment	Fair Value June 30, 2019	Quoted Prices, Active Markets (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
<b>Investments in Derivative Instruments:</b>				
Credit Derivatives	(1,303)	-	(1,303)	-
Equity Derivatives	3,362	3,369	(7)	-
Interest Rate Derivatives	(4,369)	7,426	(11,795)	-
Other Derivatives	301	-	301	-
Total Derivative Instruments	(2,009)	10,795	(12,804)	-
<b>Total Investments Measured At Fair Value</b>	<b>40,558,188</b>	<b>\$ 24,764,175</b>	<b>\$ 15,781,177</b>	<b>\$ 12,836</b>
<b>Investments Measured At Net Asset Value (NAV):</b>				
		<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Commingled Domestic Equity	3,376,021	\$ -	Monthly	15 days
Portable Alpha Hedge Funds	7,274	-	Redeeming	
Commingled International Equity	1,357,676	-	Monthly	30 days
Comm. Emerging Market Debt Fund	338,149	-	Daily	10 - 12 days
Absolute Return (Hedge) Funds	899,399	-	Quarterly	30 - 65 days
Private Equity Partnerships	1,185,494	2,542,975	Illiquid	Illiquid
Private Debt Partnerships	882,551	231,745	Not eligible	N/A
Real Estate Equity Partnerships	1,426,974	1,468,037	Illiquid	Illiquid
Real Estate Debt Partnerships	204,187	-	-	-
Open-ended Real Estate Partnerships	2,175,177	813,623	Quarterly	45 - 90 days
Real Asset Funds	1,317,380	963,716	Illiquid	Illiquid
Open-ended Real Asset Partnerships	317,033	69,580	Quarterly	90 - 180 days
Commingled Bond Funds	104,792	-	-	-
Commingled Global Asset Allocation	1,031,488	-	-	-
Opportunistic Credit Funds	2,377,995	579,434	Daily, Monthly	30 - 180 days
Private Equity Funds	2,404,647	1,279,551	N/A	N/A
Private Real Estate Funds	1,667,331	939,054	N/A	N/A
Real Estate Funds	11,145	-	-	-
Hedge Fund Investments	386	-	-	-
Marketable Alternatives	257,909	-	Monthly	2 - 90 days
Credit and Structured Finance Pool	1,530,469	668,051	Illiquid	Illiquid
Illiquid Funds	8,587	-	-	-
Mutual Funds - Fixed	15,580	-	-	1 - 30 days
Mutual Funds - Equity	110,795	-	-	1 - 2 days
Life Cycle Funds	172,687	-	-	-
<b>Investments Measured at NAV</b>	<b>23,181,126</b>	<b>\$ 9,555,766</b>		
<b>Investments Measured at Amortized Cost:</b>				
Money Market	49,763			
<b>Investments at Amortized Cost</b>	<b>49,763</b>			
<b>Investments Measured at Contract Value:</b>				
Stable Value Options (Deferred Comp.)	133,641			
Annuities (Deferred Comp.)	1,080			
<b>Investments Measured at Contract Value</b>	<b>134,721</b>			
<b>Other Investments:</b>				
Equity	21,363			
Cash	5			
Other Investments	3			
Less: Investments by UNM Foundation Held by Others	(229,872) (36,629)			
<b>Total Other Investments</b>	<b>(245,130)</b>			
<b>Total Investments</b>	<b>\$ 63,678,668</b>			



# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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#### **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

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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-1A of the Investment Company Act of 1940. Form N-1A 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, 2019, were as follows:

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

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings:		
Government Bonds	AAA	\$ 154
	AA+	4,608,817
	AA	3,409
	AA-	4,479
	A+	3,680
	A	-
	A-	8,371
	BBB+	10,934
	BBB	22,841
	BBB-	6,386
	BB+	5,981
	BB	2,834
	BB-	3,501
	B+	984
	B	15,054
	B-	6,966
	CCC+	898
	Not Rated	709,060
Foreign Government Bonds	AAA	12,566
	AA+	5,733
	AA	7,600
	AA-	6,100
	A+	14,039
	A	795
	A-	1,522

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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):		
Foreign Government Bonds (Continued)		
	BBB+	\$ 7,112
	BBB	2,704
	BBB-	3,188
	BB	926
	BB-	940
	B+	1,792
	B	4,615
	B-	1,861
	Not Rated	184,064
Municipal Bonds		
	AAA	2,446
	AA+	1,223
	AA	14,323
	AA-	10,880
	A+	5,000
	A	6,349
	BBB-	2,317
	Not Rated	30,150
Corporate Bonds		
	AAA	72,223
	AA+	69,297
	AA	38,623
	AA-	210,821
	A+	139,099
	A	207,897
	A-	310,080
	BBB+	433,596
	BBB	706,323
	BBB-	387,501
	BB+	131,177
	BB	161,495
	BB-	214,970
	B+	142,047
	B	187,906
	B-	79,403
	CCC+	24,106
	CCC	5,861
	CC	76
	D	3,318
	Not Rated	391,096

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Mortgage-backed Securities	AAA	\$ 14,109
	AA+	954,899
	AA	81,435
	A	19,194
	Not Rated	206,350
Commercial Mortgage-backed Securities	AAA	36,893
	AA+	42,785
	BBB-	1,141
	BB-	1,176
	Not Rated	183,892
Asset-backed Securities	AAA	135,173
	AA+	10,536
	AA	161,846
	AA-	4,806
	A+	9,637
	A	88,670
	A-	12,756
	BBB+	10,343
	BBB	33,487
	BBB-	9,165
	BB+	6,853
	BB	1,060
	BB-	813
	B	2,128
	B-	979
	CCC	9,601
	CC	4,662
	D	2,132
	Not Rated	228,517
Collateralized Debt/Loan Obligations	AAA	44,925
	AA	92,979
	NR	89,470
Collateralized Mortgage Obligations/REMIC	AAA	1,756
	AA+	186,026
	AA	317
	AA-	1,051
	A+	995
	A	799
	A-	69

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Collateralized Mortgage Obligations/REMIC (Continued)		
	BBB+	\$ 1,251
	BBB	488
	BB	931
	BB-	187
	B+	41
	B	1,136
	B-	1,616
	CCC	2,279
	D	549
	Not Rated	37,664
U.S. Treasury Bills		
	AAA	5,146
	AA	122,074
	A	1,133
	B	19,117
	NR	33,375
Bank Loans		
	BB	64,312
Certificates of Deposit		
	AAA	26,709
	A-	4,451
	Not Rated	384
TIPS		
	AA+	21,555
	Not Rated	479,704
Preferred Stock		
	BBB	265
	BB+	619
	CCC+	145
	Not Rated	31,212
Derivatives Swaps)		
	Not Rated	14,630
Commercial Paper		
	AAA	19,948
	A-	8,150
Repurchase Agreements		
	Not Rated	150,461
Bankers Acceptances		
	AA-	11,426
Discounted Notes		
	AA+	305,474
	AA	144,021
	Not Rated	17,779
Floating Rate Notes		
	AA	59,684
	A	102,061
	Not Rated	16,843
Deferred Comp. Investments		
	Not Rated	630,988
Other Investments (not identified)		
	AA	168,197
	BBB	132
	B	1,399
	Not Rated	523
Total Subject to Risk - S & P Ratings		14,860,993

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

Investment	Rating	Fair Value
Investments Subject to Credit Risk - Moody's Ratings:		
U. S. Government Agencies	Aaa	\$ 77,235
Corporate Bonds	Aaa	2,295
	Aa1	3,012
	Aa2	4,456
	Aa3	3,632
	A1	3,740
	A2	4,291
	A3	4,971
	Baa1	4,092
	Baa2	14,176
	Baa3	1,024
Municipal Bonds	Aa1	863
	Aa2	2,889
	Aa3	766
Mutual Funds - Fixed	Aaa	3,217
U.S. Treasury Bills	A-1+	147,510
Money Market Funds	Aaa	7,506
	Not Rated	468
Total Subject to Risk - Moody's Ratings		<u>286,143</u>
Investments Subject to Credit Risk - Fitch Ratings:		
Municipal Bonds	AA-	78,441
	A	6,277
Corporate Bonds	A	408
Total Subject to Risk - Fitch Ratings		<u>85,126</u>
Other Investments Subject to Credit Risk - Not Rated:		
Equity Securities and Real Estate	Not Rated	3,167
Repurchase Agreements	Not Rated	2,464,000
Certificates of Deposit	Not Rated	23,700
Investment in LGIP	Not Rated	789
Unidentified	Not Rated	3
Other Investments Subject to Credit Risk: Not Rated		<u>2,491,659</u>
Total Investments Subject to Credit Risk		17,723,921
Investments Not Subject to Credit Risk		43,750,506
Less: LGIP Interfund Investments		(789)
Foundation Investments Held in Consol. Inv. Pool		(229,872)
Investments in Fiduciary Fund		(36,630)
Add: Education Trust Board Investments (presented elsewhere)		<u>2,471,532</u>
<b>Total Investments</b>		<b><u>\$ 63,678,668</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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	Oppen- heimer Limited Term Bond Fund
<u>Investment/Rating</u>						
Investments Subject to Credit Risk - NRSRO						
AAA	28.1 %	91.9 %	14.4 %	58.5 %	0.0 %	19.9 %
AA	2.1	0.5	3.6	6.6	0.0	5.5
A	4.9	3.6	11.9	12.8	0.0	20.9
BBB	16.1	3.3	25.7	18.9	0.0	46.5
BB and Lower	40.3	0.1	29.7	3.1	0.0	6.9
NRSRO-rated Total	91.5	99.4	85.3	99.9	0.0	99.7
Not Rated	8.5	0.6	14.7	0.1	0.0	0.3
Total	100.0 %	100.0 %	100.0 %	100.0 %	0.0 %	100.0 %

	Oppenheimer Floating Rate Fund	Oppenheimer Total Return Bond Fund	American Century Short Duration Fund
Investments Subject to Credit Risk - NRSRO			
AAA	3.3 %	47.0 %	48.5 %
AA	0.0	5.0	7.9
A	0.0	16.8	16.0
BBB	1.8	27.4	18.6
BB and Lower	89.5	3.3	8.5
NRSRO-rated Total	94.6	99.5	99.5
Not Rated	5.4	0.5	0.5
Total	100.0 %	100.0 %	100.0 %

<u>The Education Plan</u>	Oppenheimer Limited-Term Government Fund	Oppenheimer Limited-Term Bond Fund	Oppenheimer Senior Floating Rate Fund	Vanguard Total Bond Market Inde: Fund	Vanguard Short-term Bond Index Fund	Vanguard Short-term TIPS Fund
<u>Investment/Rating</u>						
Investments Subject to Credit Risk - NRSRO						
AAA	91.9 %	20.0 %	3.3 %	67.7 %	70.7 %	100.0 %
AA	0.5	5.5	0.0	3.5	4.4	0.0
A	3.6	20.9	0.0	11.1	11.4	0.0
BBB	3.3	46.5	1.8	17.7	13.5	0.0
BB and lower	0.1	6.8	89.5	0.0	0.0	0.0
NRSRO-rated Total	99.4	99.7	94.6	100.0	100.0	100.0
Not Rated	0.6	0.3	5.4	0.0	0.0	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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#### **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.

#### **D. 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, 2019, 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.

#### **E. 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.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

Maturities on investment at June 30, 2019, were as follows:

Investment	Fair Value	State of New Mexico Maturities on Investments (Expressed in Thousands)				Life Not Avail.
		< 1 year	1-5 years	6-10 years	> 10 Years	
<b>Investments Subject to Interest Rate Risk:</b>						
U.S. Treasuries	\$ 612,045	\$ 242,588	\$ 163,042	\$ 206,415	\$ -	\$ -
U.S. Government Agencies	1,662,553	842,635	97,799	712,762	9,357	-
Corporate Bonds	3,799,891	370,762	1,421,635	1,860,228	147,266	-
Municipal/Provincial Bonds	2,422,787	31,761	2,341,091	23,135	26,800	-
Certificates of Deposit	169,150	21,851	147,299	-	-	-
Repurchase Agreements	2,464,000	2,464,000	-	-	-	-
Collateralized Debt Obligations	135,887	135,887	-	-	-	-
CMO/REMIC	237,156	94,707	2,721	10,799	128,929	-
Asset-backed Securities	628,712	82,525	447,875	52,070	46,242	-
Commercial Mortgage-backed	265,886	42,980	787	7,588	214,531	-
Commercial Paper	19,949	19,949	-	-	-	-
Discounted Notes	451,180	448,417	2,763	-	-	-
Government Bonds	1,576,876	70,366	752,854	462,041	291,615	-
Money Market	11,417	11,035	-	357	25	-
Mortgage-backed Secs.	1,466,034	12,576	299,122	26,204	1,128,132	-
Mutual Funds - Fixed	16,509	-	4,850	11,659	-	-
Preferred Stock	32,240	-	-	-	-	32,240
TIPS	501,258	-	-	501,258	-	-
Futures	7,364	7,364	-	-	-	-
Options	35	35	-	-	-	-
International Government Obligations	394,869	-	-	394,869	-	-
Bankers' Acceptances	11,426	11,426	-	-	-	-
Cash Collateral	8,757	-	-	-	109	8,648
Swaps	2,529	252	(2,732)	5,116	(107)	-
Swaptions	299	299	-	-	-	-
Short-term Investments	86,388	-	86,388	-	-	-
Investment in LGIP	789	789	-	-	-	-
Securities Lending Investments	341,651	341,651	-	-	-	-
Investments Subject to Interest Rate Risk	17,327,637	\$ 5,253,855	\$ 5,765,494	\$ 4,274,501	\$ 1,992,899	\$ 40,888
Investments Not Subject to Interest Rate Risk	44,146,790					
Less: Interfund Investments	(789)					
Foundation Investments Held in Consolidated Pool	(229,872)					
Other Investments	(36,630)					
Add: Education Trust Board - Presented Elsewhere	2,471,532					
<b>Total Investments</b>	<b>\$ 63,678,668</b>					

Calculations based on weighted-average method (WAM)

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

<b>New Mexico Education Trust Board</b>			
<b>Maturities on Investments</b>			
<b>Investment</b>	<b>&lt; 1 year</b>	<b>1-5 years</b>	<b>6-10 years</b>
<b>The Scholar's Edge:</b>			
Oppenheimer Total Return Bond Fund			x
American Century Diversified Bond Fund			x
Oppenheimer Global Strategic Income Fund		x	
Oppenheimer International Bond Fund		x	
Mainstay High Yield Corporate Bond Fund		x	
Oppenheimer Limited-Term Government Fund		x	
Oppenheimer Limited Term Bond Fund		x	
American Century Short Duration Fund		x	
Oppenheimer Senior Floating Rate Fund	x		
<b>The Education Plan:</b>			
Vanguard Total Bond Market Index Fund			x
Vanguard Short Term TIPS Fund			
Vanguard Short Term Bond Fund		x	
Invesco Oppenheimer Limited-Term Gov't. Fund		x	
Invesco Oppenheimer International Bond Fund		x	
Invesco Oppenheimer Senior Floating Rate Fund	x		

#### F. 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, 2019 was as follows:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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)
Australian Dollar	\$ 119,092	\$ 12,061	\$ -	\$ 13	\$ 131,166	\$ 625
Bangladeshi Taka	-	-	-	(27)	(27)	-
Botswana Pula	12	-	-	-	12	-
Brazilian Real	215,604	25	-	-	215,629	1,610
British Pound Sterling	277,210	49,488	53,424	58	380,180	2,859
Canadian Dollar	251,954	10,815	-	(16)	262,753	7,583
Chilean Peso	259,056	560	-	(3)	259,613	2,110
Chinese Yuan Renminbi	43,374	-	-	-	43,374	596
Colombian Peso	6,463	-	-	(6)	6,457	69
Croatian Kuna	3	-	-	-	3	103
Czech Koruna	2,659	1,259	-	(5)	3,913	-
Danish Krone	37,400	34,603	-	(3)	72,000	760
Dominican Peso	162	-	-	-	162	-
Egyptian Pound	60,149	131,385	-	-	191,534	261
Euro	574,165	-	246,489	-	820,654	7,093
Ghanian Cedi	159	-	-	-	159	-
Georgian Lari	831,013	53	-	(97)	830,969	6,061

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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	\$ 1,341,791	\$ 5,226	\$ 384,496	\$ (575)	\$ 1,730,938	\$ 13,982
Hungarian Forint	426,057	190	-	-	426,247	2,222
Indian Rupee	79,424	-	-	33	79,457	940
Indonesian Rupiah	24,932	1,125	-	3	26,060	773
Japanese Yen	510,644	67,416	-	-	578,060	3,556
Kenyan Shilling	6	-	-	-	6	-
Malaysian Ringgit	17,903	713	-	-	18,616	123
Mexican Peso	36,051	1,014	-	(12)	37,053	400
New Israeli Shekel	52,770	436	-	44	53,250	107
New Taiwan Dollar	124,291	-	-	143	124,434	1,056
New Zealand Dollar	21,379	861	-	4	22,244	1,294
Norwegian Krone	30,540	247	-	-	30,787	122
Peruvian Nuevo Sol	39,501	-	-	(28)	39,473	442
Philippine Peso	8,323	2,477	-	(31)	10,769	10
Polish Zloty	25,207	526	-	3	25,736	520
Qatari Riyal	588,171	4,326	48,025	(54)	640,468	1,886
Romanian Leu	585	-	-	-	585	-

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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	\$ 12,007	\$ -	\$ -	\$ -	\$ 12,007	\$ 172
Saudi Riyal	-	-	-	63	63	-
Singapore Dollar	46,418	866	-	-	47,284	1,228
South African Rand	87,206	-	-	(84)	87,122	496
South Korean Won	133,148	5,981	-	(127)	139,002	668
Swedish Krona	186,260	963	-	(2)	187,221	947
Swiss Franc	282,047	1,140	-	(1)	283,186	583
Thai Baht	396,145	1,246	-	(12)	397,379	839
Tunisian Dinar	2	-	-	-	2	2,010
Turkish Lira	153,415	-	-	-	153,415	141
UAE Dirham	50,659	-	-	-	50,659	-
Uruguayan Peso	113	-	-	-	113	-
Subtotals	<u>\$ 7,353,470</u>	<u>\$ 335,002</u>	<u>\$ 732,434</u>	<u>\$ (719)</u>	<u>8,420,187</u>	
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk					8,420,187	<u>\$ 64,247</u>
Investments Not Subject to Foreign Currency Risk					55,258,481	
<b>Total Investments</b>					<u>\$ 63,678,668</u>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019 as follows:

Collateral Securities Held (Expressed in Thousands)					Value
Investments Subject to Interest Rate Risk:					
U.S. Government Mortgage-backed Securities AA+					<u>\$ 2,464,000</u>
Maturities on Collateralized Securities					
< 1 Year	1 - 5 Years	6 - 10 Years	11-20 Years	Greater Than 20 Years	Total
<u>\$ 2,464,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,464,000</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

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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Total securities on loan at June 30, 2019, had a carrying amount and fair value of \$554.5 million. Under the agreement, the lending agent is required to indemnify the entity if the borrower fails to return the securities, if collateral is 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, 2019, 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 \$341.7 million and the securities lending obligations were \$341.6 million at June 30, 2019. Total cash and noncash collateral was \$587.6 million, 105.1% of the fair value of the securities on loan.

At June 30, 2019, 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 \$2.9 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, 2019, 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, 2019

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

<b>Public Employees Retirement Association</b>						
<b>Derivative Financial Instruments</b>						
<i>(Expressed in Thousands)</i>						
Derivative Type	Classification	Fair Value	Change in Fair Value	Notional Amount	Unit of Value	
<b>Futures Contracts</b>						
Currency Futures	Investments	\$ 161	\$ 184	\$ 37,820	\$	37,981
Equity Index Futures	Investments	1,849	1,962	213,380		215,229
Bond Index Futures	Investments	6,494	6,181	612,745		619,239
Commodity Futures	Investments	2,278	2,278	53,807		56,085
<b>Options</b>						
Fixed Income Options	Investments	(265)	(128)	-		(265)
<b>Swap Contracts</b>						
Cleared Credit Default Swaps	Investments	8,741	7,701	-		361
Inflation Swaps	Investments	-	-	-		-
Cleared Inflation Swaps	Investments	(206)	(543)	-		(206)
Interest Rate Swaps	Investments	43	39	-		51
Credit Default Swaps	Investments	(1)	(1)	-		-
Cleared Interest Rate Swaps	Investments	(1,979)	(3,979)	-		(1,974)
Cleared Zero Coupon Swaps	Investments	(475)	(459)	-		(525)

<b>Educational Retirement Board</b>						
<b>Derivative Financial Instruments</b>						
<b>FY19</b>						
<i>(Expressed in Thousands)</i>						
Derivative Type	Notional Amount					
Futures Contracts - Short	\$ (400)					
FX Forward Contracts, Net	122,997					
Pay Interest Rate Swaps	1,355					
Receive Interest Rate Swaps	10,388					
Derivative Type	Classification	Gain(Loss)	Classification	Amount		
Futures	Investment Income	\$ (32)	Investment	\$	-	
Options - Purchased	Investment Income	(34)	Investment		-	
Options - Written	Investment Income	18	Investment		-	
FX Forwards	Investment Income	117	Investment		460	
Pay Interest Rate Swaps	Investment Income	(7.00)	Investment		(7)	
Receive Interest Rate Swaps	Investment Income	244	Investment		207	



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

**Educational Retirement Board**  
**Summary of Futures, Options, and Swaps Contracts, By Currency**  
**As of June 30, 2019**  
*(Expressed in Thousands)*

Transaction Type	Currency	Notional Amount	Unrealized Gain/Loss
Futures	US Dollar	\$ (400)	\$ (24)
Options Purchased	Euro Currency	-	27
	US Dollar	-	9
Options Written	Euro Currency	-	(8)
	US Dollar	-	12
Swaps	Brazilian Real	1,781	85
	Chilean Peso	277	(1)
	Columbian Peso	221	11
	Czech Koruna	859	9
	Malaysian Ringgit	619	1
	Mexican Peso	2,159	74
	South African Rand	1,079	(6)
	Yuan Renminbi	4,748	27
	Totals	<u>\$ 11,343</u>	<u>\$ 216</u>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

The following table summarizes the foreign exchange contracts by currency held by the Education Retirement Board as of June 30, 2019:

**Educational Retirement Board**  
**Foreign Currency Exchange Contracts**  
**June 30, 2019**  
*(Expressed in Thousands)*

<u>Currency</u>	<u>Buys</u>	<u>Unrealized Gain (Loss)</u>	<u>Sells</u>	<u>Unrealized Gain (Loss)</u>
Argentine Peso	\$ -	\$ 7	\$ 949	\$ (15)
Australian Dollar	1,628	16	2,146	(47)
Brazilian Real	4,592	61	4,814	(19)
British Pound Sterling	180	20	172	(36)
Canadian Dollar	469	(15)	-	-
Chilean Peso	2,522	61	235	(102)
Chinese Yuan Renminbi	5,860	27	4,289	(10)
Colombian Peso	1,491	(34)	1,464	(50)
Czech Koruna	969	6	3,430	(162)
Egyptian Pound	211	(9)	943	93
Euro	8,638	372	3,587	(41)
Hryvnia	-	-	96	8
Hungarian Forint	1,098	18	2,796	(310)
Indian Rupee	272	(2)	4,082	(69)
Indonesian Rupiah	4,144	(26)	2,445	63
Japanese Yen	565	5	849	(7)
Malaysian Ringgit	142	2	1,559	5
Mexican Peso	-	(9)	4,353	76
New Israeli Shekel	1,623	50	695	5
New Taiwan Dollar	5,031	95	2,498	(48)
New Zealand Dollar	988	(4)	985	15
Peruvian Sol	1,116	(14)	2,474	33
Philippine Peso	1,551	(10)	460	10
Polish Zloty	887	37	3,226	(172)
Romanian Leu	-	-	892	(57)
Russian Ruble	568	(11)	3,002	(66)
Singapore Dollar	2,649	(28)	4,045	2
South African Rand	1,571	(59)	1,764	8
South Korean Won	604	26	1,659	7
Swiss Franc	490	62	-	-
Thai Baht	4,590	(55)	4,907	50
Turkish Lira	2,286	(86)	1,446	42
Uruguayan Peso	-	-	-	1
<b>Totals</b>	<b>\$ 56,735</b>	<b>\$ 503</b>	<b>\$ 66,262</b>	<b>\$ (793)</b>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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**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 2019 and 2018, 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, 2019. There were no outstanding futures contracts as of fiscal year ending June 30, 2019.

**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, 2019, there were no open written or purchased options.

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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	Quoted Prices, Active Markets	Observable Inputs Other Than Quoted Prices	Unobservable Inputs
	June 30, 2019	(Level 1)	(Level 2)	Level 3)
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 81,911	\$ 81,911	\$ -	\$ -
Real Assets	2,519	813	1,706	-
Real Estate Mutual Funds	20	-	20	-
Real Estate and Other	6,861	-	-	6,861
REIT	270	-	270	-
Mutual Funds - Equity	60,340	60,340	-	-
Money Market Funds	437	437	-	-
Equity Investments in New Mexico Entities	3,334	-	-	3,334
Balanced Funds	381	381	-	-
Marketable Securities	259	-	259	-
Cash Equivalents	4,592	4,592	-	-
Pooled Funds	77,432	-	77,432	-
<b>Total Equity Securities</b>	<b>238,356</b>	<b>148,474</b>	<b>79,687</b>	<b>10,195</b>
<b>Debt Securities:</b>				
U.S. Government Bonds	55,192	54,489	703	-
US Treasuries	376,399	376,364	35	-
Municipal Bonds	3,250	-	3,250	-
Corporate Bonds	1,269	-	1,269	-
Exchange Traded Funds	2,616	2,616	-	-
Mutual Funds - Fixed	5,500	5,199	301	-
Certificates of Deposit	8,212	1,007	7,205	-
Securitized Mortgage Loans	965,616	965,616	-	-
Fixed Income	646	646	-	-
Mortgage-backed Securities	4,927	3,941	986	-
<b>Total Debt Securities</b>	<b>1,423,627</b>	<b>1,409,878</b>	<b>13,749</b>	<b>-</b>
<b>Total Investments Measured At Fair Value</b>	<b>1,661,983</b>	<b>\$ 1,558,352</b>	<b>\$ 93,436</b>	<b>\$ 10,195</b>
<b>Investments Measured At Net Asset Value (NAV):</b>				
Limited Partnerships	57,921	\$ 10,664	Quarterly	5 - 90 days
Mutual Funds - Equity	17,289	340	Various	30 - 90 days
<b>Investments Measured at NAV</b>	<b>75,210</b>			
<b>Other Investments:</b>				
Held in Investment Pools	229,872			
Investment Information Not Available	4,421			
<b>Total Other Investments</b>	<b>234,293</b>			
<b>Total Investments, Discretely-presented Components</b>	<b>\$ 1,971,486</b>			

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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	\$ 376,364	\$ 1,511	\$ 374,210	\$ -	\$ 643	\$ -
Fixed Income	646	646	-	-	-	-
Certificates of Deposit	7,205	104	-	-	-	7,101
Mutual Funds - Fixed	10,830	5,696	-	-	-	5,134
Corporate Bonds	1,269	3	238	444	584	-
U.S. Government Bonds	55,192	10,034	44,590	21	547	-
Mortgage-backed Securities	4,926	-	4,727	-	199	-
Pooled Funds	77,282	-	-	-	-	77,282
Municipal Bonds	3,250	26	554	1,270	1,400	-
Money Market	323	323	-	-	-	-
Securitized Mortgage Loans	965,616	-	51	12,662	952,903	-
Real Assets	2,519	2,519	-	-	-	-
Balanced Funds	381	381	-	-	-	-
Cash	4,838	4,838	-	-	-	-
Investments Subject to Interest Rate Risk	1,510,641	<u>\$ 26,081</u>	<u>\$ 424,370</u>	<u>\$ 14,397</u>	<u>\$ 956,276</u>	<u>\$ 89,517</u>
Investments Not Subject to Interest Rate Risk	226,552					
Held in CI Fund	229,872					
Information Not Available	4,421					
<b>Total Investments, Discretely- Presented Components</b>	<u>\$ 1,971,486</u>					

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### Credit Risk

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

State of New Mexico  
Discretely Presented Component Units  
Quality Ratings  
(Expressed in Thousands)

Investment Type	Rating	Value
Investments Subject to Credit Risk - S&P Ratings:		
U.S. Government Agencies	AAA	\$ 35,523
	AA+	643
	AA	19,147
U.S. Treasuries	AAA	373,462
Corporate Bonds	AAA	28
	AA+	360
	AA-	13
	A-	42
	BBB+	78
	BBB	13
	Not Rated	1
Certificates of Deposit	AAA	104
	Not Rated	7,101
Securitized Mortgage Loans	AAA	796,481
	AA	169,135
Mortgage-backed Securities	AA+	9
	Not Rated	191
Mutual Funds - Equities	A+	860
	BB-	3
	Not Rated	84
Mutual Funds - Fixed	AA	9
	AA-	3
	A+	8
	A-	6
	BB+	1
	BB	8
	BB-	4
	Not Rated	26

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

State of New Mexico  
Discretely Presented Component Units  
Quality Ratings  
(Expressed in Thousands)

Investment Type	Rating	Value
Investments Subject to Credit Risk - S&P Ratings Continued):		
Exchange-traded Funds	AAA	\$ 50
	A+	77
	A	21
	BBB+	15
	BBB	694
	BBB-	36
	B	42
	Not Rated	1,682
Total Subject to Risk - S & P Ratings		<u>1,405,960</u>
Investments Subject to Credit Risk - Moody's Ratings:		
Municipal Bonds	Aaa	544
	Aa1	432
	Aa2	631
	Aa3	614
	A1	35
	Baa2	11
	Not Rated	983
Corporate Bonds	A1	735
U.S. Government Agencies	Aaa	521
U.S. Treasuries	Aaa	2,259
Total Subject to Risk - Moody's Ratings		<u>6,765</u>
Subject to Credit Risk - Not Rated		<u>243,637</u>
Total Subject to Credit Risk		1,656,362
Total Not Subject to Credit Risk		31,738
Information Not Available		<u>283,386</u>
<b>Total Investments, Discretely- Presented Components</b>		<u><u>\$ 1,971,486</u></u>

#### Concentration of Credit Risk

The New Mexico Mortgage Finance Authority had the following issuers and their respective percentage of total investments represent greater than five percent of their total investments reported as of September 30, 2019: Ginnie Mae at 78 percent and Fannie Mae at 17 percent.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 4

#### NOTE 4. Receivables

Receivables at June 30, 2019, 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	\$ 802,525	\$ 11,507	\$ 562,030	\$ 337,302	\$ 22,920	\$ 2,262,067	\$ 20,402	\$ (1,615,114)	\$ 2,403,639	\$ 6,976	\$ 11,229	\$ 18,205	2,421,840
Business-Type Activities	213	-	514,574	-	2,657	47,242	10,743	(85,107)	490,322	210,899	-	210,899	701,221
Fiduciary Funds	1	8	146,709	1,492,552	18,703	352,934	12,907	(1,939)	2,021,874	-	-	-	2,021,874
Component Units	-	-	36,007	-	7	-	164,936	-	200,950	1,730,762	-	1,730,762	1,931,712
<b>Governmental Activities:</b>													
General	793,763	11,507	484,235	12,513	22,800	2,262,067	20,402	(1,612,091)	1,995,194	6,976	11,229	18,205	2,013,397
Debt Service	-	-	1,237	-	120	-	-	-	1,357	-	-	-	1,357
Capital Projects	8,762	-	2,106	-	-	-	-	-	10,868	-	-	-	10,868
Severance Tax Permanent	-	-	14,379	76,709	-	-	-	-	91,088	-	-	-	91,088
Land Grant Permanent	-	-	49,303	248,080	-	-	-	-	297,383	-	-	-	297,383
Internal Service	-	-	10,770	-	-	-	-	(3,023)	7,747	-	-	-	7,747
<b>Business-type Activities:</b>													
Educational Institutions	-	-	421,639	-	-	-	-	-	421,639	18,227	-	18,227	439,866
Nonmajor Enterprise	213	-	92,935	-	2,657	47,242	10,743	(85,107)	68,683	192,672	-	192,672	261,355
<b>Fiduciary Funds:</b>													
Pension Trust	-	-	138,051	1,488,485	16,160	-	12,813	(227)	1,655,282	-	-	-	1,655,280
External Trust	-	-	1,366	2,850	-	-	-	-	4,216	-	-	-	4,216
Private Purpose Trust	-	8	3,941	1,217	2,543	-	-	-	7,709	-	-	-	7,709
Agency	1	-	3,351	-	-	352,934	94	(1,712)	354,667	-	-	-	354,667
<b>Discrete Component Units:</b>													
Finance Authority	-	-	10,709	-	-	-	164,921	-	175,630	1,477,364	-	1,477,364	1,652,994
Mortgage Finance Authority	-	-	4,183	-	-	-	-	-	4,183	231,937	-	231,937	236,120
Other Major Component Units	-	-	15,472	-	-	-	-	-	15,472	1,381	-	1,381	16,853
Nonmajor Component Units	-	-	5,643	-	7	-	15	-	5,665	20,080	-	20,080	25,745

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019, and the Agency recorded a receivable of \$16.5 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, 2019, assuming imputed interest of approximately 6.17%, are as follows:

**Arizona Water Settlement Receivable**  
*(Expressed in Thousands)*

<u>Year-End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	8,020	1,020	9,040
2021	8,516	524	9,040
<b>Total</b>	<b>\$ 16,536</b>	<b>\$ 1,544</b>	<b>\$ 18,080</b>

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019 for the two largest discretely-presented component units (in thousands):

#### NMFA & NMMFA - Loan Loss Allowance

	NM Finance Authority	NM Mortgage Fin. Auth.
Beginning Balance	\$ 4,107	\$ 1,391
Provision for Loan Losses	121	839
Loans Written Off, Net of Recoveries	(1,447)	1,070
Ending Balance	<u>\$ 2,781</u>	<u>\$ 3,300</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% -	8.9%
Second Mortgage Down Payment Assistance Loans	0.0% -	6.6%

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019, is as follows (in thousands):

	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Activities:</b>				
General	\$ 29,027	\$ 309,930	\$ 1,082,250	\$ 1,625,577
Debt Service	128,120	1	9,351	246,097
Capital Projects	2,207	3,018	835,619	140,305
Severance Tax Permanent	8	-	245,455	231,157
Land Grant Permanent	153,740	-	-	782,085
Internal Service	16,279	16,279	36,406	26,916
Total Governmental Activities	<u>329,381</u>	<u>329,228</u>	<u>2,209,081</u>	<u>3,052,137</u>
<b>Business-type Activities:</b>				
Educational Institutions	-	-	870,661	40,600
Nonmajor Enterprise	-	153	13,973	979
Total Business-type Activities	<u>\$ -</u>	<u>153</u>	<u>884,634</u>	<u>41,579</u>
<b>Totals</b>	<u><b>\$ 329,381</b></u>	<u><b>\$ 329,381</b></u>	<u><b>\$ 3,093,716</b></u>	<u><b>\$ 3,093,716</b></u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 6

#### NOTE 6. Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2019, was as follows (in thousands):

Governmental Activities:	Beginning Balance	Restatement	Additions	Deletions	Reclass	Transfers	Ending Balance
<b>Capital Assets not being Depreciated:</b>							
Land and Land Improvements	\$ 662,079	\$ (1,679)	\$ 15,842	\$ (138)	\$ 4,932	\$ (276)	\$ 680,760
Construction in Progress	363,842	(249)	356,276	-	(194,160)	-	525,709
Mineral Rights	84,179	-	-	-	-	-	84,179
Art and Other	739	-	-	-	-	-	739
<b>Total Capital Assets not being Depreciated</b>	<b>1,110,839</b>	<b>(1,928)</b>	<b>372,118</b>	<b>(138)</b>	<b>(189,228)</b>	<b>(276)</b>	<b>1,291,387</b>
<b>Capital Assets being Depreciated:</b>							
Land Improvements	54,625	-	1,248	(32)	147	85	56,073
Equipment and Machinery	210,782	1,581	14,042	(24,680)	(3,038)	548	199,235
Building and Improvements	1,966,564	497	72,613	(66,339)	13,401	128	1,986,864
Furniture and Fixtures	22,046	(1,074)	1,869	(333)	11	59	22,578
Data Processing Equipment and Software	416,468	(1,067)	14,562	(17,805)	5,242	(341)	417,058
Library Books and Other	10,755	-	175	(23)	-	-	10,907
Vehicles	344,194	(48)	29,886	(14,623)	1,948	(44)	361,312
Infrastructure	13,912,757	-	2,575	(526,829)	171,517	(87)	13,559,933
<b>Total Capital Assets being Depreciated</b>	<b>16,938,191</b>	<b>(112)</b>	<b>136,971</b>	<b>(650,664)</b>	<b>189,228</b>	<b>348</b>	<b>16,613,961</b>
<b>Less Accumulated Depreciation for:</b>							
Land Improvements	(32,911)	-	(1,659)	54	16	-	(34,500)
Equipment and Machinery	(156,241)	(11)	(11,585)	24,501	1,985	(420)	(141,771)
Building and Improvements	(992,398)	526	(56,776)	23,111	67	85	(1,025,385)
Furniture and Fixtures	(17,253)	925	(983)	314	(46)	(182)	(17,225)
Data Processing Equipment and Software	(228,764)	1,467	(32,937)	17,433	(645)	396	(243,050)
Library Books and Other	(1,266)	-	(4)	2	-	-	(1,268)
Vehicles	(251,078)	144	(22,709)	14,432	(1,377)	44	(260,544)
Infrastructure	(9,198,195)	-	(396,389)	526,828	-	4	(9,067,751)
<b>Total Accumulated Depreciation</b>	<b>(10,878,106)</b>	<b>3,051</b>	<b>(523,042)</b>	<b>606,676</b>	<b>-</b>	<b>(72)</b>	<b>(10,791,494)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>6,060,085</b>	<b>2,938</b>	<b>(386,072)</b>	<b>(43,988)</b>	<b>189,228</b>	<b>276</b>	<b>5,822,467</b>
<b>Capital Assets, Net</b>	<b>\$ 7,170,924</b>	<b>\$ 1,011</b>	<b>\$ (13,954)</b>	<b>\$ (44,126)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,113,854</b>

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

General Control	\$ 53,659
Education	681
Health and Human Services	15,195
Highways and Transportation	406,284
Culture, Recreation, and Nat. Resources	17,058
Judicial	6,036
Legislative	1,875
Public Safety	16,296
Regulation and Licensing	5,957
<b>Total</b>	<b>\$ 523,042</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

Capital asset activity for Business-type Activities for the year ended June 30, 2019, was as follows (in thousands):

Business-type Activities:	Beginning Balance	Restatement	Additions	Deletions	Reclass	Transfers	Ending Balance
<b>Capital Assets not being Depreciated:</b>							
Land and Land Improvements	\$ 98,987	\$ 3,275	\$ 39	\$ (5)	\$ 118	\$ -	\$ 102,414
Construction in Progress	152,334	-	144,999	-	(132,470)	-	164,863
Infrastructure	74	-	-	-	(74)	-	-
Art and Other	2,191	-	308	-	74	-	2,572
<b>Total Capital Assets not being Depreciated</b>	<b>253,586</b>	<b>3,275</b>	<b>145,346</b>	<b>(5)</b>	<b>(132,352)</b>	<b>-</b>	<b>269,850</b>
<b>Capital Assets being Depreciated:</b>							
Land Improvements	130,030	-	385	-	7,223	-	137,638
Equipment and Machinery	936,292	51	50,816	(43,214)	7,578	-	951,523
Building and Improvements	3,392,517	5,016	2,836	(6,195)	115,743	-	3,509,917
Furniture and Fixtures	1,532	-	11	(757)	-	-	786
Data Processing Equipment and Software	23,321	-	269	(1,096)	-	-	22,494
Library Books and Other	332,912	-	10,491	(476)	-	-	342,927
Vehicles	6,926	-	577	(333)	-	-	7,170
Infrastructure	331,311	-	109	-	1,808	-	333,228
<b>Total Capital Assets being Depreciated</b>	<b>5,154,841</b>	<b>5,067</b>	<b>65,494</b>	<b>(52,071)</b>	<b>132,352</b>	<b>-</b>	<b>5,305,683</b>
<b>Less Accumulated Depreciation for:</b>							
Land Improvements	(114,561)	-	(7,667)	1,677	-	-	(120,551)
Equipment and Machinery	(707,617)	(17)	(56,329)	40,304	-	-	(723,659)
Building and Improvements	(1,516,594)	(5,020)	(89,345)	6,032	-	-	(1,604,927)
Furniture and Fixtures	(1,471)	-	(8)	755	-	-	(724)
Data Processing Equipment and Software	(19,511)	-	(568)	905	-	-	(19,174)
Library Books and Other	(287,644)	-	(10,935)	475	-	-	(298,104)
Vehicles	(5,379)	-	(361)	333	-	-	(5,407)
Infrastructure	(201,417)	-	(13,586)	-	-	-	(215,003)
<b>Total Accumulated Depreciation</b>	<b>(2,854,193)</b>	<b>(5,037)</b>	<b>(178,800)</b>	<b>50,481</b>	<b>-</b>	<b>-</b>	<b>(2,987,548)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>2,300,648</b>	<b>30</b>	<b>(113,306)</b>	<b>(1,590)</b>	<b>132,352</b>	<b>-</b>	<b>2,318,135</b>
<b>Capital Assets, Net</b>	<b>\$ 2,554,234</b>	<b>\$ 3,305</b>	<b>\$ 32,041</b>	<b>\$ (1,595)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,587,985</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 7

Capital asset activity for Fiduciary Funds for the year ended June 30, 2019 was as follows (in thousands):

Fiduciary Funds:	Beginning Balance	Restatement	Additions	Deletions	Reclass	Transfers	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>-</u>	<u>-</u>	<u>1,828</u>
Capital Assets being Depreciated:							
Land Improvements	19	-	-	-	-	-	19
Equipment and Machinery	239	-	5	-	-	-	244
Building and Improvements	16,083	-	-	-	-	-	16,083
Furniture and Fixtures	1,342	-	24	(63)	-	-	1,303
Data Processing Equipment and Software	26,203	-	789	-	-	-	26,992
Vehicles	57	-	-	-	-	-	57
Total Capital Assets being Depreciated	<u>43,943</u>	<u>-</u>	<u>818</u>	<u>(63)</u>	<u>-</u>	<u>-</u>	<u>44,698</u>
Less Accumulated Depreciation for:							
Land Improvements	(756)	-	(264)	-	-	-	(1,020)
Equipment and Machinery	(35)	-	-	-	-	-	(35)
Building and Improvements	(5,537)	-	(526)	-	-	-	(6,063)
Furniture and Fixtures	(953)	-	(165)	60	-	-	(1,058)
Data Processing Equipment and Software	(23,867)	-	(287)	-	-	-	(24,154)
Vehicles	(57)	-	-	-	-	-	(57)
Total Accumulated Depreciation	<u>(31,205)</u>	<u>-</u>	<u>(1,241)</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>(32,387)</u>
Total Capital Assets being Depreciated, Net	<u>12,738</u>	<u>-</u>	<u>(423)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>12,311</u>
Total Capital Assets being Depreciated, Net	<u>\$ 14,566</u>	<u>\$ -</u>	<u>\$ (423)</u>	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,139</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 7

Capital asset activity for Component Units for the year ended June 30, 2019 was as follows (in thousands):

Component Units - Capital Assets	Beginning Balance	Restatement	Additions	Deletions	Reclass	Transfers	Ending Balance
Capital Assets not being Depreciated:							
Land and Land Improvements	\$ 19,162	\$ (4,401)	\$ 168	\$ -	\$ -	\$ -	\$ 14,929
Construction Work in Progress	8,842	-	4,257	-	(9,308)	-	3,791
Art and Other	3,509	-	142	(8)	-	-	3,643
Total Capital Assets not being Depreciated	31,513	(4,401)	4,567	(8)	(9,308)	-	22,363
Capital Assets being Depreciated:							
Building and Improvements	83,041	(9,767)	3,106	(1,490)	9,308	-	84,198
Leasehold Improvements	23	-	-	-	-	-	23
Infrastructure	6,896	-	-	-	-	-	6,896
Aircrafts	105	-	-	-	-	-	105
Vehicles	1,744	(27)	132	-	-	-	1,849
Machinery And Equipment	5,942	-	61	(65)	368	-	6,306
Data Processing Equipment and Software	4,325	-	131	(15)	(366)	-	4,075
Furniture and Fixtures	9,564	(462)	1,286	(363)	(2)	-	10,023
Total Capital Assets being Depreciated	111,640	(10,256)	4,716	(1,933)	9,308	-	113,475
Less Accumulated Depreciation for:							
Building and Improvements	(16,408)	1,511	(2,412)	884	(13)	-	(16,438)
Infrastructure	(0)	-	(2)	-	-	-	(2)
Vehicles	(710)	56	(165)	-	-	-	(819)
Equipment and Machinery	(1,812)	-	(81)	64	(355)	-	(2,184)
Leasehold Improvements	-	-	-	-	-	-	-
Data Processing Equipment and Software	(4,177)	-	(115)	16	366	-	(3,911)
Furniture and Fixtures	(6,082)	102	(835)	265	2	-	(6,548)
Total Accumulated Depreciation	(29,189)	1,669	(3,610)	1,229	-	-	(29,901)
Total Capital Assets being Depreciated, Net	82,451	(8,587)	1,106	(704)	9,308	-	83,574
<b>Capital Assets, Net</b>	<b>\$ 113,964</b>	<b>(12,988)</b>	<b>5,673</b>	<b>(712)</b>	<b>-</b>	<b>-</b>	<b>105,937</b>



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019, 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	\$ 81,590	\$ 5,572
Additions	-	-
Deletions	(10,689)	(780)
Ending Balance	<u>\$ 70,901</u>	<u>\$ 4,792</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, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

#### NOTE 8. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019, 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
<b>Governmental Activities:</b>						
General Obligation Bonds	\$ 411,525	\$ -	\$ (60,600)	\$ 350,925	\$ 38,235	\$ 312,690
Severance Tax Bonds	943,670	-	(129,300)	814,370	134,125	680,245
Revenue Bonds and Loans Payable	1,276,703	65,255	(120,635)	1,221,323	119,517	1,101,806
Net Unamortized Premiums, Discounts	301,838	9,318	(53,167)	257,989	48,022	209,967
Total Bonds Payable	<u>2,933,736</u>	<u>74,573</u>	<u>(363,702)</u>	<u>2,644,607</u>	<u>339,899</u>	<u>2,304,708</u>
Notes Payable	-	1,250	-	1,250	1,250	-
Insurance Claims Payable	172,505	3,805	(9,717)	166,593	90,625	75,968
Contingent Liabilities	183,203	116	(153,803)	29,516	29,516	-
Compensated Absences	67,568	81,330	(80,103)	68,795	63,885	4,910
Native American Water Settlement Liability	76,680	-	(6,974)	69,706	-	69,706
Pollution Remediation Obligation	27,479	1,827	(1,849)	27,457	621	26,836
Capital Leases	50,255	-	(50,255)	-	-	-
Misc. Liabilities	4,361	447,470	(184)	451,647	447,286	4,361
Total Other Liabilities	<u>582,051</u>	<u>535,798</u>	<u>(302,885)</u>	<u>814,964</u>	<u>633,183</u>	<u>181,781</u>
<b>Total Governmental Long-term Liabilities</b>	<b>\$ 3,515,787</b>	<b>\$ 610,370</b>	<b>\$ (666,587)</b>	<b>\$ 3,459,571</b>	<b>\$ 973,082</b>	<b>\$ 2,486,489</b>
<b>Business-type Activities:</b>						
Revenue Bonds	\$ 909,046	\$ 17,784	\$ (61,558)	\$ 865,272	\$ 45,823	\$ 819,449
Bond Premium, Discount, Net	46,147	-	(4,356)	41,791	4,285	37,506
Total Bonds Payable	<u>955,193</u>	<u>17,784</u>	<u>(65,914)</u>	<u>907,063</u>	<u>50,108</u>	<u>856,955</u>
Compensated Absences	86,646	75,736	(74,793)	87,588	69,526	18,063
Reserve for Losses	92,086	6,084	-	98,170	22,778	75,392
Notes Payable	12,165	-	(880)	11,285	945	10,340
Insurance Claims Payable	5,125	2,054	-	7,179	7,179	-
Capital Leases	690	677	(428)	939	383	556
Derivative Instruments - Interest Rate Swaps	5,779	1,407	-	7,186	-	7,186
Student Loans	15,168	573	(681)	15,060	-	15,060
Environmental Cleanup	5,434	-	-	5,434	-	5,434
Misc. Liabilities	76,138	12,082	(31,505)	56,715	52,395	4,320
Total Other Liabilities	<u>299,231</u>	<u>98,613</u>	<u>(108,287)</u>	<u>289,557</u>	<u>153,206</u>	<u>136,351</u>
<b>Total Business-type Long-term Liabilities</b>	<b>\$ 1,254,424</b>	<b>\$ 116,397</b>	<b>\$ (174,201)</b>	<b>\$ 1,196,621</b>	<b>\$ 203,314</b>	<b>\$ 993,306</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Long term Debt</u>
<b>Fiduciary:</b>						
Pension Trust Funds						
Compensated Absences	\$ 1,080	\$ 1,295	\$ (1,607)	\$ 768	\$ 733	\$ 35
<b>Total Fiduciary Long-term Liabilities</b>	<b>\$ 1,080</b>	<b>\$ 1,295</b>	<b>\$ (1,607)</b>	<b>\$ 768</b>	<b>\$ 733</b>	<b>\$ 35</b>
	<u>Beginning Balance, Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Long term Debt</u>
<b>Component Units:</b>						
Revenue Bonds	\$ 2,122,192	\$ 340,452	\$ -	\$ 2,462,644	\$ 138,157	\$ 2,324,487
Total Bonds Payable	2,122,192	340,452	-	2,462,644	138,157	2,324,487
Compensated Absences	886	792	(763)	915	905	10
Notes Payable	40,623	4,042	(5,318)	39,347	25,299	14,048
Loans Payable	506	9	(258)	257	257	-
Misc. Liabilities	497,800	35,020	(14,503)	518,317	400,875	117,442
Total Other Liabilities	539,815	39,863	(20,842)	558,836	427,336	131,500
<b>Total Component Unit Long-term Liabilities</b>	<b>\$ 2,662,007</b>	<b>\$ 380,315</b>	<b>\$ (20,842)</b>	<b>\$ 3,021,480</b>	<b>\$ 565,493</b>	<b>\$ 2,455,987</b>

#### 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):

	<u>Ending Balance FY 18</u>	<u>Beginning Balance (Restated)</u>	<u>Change Increase (Decrease)</u>	<u>Reason</u>
<b>Governmental Activities:</b>				
Net Unamortized Premiums	\$ 304,222	\$ 301,838	\$ (2,384)	Correction of reporting error.
Compensated Absences	67,663	67,568	(95)	Correction of error.
Insurance Claims Payable	172,504	172,505	1	Rounding
Native American Water Settlement	76,681	76,680	(1)	Rounding
Total Net Change			(2,479)	
Total Long-term Liabilities, FY 18			3,518,266	
<b>Total Beginning Long-term Liabilities, FY 19</b>			<b>\$ 3,515,787</b>	
<b>Business-type Activities:</b>				
Compensated Absences	86,611	86,646	35	Prior year computation error.
Insurance Claims Payable	-	5,125	5,125	New
Miscellaneous Liabilities	81,379	76,138	(5,241)	Reporting Error
Rounding			1	
Total Net Change, Business-type			(80)	
Total Long-term Liabilities, FY 18			1,254,506	
<b>Total Beginning Long-term Liabilities, FY 19</b>			<b>\$ 1,254,426</b>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### 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:

<b>General Obligation Bonds Payable</b> <i>(Expressed in Thousands)</i>						
<b>Bond Issue</b>	<b>Date Issued</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance June 30, 2019</b>	<b>Due in One Year</b>
Series 2011	5/26/11	2021	2.00 - 4.00	\$ 18,645	\$ 4,235	\$ 2,075
Series 2015	3/25/15	2025	5.00	141,635	93,570	13,755
Series 2017A	8/1/17	2027	5.00	148,520	126,345	10,880
Series 2017B	8/1/17	2025	5.00	151,790	126,775	11,525
<b>Total General Obligation Bonds Payable</b>					<b>\$ 350,925</b>	<b>\$ 38,235</b>

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

<b>General Obligation Bonds</b> <b>Debt Service Requirements to Maturity</b> <b>For Fiscal Years End June 30</b> <i>(Expressed in Thousands)</i>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	48,435	7,048	55,483
2025 - 2027	92,525	7,732	100,257
<b>Total</b>	<b>\$ 350,925</b>	<b>\$ 70,816</b>	<b>\$ 421,741</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### 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, 2019, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$672.4 million. The total principal and interest requirements were \$173.7 million for long-term debt and \$256.4 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:

<b>Severance Tax Bonds Payable</b> <i>(Expressed in Thousands)</i>						
<b>Bond Issue</b>	<b>Date Issued</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance June 30, 2019</b>	<b>Due in One Year</b>
Series 2009 A	7/30/09	2019	2.00 - 5.00 %	\$ 218,450	\$ 18,600	\$ 18,600
Series 2010A	3/24/10	2019	3.00 - 5.00 %	132,265	31,570	15,400
Series 2010 B Supplemental	3/24/10	2019	4.00 - 5.00 %	100,000	22,110	10,865
Series 2011A-1	12/6/11	2022	3.00 - 5.00 %	47,790	10,635	3,460
Series 2012A	6/21/12	2023	3.00 - 5.00 %	57,990	29,600	6,855
Series 2014A	6/24/14	2025	2.00 - 5.00 %	143,770	15,680	15,680
Series 2015A	8/12/15	2026	5.00 %	129,195	110,215	13,475
Series 2015B Supplemental	8/12/15	2026	5.00 %	69,745	54,575	7,280
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	12,225
Series 2016C	6/23/2016	2022	2.00 %	41,925	27,325	14,200
Series 2016D	11/15/2016	2028	5.00 %	26,725	26,725	-
Series 2016E	11/15/2016	2022	1.25 - 2.35 %	19,090	16,685	2,500
Series 2017A	8/8/2017	2027	5.00 %	69,470	67,945	3,655
Series 2018A	6/28/2018	2029	5.00 %	122,560	122,560	9,930
<b>Total Severance Tax Bonds Payable</b>					<b>\$ 814,370</b>	<b>\$ 134,125</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 134,125	\$ 34,255	\$ 168,380
2021	128,115	28,612	156,727
2022	108,955	23,586	132,541
2023	104,965	18,765	123,730
2024	98,025	14,063	112,088
2025 - 2029	240,185	21,166	261,351
<b>Total</b>	<b>\$ 814,370</b>	<b>\$ 140,447</b>	<b>\$ 954,817</b>

#### 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 2019, short-term notes were sold:

	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>
<b>Sponge Bonds</b>	<u>\$ -</u>	<u>\$ 256,363</u>	<u>\$ (256,363)</u>	<u>\$ -</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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	Original Issue	Maturity Date	Interest Rate	Balance June 30, 2019	Due in One Year
2015A PPRF - Metro Court	\$ 30,685	2025	4.00 - 5.00 %	\$ 19,945	\$ 2,925
2018A PPRF - General Services Dept. - 4431	28,480	2036	4.00 - 5.00 %	27,445	1,085
2018C1 PPRF - General Services Dept. - 4417A	11,510	2039	4.00 - 5.00 %	11,510	-
2018C1 PPRF - General Services Dept. - 4417B	7,040	2038	2.77 - 4.09 %	7,040	30
2009A PPRF - General Services Dept. 5	2,456	2038	3.75 - 5.50 %	1,846	80
2010A PPRF - General Services Dept. 6	1,015	2039	3.50 - 5.10 %	800	25
2016C PPRF - General Services Dept. 8	37,320	2036	1.90 - 4.90 %	33,545	1,075
PPRF - 4769 - Ft. Bayard	48,635	2039	5.00 %	48,265	1,580
PPRF - 4955 - GSD Energy Efficiency	11,500	2033	2.90 - 3.90 %	11,500	-
Series 2009C Spaceport Public Project	55,810	2029	2.50 - 5.25 %	33,865	2,740
Series 2010 Spaceport Public Project	20,560	2029	0.47 - 4.08 %	15,545	685
DL - General Services Dept. - Cultural Affairs	2,789	2023	0.46 - 1.42 %	1,617	399
2004B PPRF - Cultural Affairs Dept.	2,350	2023	0.62 - 4.18 %	611	143
2009A PPRF - Cultural Affairs Dept.	369	2020	0.75 - 3.93 %	39	39
Series 2003 - Energy and Minerals	7,339	2023	3.82%	1,948	457
PPRF - 4432	5,120	2028	5.00 %	4,540	485
2008B PPRF - Department of Health 6 - S Rehab	11,545	2028	5.00 %	5,145	550
2013C PPRF - Department of Health 9 - Las Vegas Med. Ctr	8,975	2037	3.80 %	7,946	109
Series 2010A Debt Service	174,625	2024	1.50 - 5.00 %	51,600	9,210
Series 2010B Highway (GRIP)	461,075	2024	3.00 - 5.00 %	214,765	86,520
Series 2012 Refunding	220,400	2026	1.25 - 5.00 %	164,030	4,975
Series 2014 A Revenue	70,110	2032	5.00 %	62,480	4,155
Series 2014 B Revenue	79,405	2027	5.00 %	76,470	1,580
Series 2018 A Refunding	420,090	2030	5.00 %	418,825	670
<b>Total Revenue Bonds and Loans Payable</b>				<b>\$ 1,221,322</b>	<b>\$ 119,517</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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:

<b>Governmental Activities</b> <i>(Expressed in Thousands)</i>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 119,517	\$ 58,606	\$ 178,123
2021	123,615	52,801	176,416
2022	141,389	46,738	188,127
2023	146,791	39,969	186,760
2024	172,379	33,133	205,512
2025 - 2029	380,326	97,308	477,634
2030 - 2034	93,231	23,812	117,043
2035 - 2039	44,074	5,771	49,845
2040 - 2044	-	-	-
2045 - 2049	-	-	-
<b>Total</b>	<b>\$ 1,221,322</b>	<b>\$ 358,138</b>	<b>\$ 1,579,460</b>

Of the total of bonds and loans payable for Governmental Activities, \$233,152 is payable to NM Finance Authority, a discretely-presented component unit. These are summarized as follows:

<b>Governmental Activities</b> <b>Bonds &amp; Loans Payable - Payable to Others &amp; Payable to NMFA</b> <i>(Expressed in Thousands)</i>			
	<b>Payable to</b>		
	<b>Ext. Entities</b>	<b>Due to NMFA</b>	<b>Total</b>
<b>Current:</b>			
Payable to External Entities	\$ 107,110	\$ -	\$ 107,110
Due to NMFA	-	12,407	12,407
<b>Total Current</b>	<b>107,110</b>	<b>12,407</b>	<b>119,517</b>
<b>Long-term:</b>			
Payable to External Entities	881,060	-	881,060
Due to NMFA	-	220,745	220,745
<b>Total Long-term</b>	<b>881,060</b>	<b>220,745</b>	<b>1,101,805</b>
<b>Totals</b>	<b>\$ 988,170</b>	<b>\$ 233,152</b>	<b>\$ 1,221,322</b>

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. This includes the General Services Department, \$159,582.

During fiscal 2019, the New Mexico Finance Authority (Authority) issued Series NMFA PPRF-4769 Refunding Bonds, in the amount of \$48.6 million, which enabled the General Services Department to acquire the Ft. Bayard Medical Center from Grant County. The Authority also issued series PPRF-4955 Energy Efficiency Bonds in the amount of \$11.5 million for the purpose of financing efficient and/or renewable energy projects in state-owned buildings. The Authority also issued PPRF-4432 in the amount of \$5.1 million for the purpose of



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

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

improvements at the New Mexico State Laboratory operated by the Department of Health. Each of these loans is secured by intercepted tax revenues pledged on their behalf.

#### Business-type Activities

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

<b>Revenue Bonds and Loans Payable - Primary Government</b>						
<i>(Expressed in Thousands)</i>						
<b>Business-type Activities</b>					<b>Balance</b>	
<b>Inst.</b>	<b>Bond Issue</b>	<b>Maturity</b>	<b>Interest</b>	<b>Original</b>	<b>June 30,</b>	<b>Due in</b>
		<b>Date</b>	<b>Rate</b>	<b>Issue</b>	<b>2019</b>	<b>One Year</b>
MCMC	MCMC St. Perm. Fd. Rev. Imp. & Refunding Series 2013	2023	3.00 %	\$ 14,645	\$ 9,025	\$ 1,030
NMSU	Refunding and Imp. Revenue Series 2010 A-D	2022	1.89 - 5.27	78,670	43,990	2,100
	Refunding and Imp. Revenue Series 2013 A-C	2033	2.00 - 5.00	56,200	21,180	1,300
	System Imp. Revenue Series 2017 A-C	2042	1.75 - 5.00	73,240	70,670	3,675
	NM Fin. Auth. PPF Loan	2035	0.69 - 3.69	7,000	6,445	285
ENMU	System Revenue Series 2011B	2036	0.90 - 4.46	28,050	22,675	785
	System Imp. Revenue Series 2015 A	2045	0.34 - 3.93	12,480	11,305	300
	System Revenue Refunding Series 2015 B	2026	0.34 - 2.44	6,175	4,035	545
	System Imp. Revenue Bonds Series 2017	2038	0.09 - 3.48	5,645	5,463	239
NMHU	System Refunding Series 2009A	2035	3.00 - 6.07	13,785	490	80
	System Refunding Series 2009B	2035	3.00 - 6.07		9,230	395
	System Refunding Revenue Series 2012	2034	0.93 - 4.26	18,335	14,265	705
NM Tech	System Revenue Series 2011	2031	3.00 - 5.00	13,395	9,435	-
NMMI	Series 2013A Improvement	2028	2.00 - 4.00	8,935	7,030	685
WNUMU	System Revenue Series 2012	2038	2.00 - 5.50	12,245	10,150	385
	System Refunding & Imp. Revenue Series 2013	2038	2.10 - 5.10	6,755	4,025	140
	System Improvement Series 2014	2021	1.97	3,055	915	455
UNM	System Revenue Refunding Series 1992 A	2021	5.60 - 6.25	36,790	3,120	320
	Subordinate Lien System Imp. Revenue Series 2001	2026	Variable	52,625	21,355	1,090
	Subordinate Lien System Refunding Revenue Series 2002 B	2026	Variable	25,475	13,405	750
	Subordinate Lien System Refunding Revenue Series 2002 C	2030	Variable	37,840	28,845	1,400
	Subordinate Lien System Imp. Revenue Series 2012	2032	2.00 - 5.00	35,215	24,590	1,250
	Subordinate Lien System Imp. Revenue Series 2014A	2033	3.00 - 5.00	9,715	3,695	175
	Subordinate Lien System Imp. Revenue Series 2014 B	2024	0.50 - 3.28	3,365	1,885	125
	Subordinate Lien System Imp. Revenue Series 2014 C	2035	1.50 - 5.00	97,615	89,435	4,200
	Subordinate Lien System Imp. Revenue Series 2016A	2046	2.00 - 5.00	158,435	155,415	7,500
	Subordinate Lien System Imp. Revenue Series 2016B	2024	0.72 - 2.48	8,030	6,030	400
	Subordinate Lien System Imp. Revenue Series 2017	2047	3.25 - 5.00	40,900	39,910	2,720
	FHA Insured Hospital Mortgage Revenue Series 2015	2032	0.49 - 3.53	115,000	92,120	5,815
	Revenue Build America Bonds, Series 2010A (SRMC)	2036	4.5	133,425	107,615	3,325
	Revenue Recovery Zone Econ. Dev. Series 2010B (SRMC)	2037	5	9,740	9,740	750
	2016 A PPRF - UNM Health Sciences Ctr. - Loan	2025	1.90 - 4.90	26,200	17,510	2,875
	UNM - Amortization of Defeased Bonds - NMFA	-	-	-	4	4
	UNM ADW - UNM - Green Water Project - Loan	2032	0.75	399	270	20
<b>Total Revenue Bonds and Loans Payable</b>					<b>\$ 865,272</b>	<b>\$ 45,823</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

<b>Business-type Activities</b>			
<i>(Expressed in Thousands)</i>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 45,823	\$ 36,487	\$ 82,310
2021	50,402	34,943	85,345
2022	50,659	32,904	83,563
2023	52,208	30,822	83,030
2024	52,971	28,570	81,541
2025 - 2029	260,511	107,997	368,508
2030 - 2034	208,718	57,939	266,657
2035 - 2039	99,405	19,934	119,339
2040 - 2044	31,110	7,069	38,179
2045 - 2049	13,465	1,100	14,565
<b>Total</b>	<b>\$ 865,272</b>	<b>\$ 357,765</b>	<b>\$ 1,223,037</b>

Of the total of bonds and loans payable for Business-type Activities, \$105,867 is payable to NM Finance Authority, a discretely-presented component unit. These are summarized as follows:

<b>Business-type Activities</b>			
<b>Bonds &amp; Loans Payable - Payable to Others &amp; Payable to NMFA</b>			
<i>(Expressed in Thousands)</i>			
	Payable to		
	Ext. Entities	Due to NMFA	Total
<b>Current:</b>			
Payable to External Entities	\$ 39,065	\$ -	\$ 39,065
Due to NMFA	-	6,758	6,758
Total Current	39,065	6,758	45,823
<b>Long-term:</b>			
Payable to External Entities	720,340	-	720,340
Due to NMFA	-	99,109	99,109
Total Long-term	720,340	99,109	819,449
<b>Totals</b>	<b>\$ 759,405</b>	<b>\$ 105,867</b>	<b>\$ 865,272</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### F. Pledged Revenue

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

##### Governmental Activities

<i>Agency:</i>	<i>State of New Mexico - Severance Tax Bonds</i>
Purpose of Bonds:	Construction and acquisition of capital projects statewide
Total Amount of Bonds Issued:	\$1.7 billion
Type of Revenues Pledged:	Severance tax revenues collected from mineral-extracting companies.
Term of Commitment:	Through June 30, 2029
Total Debt Service Remaining:	\$ 954.8 million
Revenue Stream for Current Year:	\$ 672.4 million
Debt Service for Current Year:	\$ 166.5 million

<i>Agency:</i>	<i>Energy, Minerals, and Natural Resources Department</i>
Purpose of Bonds:	Acquisition and development of state parks and recreation areas.
Total Amount of Bonds Issued:	\$ 7.3 million
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Term of Commitment:	Through June 30, 2023
Total Debt Service Remaining:	\$ 2.2 million
Revenue Stream for Current Year:	\$ 1.1 million
Debt Service for Current Year:	\$ 536 thousand

<i>Agency:</i>	<i>Department of Transportation</i>
Purpose of Bonds:	Construct and improve State highway and transportation system.
Total Amount of Bonds Issued:	\$ 1.4 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, 2030
Total Debt Service Remaining:	\$ 1.2 billion
Revenue Stream for Current Year:	\$ 838 million
Debt Service for Current Year:	\$ 155 million

<i>Agency:</i>	<i>Department of Cultural Affairs</i>
Purpose of Bonds & Loan:	Renovate existing museum structures, develop permanent exhibits.
Total Amount of Debt Issued:	\$5.8 million
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$ 2.4 million
Term of Commitment:	Through June 30, 2023
Revenue Stream for Current Year:	\$ 916 thousand
Debt Service for Current Year:	\$ 628 thousand

<i>Agency:</i>	<i>Spaceport Authority</i>
Purpose of Bonds	Construction of the Spaceport America launch facility.
Total Amount of Debt Issued:	\$76.3 million
Type of Revenues Pledged:	Authority's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$ 63.8 million
Term of Commitment:	Through June 30, 2029
Revenue Stream for Current Year:	\$ 4.2 million
Debt Service for Current Year:	\$ 5.6 million

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

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

#### Governmental Activities (Continued)

<i>Agency:</i>	<i>Bernalillo County Metropolitan Court</i>
Purpose of Bonds	Court parking structure
Total Amount of Debt Issued:	\$ 30.7 million
Type of Revenues Pledged:	Court facilities fees collected.
Total Debt Service Remaining:	\$ 23.6 million
Term of Commitment:	Through June 30, 2025
Revenue Stream for Current Year:	\$ 3.5 million
Debt Service for Current Year:	\$ 3.9 million

<i>Agency:</i>	<i>General Services Department</i>
Purpose of Bonds	State facilities acquisition and development.
Total Amount of Debt Issued:	\$ 174 million
Type of Revenues Pledged:	Government gross receipts tax
Total Debt Service Remaining:	\$ 256.6 million
Term of Commitment:	Through June 30, 2039
Revenue Stream for Current Year:	\$ 14.2 million
Debt Service for Current Year:	\$ 14.2 million

#### Business-type Activities

<i>Agency:</i>	<i>Miners' Colfax Medical Center</i>
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:	\$ 10.1 million
Term of Commitment:	Through June 30, 2027
Revenue Stream for Current Year:	\$ 3.0 million
Debt Service for Current Year:	\$ 1.3 million

<i>Agency:</i>	<i>Educational Institutions (UNM, NMSU, ENMU, WNMU, NMMI, NMHU, NM Tech)</i>
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:	\$ 1.2 billion
Term of Commitment:	Through June 30, 2049
Revenue Stream for Current Year:	\$ 1.1 billion
Debt Service for Current Year:	\$ 76.4 million

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019.

##### 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, 2019, this site is excluded from the estimated pollution remediation liability. As of June 30, 2019, this site is excluded from the estimated pollution remediation liability which for Superfund sites totals \$25.8 million.

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Amount Due Within One Year	\$ 503	\$ 207	\$ (89)	\$ 621
Amount Due in More than One Year	26,976	1,619	(1,760)	26,835
Total Pollution Remediation Liabilities	<u>\$ 27,479</u>	<u>\$ 1,826</u>	<u>\$ (1,849)</u>	<u>\$ 27,456</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### ▪ Indian Water Rights Liability

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

Each of the agreements involves a contribution from the State of New Mexico in the form of construction of infrastructure. The value of infrastructure and mutual benefits projects contemplated in the three settlements are estimated at more than \$1.6 billion as of June 30, 2019. 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 \$3.18 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 \$69.7 million in the financial statements as of June 30, 2019.

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 Balances</u>
Aamodt	\$ 75,470	\$ 44,000	\$ 31,470
Taos	20,050	20,150	(100)
Navajo	34,132	32,225	1,907
Total	<u>\$ 129,652</u>	<u>\$ 96,375</u>	<u>\$ 33,277</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, June 30, 2019</u>
Aamodt	\$ 75,470	\$ 15,000	\$ 60,470
Taos	20,050	14,541	5,509
Navajo	34,132	30,404	3,727
Total	<u>\$ 129,652</u>	<u>\$ 59,945</u>	<u>\$ 69,706</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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### 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, 2019 and 2018 were \$259,198 and \$249,303, respectively. An agreement with U.S. Bank was entered into on December 31, 2014 for a three year term expiring December 29, 2019. 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):

Liquidity Expiration	US Bank			Grand Total
	Series 2001	Series 2002B	Series 2002C	
12/29/2019	\$ 21,355	\$ 13,405	\$ 28,845	\$ 63,605
<b>Liquidity Fees</b>				
	2001	2002B	2002C	Total
FY 19	\$ 89	\$ 55	\$ 114	\$ 258

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### ▪ Interest Rate Swap Agreements

On June 30, 2019, UNM had the following derivative instruments outstanding (in thousands):

Item/ Counter-Party	Type	Objective	Effective Date	Maturity Date	Terms	Current Fair Value	Current Notional Amount
<b>Hedging Derivatives</b>							
A - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	\$ (626)	\$ 5,339
B - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.9% Fixed	(4,422)	28,845
C - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.8% Fixed	(1,507)	13,405
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)	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	(631)	5,339
<b>Investment Derivatives</b>							
E - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2001 System Improvement Revenue Bonds (Overlay Swap)	8/15/2006	6/1/2026	Receive 63.6% of 5 year LIBOR swap rate + 0.3% - Pay SIFMA	157	10,678
F - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Overlay Swap)	8/15/2006	6/1/2030	Receive 63.6% of 5 year LIBOR swap rate + 0.3% - Pay SIFMA	696	28,845



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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 &amp; 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	Aa2	P1	A+	A1+	AA	F1+
RBC Royal Bank	A2	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 (USD Swap Rate) overlay interest rate swaps, because the variable-rate payments received by the University on these derivative instruments are based on a rate USD Swap Rate other than the index (SIFMA) the University pays on the VRDO bonds. At June 30, 2019, the interest rate on the University's variable-rate hedged debt (SIFMA) is 1.9 %, while the 63.55% of five year USD Swap Rate + 0.31% is .93 %.

##### *Termination Risk*

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

##### *Rollover Risk*

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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 &amp; 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, 2019; therefore, no collateral has been posted.

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

As of June 30, 2019, aggregate debt service requirements of UNM's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting (in thousands).

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

Fiscal Year Ending June 30,	Principal	Interest	Hedge Deriv. Instruments, Net	Total
2020	\$ 6,320	\$ 356	\$ 1,503	\$ 8,179
2021	6,580	315	1,370	8,265
2022	6,855	281	1,217	8,353
2023	7,155	252	1,048	8,455
2024	7,465	220	873	8,558
2025	7,770	183	697	8,650
2026	9,900	140	521	10,561
2027	2,900	78	301	3,279
2028	3,030	60	221	3,311
2029	3,160	40	141	3,341
2030	2,470	18	61	2,549
	<u>\$ 63,605</u>	<u>\$ 1,943</u>	<u>\$ 7,953</u>	<u>\$ 73,501</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, 2019. 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 2019 for the hedge instruments was a \$1.4 million increase to the liability and an equal offsetting increase 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, 2019 was recorded to unrealized gain in the amount of \$331.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### G. 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, 2019 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>
2020	\$ 945	\$ 347	\$ 1,292
2021	1,015	317	1,332
2022	1,090	286	1,376
2023	1,165	253	1,418
2024	1,240	217	1,457
2025 - 2028	5,830	461	6,291
<b>Total</b>	<b>\$ 11,285</b>	<b>\$ 1,881</b>	<b>\$ 13,166</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### H. Discretely-presented Component Units

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

<b>Bonds Payable - New Mexico Finance Authority</b>				
<i>(Expressed in Thousands)</i>				
Bond Series	Interest Rate (%)	Maturity Date	Original Issue	Balance June 30, 2019
<b>Public Project Revolving Fund - Senior Lien:</b>				
2009 A - E	4.0 - 5.3	2020 - 2029	\$ 161,815	\$ 33,865
2010 A - B	4.0 - 6.4	2020 - 2039	85,175	47,275
2011 B - C	2.5 - 5.0	2020 - 2036	110,680	54,100
2012 A	2.5 - 5.5	2020 - 2038	24,340	16,210
2013 A - B	3.0 - 5.0	2020 - 2038	60,645	34,290
2014 B	3.0 - 5.0	2020 - 2035	58,235	36,200
2015 B - C	2.3 - 5.0	2020 - 2045	90,800	78,795
2016 A - F	2.0 - 5.0	2020 - 2046	315,540	262,095
2017 A - E	3.0 - 5.0	2020 - 2046	138,130	118,130
2018 A - B	2.5 - 5.0	2020 - 2038	200,170	187,195
2019 B	4.0 - 5.0	2020 - 2039	43,870	43,870
Subtotal			1,289,400	912,025
<b>Public Project Revolving Fund - Subordinate Lien:</b>				
2014 A-1, 2	2.5 - 5.0	2020 - 2034	31,940	21,445
2015 A, D	3.0 - 5.0	2020 - 2035	92,745	71,390
2016 B	5.0	2020 - 2021	8,950	3,085
2017 B - F	2.1 - 5.0	2020 - 2036	128,725	93,645
2018 C - E	2.5 - 5.0	2020 - 2039	102,780	101,470
2019 C-2	2.0 - 5.0	2020 - 2039	68,555	68,305
Subtotal			433,695	359,340
<b>Total Public Project Revolving Fund and Total Bonds Outstanding</b>			<b>\$ 1,723,095</b>	<b>1,271,365</b>
<b>Add: Net Unamortized Premium</b>				<b>145,935</b>
<b>Total Bonds Payable</b>				<b>\$ 1,417,300</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019
<b>Single Family Mortgage Programs:</b>			
Series 2010 A	4.5 - 4.6	2028	\$ 5,280
Series 2011 A - C	2.3 - 5.4	2041	37,400
Series 2012 A - B	2.4 - 4.3	2043	43,215
Series 2013 A - C	2.2 - 4.5	2043	47,563
Series 2014 A - B	2.6 - 5.0	2044	13,449
Series 2015 A - E	1.8 - 4.0	2045	59,864
Series 2016 A - C	1.3 - 3.8	2046	114,370
Series 2017 A - B	1.3 - 3.8	2048	70,393
Series 2018 A - D	1.8 - 4.3	2049	245,855
Series 2019 A - E	1.3 - 4.3	2050	296,239
Subtotal			933,628
Unaccreted Bond Premium/Discount, Net			21,189
Total Single Family Mortgage Programs Payable			954,817
<b>Rental Housing Mortgage Programs:</b>			
Series 2002 A - B	5.4 - 6.8	2038	7,745
Series 2003 A - B	5.1 - 5.2	2038	7,355
Series 2004 A - D	5.0 - 6.0	2039	17,335
Series 2005 A - F	4.7 - 5.1	2040	23,775
Series 2007 A - D	5.1 - 10.0	2043	17,547
Series 2008 A - B	1.2 - 2.3 *	2043	8,000
Series 2010 A - B	5.0	2047	825
Series 2012 A	5.0	2049	4,676
Series 2019	5.25	2020	3,177
Subtotal			90,435
Unaccreted Bond Premium/Discount, Net			92
Total Rental Housing Mortgage Programs Payable			90,527
<b>Total Bonds Payable</b>			<b>\$ 1,045,344</b>

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

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

Annual debt service requirements to maturity are as follows:

<b>Debt Service Requirements to Maturity</b>						
<b>For Fiscal Years End September 30</b>						
<b>New Mexico Finance Authority</b>				<b>New Mexico Mortgage Finance Authority</b>		
<i>(Expressed in Thousands)</i>				<i>(Expressed in Thousands)</i>		
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 117,215	\$ 57,547	\$ 174,762	\$ 20,942	\$ 36,353	\$ 57,295
2021	113,745	52,218	165,963	24,496	35,961	60,457
2022	106,440	46,848	153,288	22,055	35,276	57,331
2023	101,195	41,864	143,059	22,848	34,573	57,421
2024	87,595	36,977	124,572	23,541	33,820	57,361
2025 - 2029	363,920	127,501	491,421	126,624	156,700	283,324
2030 - 2034	233,890	58,929	292,819	146,251	131,809	278,060
2035 - 2039	123,190	16,837	140,027	214,629	99,143	313,772
2040 - 2044	19,780	2,315	22,095	289,171	52,227	341,398
2045 - 2049	4,395	195	4,590	133,034	14,035	147,069
2050 - 2054				472	9	481
	<u>1,271,365</u>	<u>441,231</u>	<u>1,712,596</u>	<u>1,024,063</u>	<u>629,906</u>	<u>1,653,969</u>
Unaccrued Premium	145,935	-	145,935	21,281	-	21,281
<b>Total</b>	<b>\$ 1,417,300</b>	<b>\$ 441,231</b>	<b>\$ 1,858,531</b>	<b>\$ 1,045,344</b>	<b>\$ 629,906</b>	<b>\$ 1,675,250</b>

Details of the Mortgage Finance Authority Notes Payable follows:

<b>New Mexico Mortgage Finance Authority</b>			<b>Debt Service Requirements to Maturity</b>			
<b>Notes Payable</b>			<b>For Fiscal Years End September 30</b>			
<i>(Expressed in Thousands)</i>			<i>(Expressed in Thousands)</i>			
<b>Note</b>	<b>Balance</b>	<b>Fiscal</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
	<b>Sept. 30,</b>	<b>Year</b>				
	<b>2019</b>					
PRLF Cash and Loans	\$ 1,726	2020	\$ 25,074	\$ 325	\$ 25,399	
Securities and Loans Held for Sale	35,000	2021	10,074	189	10,263	
Subtotal: Debt with Pledged Collateral	36,726	2022	393	46	439	
Other Direct Borrowings without Assets Pledged	1,550	2023	499	38	537	
<b>Total Direct Borrowings</b>	<b>\$ 38,276</b>	2024	880	21	901	
		2025 - 2029	371	60	431	
		2030 - 2034	371	42	413	
		2035 - 2039	371	23	394	
		2040 - 2044	243	5	248	
			<u>\$ 38,276</u>	<u>\$ 749</u>	<u>\$ 39,025</u>	

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

The Authority also has an unused line of credit in the amount of \$1.8 million as of Sept. 30, 2019.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9

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

##### A. Governmental Fund Balances

Fund balances of governmental funds are classified as:

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



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019, 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>
<b>Nonspendable:</b>						
Prepaid Expenses	\$ 908	\$ -	\$ -	\$ -	\$ -	\$ 908
Inventories	31,851	-	-	-	-	31,851
Other	14,550	-	-	-	-	14,550
<b>Total Nonspendable</b>	<u>\$ 47,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,309</u>
<b>Restricted:</b>						
Capital Projects	\$ -	\$ -	\$ 1,578,346	\$ -	\$ -	\$ 1,578,346
Culture, Recreation and Natural Resources	184,175	-	-	-	-	184,175
Debt Service	-	535,184	-	-	-	535,184
Education	158,656	-	-	-	-	158,656
General Control	380,026	-	-	5,528,038	19,047,479	24,955,543
Health and Human Services	97,793	-	-	-	-	97,793
Highway and Transportation	338,174	-	-	-	-	338,174
Judicial	19,345	-	-	-	-	19,345
Legislature	3,850	-	-	-	-	3,850
Public Safety	74,055	-	-	-	-	74,055
Regulation and Licensing	133,466	-	-	-	-	133,466
<b>Total Restricted</b>	<u>\$ 1,389,540</u>	<u>\$ 535,184</u>	<u>\$ 1,578,346</u>	<u>\$ 5,528,038</u>	<u>\$ 19,047,479</u>	<u>\$ 28,078,586</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

	General Fund	Debt Service	Capital Projects	Severance Tax Permanent	Land Grant Permanent	Total
<b>Committed:</b>						
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture, Recreation and Natural Resources	(482)	-	-	-	-	(482)
Debt Service	-	-	-	-	-	-
Education	9,981	-	-	-	-	9,981
General Control	11,537	-	-	-	-	11,537
Health and Human Services	12,751	-	-	-	-	12,751
Highway and Transportation	-	-	-	-	-	-
Judicial	1,084	-	-	-	-	1,084
Public Safety	-	-	-	-	-	-
Regulation and Licensing	481	-	-	-	-	481
<b>Total Committed</b>	<b>\$ 35,352</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,352</b>
<b>Assigned:</b>						
General Control	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Health and Human Services	7,522	-	-	-	-	7,522
Judicial	4,402	-	150	-	-	4,552
Public Safety	-	-	-	-	-	-
Regulation and Licensing	3,548	-	-	-	-	3,548
<b>Total Assigned</b>	<b>\$ 15,472</b>	<b>\$ -</b>	<b>\$ 150</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,622</b>
<b>Unassigned:</b>						
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture, Recreation and Natural Resources	(232)	(188)	-	-	-	(420)
Education	(72,411)	-	-	-	-	(72,411)
General Control	1,844,280	(16,016)	-	-	-	1,828,264
Health and Human Services	(9,769)	3	-	-	-	(9,766)
Highway and Transportation	(51,067)	14,419	-	-	-	(36,649)
Judicial	(5,120)	352	-	-	-	(4,768)
Legislature	2,323	-	-	-	-	2,323
Public Safety	(21,892)	-	-	-	-	(21,892)
Regulation and Licensing	(79,041)	1,431	-	-	-	(77,610)
<b>Total Unassigned</b>	<b>\$ 1,607,072</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,607,072</b>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

##### **Governmental Activities**

There were no deficit overall fund balances to report for the fiscal year ended June 30, 2019.

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

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

During the fiscal year ended June 30, 2019, 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, 2019, Net Position/fund balance previously reported to beginning Net Position/fund balance, as reported in the accompanying financial statements(in thousands):

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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	\$ (25,178)
Correction of errors	(77,349)
Rounding	(2)
	<u>(102,529)</u>

##### Governmental fund financial statements:

Capital Projects - Agency Prior Adjustments	302
Capital Projects - movement of fund	(84,329)
Capital Projects - Correction of Errors	(11,507)
Capital Projects - Rounding	1
Debt Service Fund - movement of fund	84,329
General Fund - Agency Prior Adjustments	13,889
General Fund - Correction of Errors CY	6,571
General Fund - Correction of Errors PY	(30,913)
General Fund - Rounding	(3)
Total Governmental fund adjustments	<u>(21,660)</u>
Internal Service - Correction of Errors	<u>-</u>
Total Internal Service Fund Adjustments	<u>-</u>

##### Total adjustments, Governmental

Activities \$ (124,189)

##### Non-Major Component Units

##### Change in Accounting Method, Adjustments, and Corrections of Errors:

Small Business Invest - change in accounting methods	\$ (6,324)
Charter Schools - Correction of Errors	(155)
Charter Schools - Transfers to Districts	18,082
Northern - correction of an error	(200)
Total adjustments, Non-Major Component Units	<u>\$ 11,403</u>

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

##### Correction of Errors

UNM - PY	\$ 2,779
NMSU - PY	280
NNMC - CY	3,507
Rounding	1
Total adjustments, Educ. Inst.	<u>6,567</u>
<b>Business - type Activities</b>	<b>\$ <u>6,567</u></b>

##### Agency Funds

Funds moving from Agency to Special Rev	\$ (254)
<b>Total adjustments, Agency Funds</b>	<b>\$ <u>(254)</u></b>

##### External Investment Trust Funds

Corrections of Errors - STO	\$ 38,900
Corrections of Errors - SIC	(3,708)
Rounding	(1)
<b>Total adjustments, External Invest.</b>	<b>\$ <u>35,191</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

Net Position/Fund Balance Restatements								
Governmental Activities:	Net Position - Governmental Activities	Total Net Position - Internal Svc. Funds	Total Fund Balances - Governmental Funds	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax Fund	Land Grant Fund
Beg. Net Position/Fund Balances, as Previously Reported	\$ 26,916,737	\$ (32,105)	26,772,272	\$ 2,153,101	\$ 423,801	\$ 1,012,199	\$ 5,280,599	\$ 17,902,572
Adjustments	(124,189)	-	(21,660)	(10,456)	84,329	(95,533)	-	-
Beg. Net Position/Fund Balances, as Restated	\$ 26,792,548	\$ (32,105)	26,750,612	\$ 2,142,645	\$ 508,130	\$ 916,666	\$ 5,280,599	\$ 17,902,572
Effect on Change in Net Position/Fund Balance FYE June 30, 2019	\$ (124,189)	\$ -	(21,660)	\$ (10,456)	\$ 84,329	\$ (95,533)	\$ -	\$ -
<b>Business-type Activities:</b>								
	Net Position - Business-type Activities	Educational Institutions	Nonmajor Enterprise					
Beg. Net Position, as Previously Reported	\$ 1,527,695	\$ 636,479	\$ 891,216					
Adjustments	6,567	6,567	-					
Beg. Net Position, as Restated	\$ 1,534,262	\$ 643,046	\$ 891,216					
Effect on Change in Net Position FYE June 30, 2019	\$ 6,567	\$ 6,567	\$ -					
<b>Fiduciary and Component Units:</b>								
	Pension Trust Funds	External Investment Trust Funds	Major Component Units	Non-Major Component Units				
Beg. Net Position, as Previously Reported	\$ 29,638,049	\$ 667,177	\$ 1,138,907	\$ 18,044				
Adjustments	-	35,191	-	11,403				
Beg. Net Position, as Restated	\$ 29,638,049	\$ 702,368	1,138,907	29,447				
Effect on Change in Net Position FYE June 30, 2019	\$ -	\$ 35,191	\$ -	\$ 11,403				

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

<b>Fiduciary Funds:</b>	<u>Agency Funds</u>
Beg. Total Assets and Total Liabilities, as previously reported	\$ 432,866
Adjustment - Correction of Errors	<u>(254)</u>
Beg. Total Assets and Total Liabilities, as Restated	<u>\$ 432,612</u>
	<u>Private Purpose Trust</u>
Beg. Net Position, as Previously Reported	3,048,943
Adjustments	<u>-</u>
Beg. Net Position, as Restated	<u>\$ 3,048,943</u>
Effect on Change in Net Position FYE June 30, 2019	<u>\$ -</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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>
2020	\$ 65,506	\$ 11,915	\$ 159
2021	63,592	7,647	72
2022	56,914	6,840	1
2023	53,225	5,384	-
2024	40,659	4,926	-
2025-2029	131,863	3,607	-
2030-2034	8,103	202	-
2035-2039	731	24	-
Thereafter	97,162	1,384	-
Total	<u>\$ 517,755</u>	<u>\$ 41,929</u>	<u>\$ 232</u>

Operating lease expenditures/expenses for fiscal year 2019 for governmental activities, business-type activities, and fiduciary activities, respectively (in thousands) were \$ 81,100, \$ 14,389, and \$ 168.

##### 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.

As of June 30, 2019, the State did not have any capital lease obligations.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

#### 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>
2020	\$ 3,460	\$ 10,762
2021	3,345	9,614
2022	3,268	9,520
2023	3,211	7,742
2024	3,184	6,753
2025-2029	-	20,706
2030-2034	-	19,012
2035-2039	-	13,549
Thereafter	26,256	15,673
	<u>\$ 42,724</u>	<u>\$ 113,331</u>

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



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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

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

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, 2019, were \$166.6 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, 2019 and the date the claims are ultimately expected to be paid.

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2018	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2019	Current Amount Due
State Unemployment	\$ 4,279	\$ 3,028	\$ (3,357)	\$ 3,950	\$ 3,950
Local Public Body	941	1,525	(1,597)	869	869
Public Property Reserve	2,237	6,949	(6,208)	2,978	2,506
Public Liability	75,456	19,253	(26,411)	68,298	31,041
Surety Bond	3	-	-	3	2
Workers Compensation	46,783	16,440	(13,376)	49,847	11,609
Group Insurance Premium	42,805	325,170	(327,326)	40,649	40,648
<b>Total</b>	<b>\$ 172,504</b>	<b>\$ 372,365</b>	<b>\$ (378,275)</b>	<b>\$ 166,594</b>	<b>\$ 90,625</b>

	Balance June 30, 2017	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2018	Current Amount Due
State Unemployment	\$ 4,346	\$ 4,731	\$ (4,798)	\$ 4,279	\$ 4,279
Local Public Body	956	1,041	(1,056)	941	941
Public Property Reserve	2,837	2,149	(2,749)	2,237	1,882
Public Liability	83,145	14,069	(21,758)	75,456	34,189
Surety Bond	3	5	(5)	3	2
Workers Compensation	48,049	12,845	(14,111)	46,783	10,896
Group Insurance Premium	40,814	344,408	(342,417)	42,805	42,805
<b>Total</b>	<b>\$ 180,150</b>	<b>\$ 379,248</b>	<b>\$ (386,894)</b>	<b>\$ 172,504</b>	<b>\$ 94,994</b>

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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12

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#### NOTE 12. Pension Plans

##### A. Plan Descriptions

The State maintains five public employees' retirement systems (Systems): Four separate systems are administered by the New Mexico Public Employees' Retirement Association (PERA) and one system is administered by the New Mexico Educational Employees' Retirement Board (ERB). The State elected to use June 30, 2018 as its measurement date for both its PERA and ERB pension plans.

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

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

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019, were (not in thousands):

	<u>PERS*</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
<b>Number of Employers</b>					
State Agencies	121	15	12	-	11
Cities, Towns, Villages	93	-	-	364	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	98
Other	79	-	-	-	-
<b>Totals</b>	<b>326</b>	<b>15</b>	<b>12</b>	<b>364</b>	<b>217</b>
<b>Retirees and Beneficiaries</b>					
Receiving Benefits	39,557	174	104	1,354	50,197
<b>Terminated Plan Members</b>					
not yet Receiving Benefits	17,953	22	14	374	51,139
Active Plan Members	48,730	125	65	7,939	60,197

\* Note: PERA Retirement Fund includes the Legislative Fund

#### B. Funding and Benefit Policies

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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

For Tier II, the retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (applicable to those hired after July 1, 2013 – Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credits equals at least 85, or at 67 with eight or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers, and municipal juvenile detention officers will remain in 25-year retirement plans; however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II, pension factors were reduced by 0.5 %. 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 26.12%. Generally, Tier I regular state members contribute 7.42% to 8.92%, while employers contribute 16.99%.

**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, 2018 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 (53<sup>rd</sup> Legislature) in 2018, 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 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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 been appropriately filed or unless specifically excluded. Benefits are available at age 64 or older to any member having

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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, 2015. 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. Beginning July 1, 2015, the employer contributions increased to 15 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 administrated 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

the plan in fiscal year 2018 and thereafter. Employers are required to contribute 13.9% of gross covered salaries in fiscal year 2018 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.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

**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 1.5%. 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 1.7%.

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.

**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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

*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, 2018. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2019. The net pension liability of each plan as of June 30, 2019, is as follows (in thousands):

**Public Employees Retirement Association and Education Retirement Board**  
**Net Pension Liability, By Fund**  
*(Expressed in Thousands)*

	<b>PERA-Public Employees Retirement System</b>	<b>PERA-Judicial Retirement System</b>	<b>PERA-Magistrate Retirement System</b>	<b>PERA-Volunteer Firefighters Retirement System</b>	<b>ERB-Educational Employees Retirement System</b>
Total Pension Liability	\$ 21,989,224	\$ 205,434	\$ 77,431	\$ 52,561	\$ 21,121,994
Plan's Fiduciary Net Position	15,507,545	91,760	31,798	71,836	13,544,692
Net Pension Liability	<u>\$ 6,481,679</u>	<u>\$ 113,674</u>	<u>\$ 45,633</u>	<u>\$ (19,275)</u>	<u>\$ 7,577,302</u>
Percentage of Fiduciary Net Position to Total Pension Liability	<u>70.52%</u>	<u>44.67%</u>	<u>41.07%</u>	<u>136.67%</u>	<u>64.13%</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

These assumptions were adopted by the Board 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, 2018	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Pay	Level Percent of Pay, Open	Level Percent of Payroll, Open	Level Dollar, Open	Closed 30 year period, Amortization. Level percent of Payroll.
Amortization period	Solved for Based on Statutory Rates	30 years	30 years	30 years	Closed 30 years
Asset valuation method					5 Year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.25%	7.25% SEIR 5.12%	7.25% SEIR 4.56%	7.25%	7.25%
Projected Benefit Payment	100 years	89 years	86 years	100 years	
Payroll Growth	3.00%	3.00%	3.00%	N/A	-
Projected Salary Increases	3.25%-13.50%	4.00%	3.50%	N/A	2.50% Inflation, plus .75% Prod, Inc.
Includes Inflation At	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality Assumption	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RP-2000 Combined Mortality Table
Discount Rate	7.25%	5.12%	5.21%	5.12%	7.25%
Municipal Bond Rate	3.50%	3.50%	4.56%	3.50%	

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
State-Funded Divisions	\$ 9,231,607	\$ 6,481,678	\$ 4,209,584
Single-Employer Funds:			
Judicial	\$ 137,185	\$ 113,675	\$ 93,914
Volunteer Firefighters	\$ (13,083)	\$ (19,276)	\$ (24,415)
Magistrate	\$ 55,091	\$ 45,634	\$ 37,796
ERB	\$ 10,288,778	\$ 7,577,302	\$ 5,384,280

**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	42.33 %	7.48 %
Risk Reduction & Mitigation	21.37	2.37
Credit Oriented Fixed Income	15.00	5.47
Real Assets	20.00	6.50
Multi-Risk Allocation	1.30	
<b>Total</b>	<b>100.00 %</b>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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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:

	Allocation	Policy Target <sup>1</sup>
<b>Schedule of Asset Allocation Versus Policy Targets</b>		
<b>Equities</b>		
<i>Domestic Equities</i>		
Large cap	15%	16%
Small-mid cap	2%	3%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	9%	9%
Total equities	<u>31%</u>	<u>33%</u>
<b>Fixed Income</b>		
Core Fixed Income	6%	6%
Opportunistic credit	18%	18%
Emerging market debt	2%	2%
Total fixed income	<u>26%</u>	<u>26%</u>
<b>Alternatives</b>		
Real estate - REITS	7%	7%
Real assets	8%	8%
Private equity	15%	13%
Global asset allocation	4%	4%
Risk parity	5%	3%
Other	3%	5%
Total alternatives	<u>42%</u>	<u>40%</u>
<b>Cash</b>	<u>1%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

#### 1. Long-Term Policy Target approved by the Board on August, 26 2016.

**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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

- 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 year ended June 30, 2019, the annual money-weighted rate of return on the PERA pension plan investments net of investment expense was 5.60%. For the ERB pension plan, it was 7.29%.

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

##### State – Funded Divisions of PERA

For the fiscal year ended June 30, 2019, the State Funded Divisions of PERA were composed of State General, State Police and Legislative. The measurement date used by State was June 30, 2018.

**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 \$182 million for the fiscal year ended June 30, 2019.

##### ***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	\$ (3,525,986)
State Police	255,463
Legislative	15,103
Total	<u>\$ (3,255,420)</u>

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

Governmental Activities (including Internal Service Funds)	\$ 3,186,065
Business-type Activities (including Nonmajor enterprise funds and two educational institutions)	69,355
Total	<u>\$ 3,255,420</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

At June 30, 2019, the State's total proportion of the PERA State Funded Divisions net pension liability was 52.74% percent and at June 30, 2018, the State's total proportion of the PERA net pension liability was 52.52%. Total contributions for State Funded Divisions were \$158.8 million, \$22.8 million, and \$0 for the three divisions respectively. Pension expense was \$419.4 million, \$(20.7) million and \$(.95) million respectively.

#### **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, 2018 (in thousands).

	<b>Judicial</b>	<b>Magistrate</b>	<b>Volunteer Firefighters</b>
<b>Net Pension Liability (Asset)</b>	<u>\$ 84,480</u>	<u>\$ 36,998</u>	<u>\$ (18,485)</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, 2019.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - The State reported liabilities of \$84.5 million and \$37 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, 2019, the State recognized \$14.6 million as pension expense for the Judicial Retirement Funds. Also, for the year ended June 30, 2019, the State recognized (\$.47) million as pension expense for the Magistrate Retirement Fund, respectively.

The Volunteer Firefighters Retirement Fund reported a plan net position of \$69.3 million and a total pension liability of \$50.8 million for a positive net position asset of \$18.5 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 \$.78 million.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

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

At June 30, 2019, these plans reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

PERA - State-Funded and Single-Employer Funds (Judicial and Magistrates Funds)	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 87,700	\$ (127,939)	\$ 1,794	\$ (2,334)
Changes of assumptions	265,973	(25,712)	5,306	(319)
Net difference between projected and actual earnings on pension plan investments	174,127	-	3,416	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-	-	-
State contributions subsequent to measurement date	183,916	-	3,725	-
<b>Totals</b>	<u>\$ 711,716</u>	<u>\$ (153,651)</u>	<u>\$ 14,241</u>	<u>\$ (2,653)</u>

The amounts of \$183,916 for governmental activities and \$3,725 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, 2018, will be recognized as a reduction of the respective net pension liability in the following fiscal year ended June 30, 2020. 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		
<u>Year ended June 30:</u>			<u>Year ended June 30:</u>		
2020	\$	234,992	2020	\$	4,939
2021	\$	84,020	2021	\$	1,766
2022	\$	46,076	2022	\$	968
2023	\$	9,061	2023	\$	190
2024	\$	-	2024	\$	-
Thereafter	\$	-	Thereafter	\$	-



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

### 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).

	Governmental	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Volunteer Firefighter’s Fund</b>		
Differences between expected and actual experiences	\$ -	\$ (5,278)
Changes of assumptions	2,244	(156)
Net difference between projected and actual earnings on pension plan investments	1,628	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to measurement date	750	-
<b>Totals</b>	<u>\$ 4,622</u>	<u>\$ (5,434)</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, 2018, will be recognized as a reduction of the respective net pension liability in the following fiscal year ended June 30, 2020. 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	
2020	\$ 719
2021	\$ (15)
2022	\$ (946)
2023	\$ (584)
2024	\$ (637)
Thereafter	\$ (99)

#### 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, 2019, from the State to the ERB were \$1.2 million for governmental activities and \$ 113.2 million from the twelve educational institutions reported as business-type activities.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2018. At June 30, 2019, the State reported a liability of \$ 34.0 million for its proportionate share of the net pension liability covering state employees in governmental activities, and \$ 3.4 billion for the collective proportionate share of the twelve educational institutions reported as business-type activities. At June 30, 2018, the proportion was .29 percent for governmental activities and 28.73 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, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978.

For the year ended June 30, 2019, the State recognized pension expense of \$4.9 million in governmental activities and \$567.0 million in business-type activities. At June 30, 2019, 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
<b>ERB Fund</b>				
Differences between expected and actual experiences	\$ 25	\$ (648)	\$ 2,493	\$ (65,019)
Changes of assumptions	7,013	-	704,096	-
Net difference between projected and actual earnings on pension plan investments	75	-	7,563	-
Changes in proportion and differences between State contributions and proportionate share of contributions	682	(1,292)	24,751	(26,817)
State contributions subsequent to measurement date	1,180	-	113,215	-
<b>Totals</b>	<u>\$ 8,975</u>	<u>\$ (1,940)</u>	<u>\$ 852,118</u>	<u>\$ (91,836)</u>

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

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	
2020	\$ 3,245	2020	\$ 396,981
2021	\$ 2,507	2021	\$ 255,557
2022	\$ 103	2022	\$ (5,570)
2023	\$ 1	2023	\$ 100
2024	\$ -	2024	\$ -
Thereafter	\$ -	Thereafter	\$ -

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

Governmental Activities	Net Pension Asset	Net Pension Liability	Governmental Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
PERA - State Divisions	\$ -	\$ 3,186,064	PERA - State Divisions, Judicial & Magistrate	\$ 711,716	\$ (153,651)
PERA - Judicial	-	84,479	PERA - Volunteer Firefighters	4,622	(5,434)
PERA - Magistrate	-	36,998	ERB	8,976	(1,940)
PERA - Volunteer Firefighters	18,485	-	Rounding	(1)	-
ERB	-	34,028	Total Governmental Activities	725,314	(161,025)
Rounding	-	1			
Total Governmental Activities	18,485	3,341,570	<u>Business-type Activities</u>		
			PERA - State Divisions	14,242	(2,653)
<u>Business-type Activities</u>			ERB	852,118	(91,836)
PERA - State Divisions	-	69,355	Rounding	(2)	-
ERB	-	3,416,362	Total Business-type Activities	866,358	(94,489)
Total Business-type Activities	-	3,485,718			
			Component Units	81,356	(9,513)
Component Units	-	263,215			

### F. Discount Rates and Sensitivity Analysis

#### Discount Rate –

**PERA** - The discount rate used to measure the total pension liability was 7.25 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 7.25 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 5.21 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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

with GASB Statement No. 67. Therefore, a 5.21% 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 7.25% and the 20 year tax-exempt municipal bond rate 3.50% as of the measurement date for both the Judicial and Magistrate funds. The discount rate for the Judicial fund was 6.08%

**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 State's Proportionate Share 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.

<b>Public Employees Retirement Association Employer Reporting Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Expressed in Thousands)</b>			
<u>Net Pension Liability</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
State-Funded Divisions	\$ 4,518,115	\$ 3,255,419	\$ 2,213,263
<b>Single-Employer Funds:</b>			
Judicial	(5.08%) \$ 103,346	(6.08%) \$ 84,479	(7.08%) \$ 68,498
Volunteer Firefighters	(6.25%) \$ (12,456)	(7.25%) \$ (18,485)	(8.25%) \$ (23,491)
Magistrate	(4.21%) \$ 45,081	(5.21%) \$ 36,998	(6.21%) \$ 30,258

**ERB** - A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2019. This single discount rate was based on the expected rate of return on pension plan investments of 5.69%. 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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 State's Proportionate Share 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.

	<b>Educational Retirement Board Employer Reporting Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Expressed in Thousands)</b>		
<u>Net Pension Liability</u>	<u>1% Decrease (4.69%)</u>	<u>Current Discount Rate (5.69%)</u>	<u>1% Increase (6.69%)</u>
State Employees (Governmental Activities)	\$ <u>44,224</u>	\$ <u>34,028</u>	\$ <u>25,709</u>
Educational Institution Employees (Business-type Activities)	\$ <u>4,439,962</u>	\$ <u>3,416,362</u>	\$ <u>2,581,168</u>
<b>Total Primary Government- ERB</b>	\$ <u><u>4,484,186</u></u>	\$ <u><u>3,450,390</u></u>	\$ <u><u>2,606,877</u></u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13

#### NOTE 13. Post - Employment Benefits Other Than Pensions

##### A. Plan Description

In addition to pension benefits as described in Note 12, the State provides other post-employment benefits (OPEB). The following is in accordance with the provisions of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 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. 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, 2018. 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.

# STATE OF NEW MEXICO

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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

<b>Plan Membership (Not in Thousands):</b>	
Current Retirees and Surviving Spouses	52,179
Inactive and Eligible for Deferred Benefit	10,916
Current Active Members	91,082
<b>Total</b>	<b>154,177</b>
<b>Active Membership:</b>	
State General	17,097
State Police and Corrections	1,830
Municipal General	17,538
Municipal Police	3,159
Municipal Fire	1,966
ERB	49,492
<b>Total</b>	<b>91,082</b>
<b>Total Number of Participating Employers</b>	<b>305</b>

#### B. 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 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.

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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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, 2019, 1,376 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, 2019, the following employees were covered by the benefit terms: Current retirees receiving benefits – 1,740 and current active members – 2,366.

#### **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, 2019. 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.

Effective January 1, 2019, the Institute is no longer using the Trust, a contributory benefit plan, to operate, control and maintain a program to provide the health insurance benefits to the employees of the Institute and their families. The Board of Regents made a resolution approving an agreement for participating with New Mexico Public School Insurance Authority (NMPSIA), for employee health benefits for its employees, retirees and their families. The Trust will continue to operate, control and maintain the life insurance and flexible benefits to the employees of the Institute and their families. The Trust issues standalone audited financial statements that can be obtained by request or via the Office of the State Auditor's website at [www.saonm.org](http://www.saonm.org).



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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

*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 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.

As of June 30, 2019, all active participants and retirees were moved to NMPSIA.

#### C. Funding and Benefit Policies

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

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

*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, 2019, 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, 2019, the statute required each participating employer to contribute

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

2.5 percent of each participating employee's annual salary, and each participating employee was required to contribute 1.25 percent of their salary.

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

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

#### **D. 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 2019 and 2018 were \$5.8 million and \$5.5 million, respectively, net of retiree contributions.

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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. Effective January 1, 2019, the Institute will remit monthly premiums for eligible employees and retirees to NMPSIA. 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. Retirees are required to contribute a percentage of the premium based on their preretirement annual salary.

#### E. 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, 2019.

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).

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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

<u>Investments Measured at NAV Practical Expedient</u>	<u>Fair Value June 30, 2018</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
U.S. Large Cap Index Pool	\$ 99,581	Daily	5 business days
Non U.S. Emerging Markets Index Pool	69,360	Daily	5 business days
Non U.S. Developed Markets Index Pool	96,263	Daily	5 business days
Private Equity Pool	81,386	Twice per year	9 months
Credit and Structured Finance Pool	105,999	4 times per year	3 months
Real Estate Pool	73,121	Twice per year	6 months
Small/Mid Cap Active Pool	12,926	Daily	5 business days
Real Asset Pool	34,680	Twice per year	6 months
Core Bond Pool	149,338	Daily	5 business days
	<u>\$ 722,654</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>.

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

The actuarial methods and assumptions for the Plan at June 30, 2019, were as follows:

Valuation Date	June 30, 2019
Actuarial cost method	Entry age normal, level of percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
<u>Actuarial Assumptions:</u>	
Inflation	2.50% for ERB; 2.50% for PERA
Projected payroll increases:	3.25% to 13.50% 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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual Money-</u> <u>Weighted Rate</u> <u>Of Return</u>
2019	6.53%

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, 2019:

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

<u>Asset Class</u>	<u>Target Allocations</u>
U.S. core fixed income	20%
Credit and structured finance	10%
U.S. equity - large cap	20%
Non U.S. - developed equities	12%
Non U.S. - emerging markets	15%
Private equity	10%
Real estate	5%
Real return	5%
U.S. equity - small/mid cap	3%
	<u>100%</u>

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)

#### F. 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, 2019. 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 4.16% as of June 30, 2019. 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, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2039. Beyond 2039, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 4.16% is the blended discount rate.

The following presents the net OPEB liability, calculated using the discount rate of 4.16%, 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 (in thousands):

<u>1% Decrease</u> (3.16%)	<u>Current Discount Rate</u> (4.16%)	<u>1% Increase</u> (5.16%)
\$ 3,966,223	\$ 3,242,389	\$ 2,673,387

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 (in thousands):

<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
\$ 2,699,498	\$ 3,242,389	\$ 3,677,050

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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### 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, 2018. The total OPEB liability was rolled forward from the valuation date to the plan year ending June 30, 2019. The change in net OPEB liability as of June 30, 2019, is as follows:

#### Schedule of Changes in the Net OPEB Liability

(In Thousands)

#### TOTAL OPEB LIABILITY

Service Cost	\$	156,598
Interest		208,666
Differences between expected and actual experience		14,004
Changes in assumptions		-
Claims and premiums		(754,197)
Retiree's contributions offset to claims and premiums		(535,457)
Medicare Part D and rebates offset to claims and premiums		(96,487)

**NET CHANGE IN TOTAL OPEB LIABILITY** (1,006,873)

**TOTAL OPEB LIABILITY - BEGINNING** 5,006,012

**TOTAL OPEB LIABILITY - ENDING (a)** 3,999,139

#### PLAN FIDUCIARY NET POSITION

Contributions - employee and retiree	88,516
Contributions - employer	216,528
Net investment income	41,663
Other revenue	(296,417)
Claims and premiums paid	(4,148)
Administrative expenses	52,951

**NET CHANGE IN PLAN FIDUCIARY NET POSITION** 99,093

**PLAN FIDUCIARY NET POSITION - BEGINNING** 657,657

**PLAN FIDUCIARY NET POSITION - ENDING (b)** 756,750

**NET OPEB LIABILITY (a) - (b)** \$ 3,242,389

**PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF  
TOTAL OPEB LIABILITY** 18.92%

**COVERED-EMPLOYEE PAYROLL** 4,172,929

**NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-  
EMPLOYEE PAYROLL** 77.70%



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

#### G. 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, 2019, from the State to the RHCA were \$ 21.1 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, 2018. Therefore, the employer’s portion was established as of the measurement date June 30, 2018. At June 30, 2019, the State reported a liability of \$1.0 billion for its proportionate share of the net OPEB liability covering state employees in governmental activities, and \$138 million for its proportionate share of the net OPEB liability covering state employees business-type activities. At June 30, 2018, the proportion was 22.78 percent for governmental activities and 4.21 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, 2018.

For the year ended June 30, 2019, the State recognized OPEB expense of \$1.4 million in governmental activities and a net OPEB expense of \$.18 million in business-type activities.

At June 30, 2019, 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
<b>RHCA</b>				
Differences between expected and actual experiences	\$ -	\$ (61,283)	\$ -	\$ (8,211)
Changes of assumptions	-	(193,243)	-	(25,892)
Net difference between projected and actual earnings on pension plan investments	-	(12,917)	-	(1,731)
Changes in proportion and differences between State contributions and proportionate share of contributions	365	-	1,609	(2,805)
State contributions subsequent to measurement date	21,104	-	2,782	-
<b>Totals</b>	<u>\$ 21,469</u>	<u>\$ (267,442)</u>	<u>\$ 4,392</u>	<u>\$ (38,638)</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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):

Governmental		Business-type	
Year ended June 30:		Year ended June 30:	
2020	\$ (67,874)	2020	\$ (9,358)
2021	\$ (67,874)	2021	\$ (9,358)
2022	\$ (67,874)	2022	\$ (9,358)
2023	\$ (52,398)	2023	\$ (7,289)
2024	\$ (11,057)	2024	\$ (1,671)
Thereafter	\$ -	Thereafter	\$ -

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net State's Proportionate Share of the 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:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Net OPEB Liability			
Governmental Activities	\$ 1,252,676	\$ 1,035,068	\$ 863,544
Business-type Activities	\$ 167,839	\$ 138,683	\$ 115,702
<b>Total Primary Government- RHCA</b>	<b>\$ 1,420,515</b>	<b>\$ 1,173,751</b>	<b>\$ 979,246</b>

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:

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability			
Governmental Activities	\$ 874,995	\$ 1,035,068	\$ 1,160,568
Business-type Activities	\$ 117,236	\$ 138,683	\$ 155,498
<b>Total Primary Government- RHCA</b>	<b>\$ 992,231</b>	<b>\$ 1,173,751</b>	<b>\$ 1,316,066</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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

##### UNM

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, but adjusted for a change in the discount rate. The components of the net OPEB liability of the University at June 30, 2019 was as follows:

	<u>2019</u>
	<i>In thousands</i>
Total OPEB Liability	\$ 156,289
Plan fiduciary net position	\$ 30,805
University's net OPEB liability	\$ 125,483

Plan fiduciary net pension as a  
percentage of the total OPEB liability 19.71%

**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 6.78%, 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 3.87% on the last Friday prior to the measurement date of June 30, 2018. 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. The discount rate used in the prior year 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019, which was measured using the discount rate of 6.78%, 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 (5.78%) or one percentage point higher (7.78%) than the current discount rate.

	Year Ended June 30, 2019 (in thousands)		
	1% Decrease	Current Discount	1% Increase
	(5.78%)	Rate (6.78%)	(7.78%)
Net OPEB liability	146,598	125,483	108,218

#### *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, 2019, 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, 2019 (in thousands)		
	1% Decrease	Current Discount	1% Increase
	(Pre-Medicare: 5.5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4%, Dental: 3%)	(Pre-Medicare: 6.5% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5%, Dental: 4%)	(Pre-Medicare: 7.5% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6%, Dental: 5%)
Net OPEB liability	106,004	125,483	149,623

#### *Changes in Net OPEB Liability*

	Increases (Decreases) in thousands		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2018 (based on July 1, 2017 measurement date)	\$ 154,799	\$ 23,912	\$ 130,887
Changes for the year:			
Service cost	3,501	-	3,501
Interest on the total OPEB liability	10,007	-	10,007
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions*	(7,105)	-	(7,105)
Benefit payments	(4,913)	(4,913)	-
Contributions from employer	-	7,322	(7,322)
Contributions from employee	-	2,408	(2,408)
Net investment income	-	2,080	(2,080)
Administrative expense	-	(5)	5
Net changes	1,490	6,892	(5,402)
Balance at June 30, 2019 (based on July 1, 2018 measurement date)	156,289	30,804	125,485

\* The assumed discount rate increased from 6.42% at June 30, 2017 to 6.78% as of June 30, 2018.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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 years ended June 30, 2019, the University recognized OPEB expense of \$8.0 million and \$7.8 million, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Year Ended June 30, 2019 (in thousands)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 10,579
Net difference between projected and actual earnings on OPEB plan investments	-	10
Net difference between projected and actual earnings on OPEB plan investments	7,513	-
<b>Total</b>	<b>\$ 7,513</b>	<b>\$ 10,589</b>

The \$7.5 million reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date of July 1, 2018 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. The \$7.3 million reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date of July 1, 2017 was 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 (in thousands):

<u>Year ending June 30:</u>	
2020	(2,018)
2021	(2,018)
2022	(2,019)
2023	(2,009)
2024	(1,755)
Thereafter	(771)
<b>Total</b>	<b>\$ (10,590)</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

#### NMSU

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 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 2019:

	<i>Increases (Decreases) in thousands</i>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a)-(b)</b>
<b>Total OPEB Liability - Start of Year (July 1, 2018)</b>	<b>\$ 133,899</b>		<b>\$ 133,899</b>
Changes for the year			
Service cost	5,127	-	5,127
Interest cost	5,268	-	5,268
Changes in assumptions or other inputs	7,135	-	7,135
Benefit payments	(5,758)	-	(5,758)
Net change in total OPEB liability	11,772	-	11,772
<b>Net OPEB Liability - End of Year (June 30,2019)</b>	<b>\$ 145,671</b>	<b>\$ -</b>	<b>\$ 145,671</b>

**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. The Entry Age Normal Actuarial Cost Method was used based on level percentage of projected salary. The OPEB liability is based on an actuarial valuation performed as of June 30, 2019, conducted in accordance with generally accepted actuarial principles.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

The actuarial methods and assumptions used to determine the total OPEB liability included in the measurement are as follows:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Discount Rate	3.50% per annum (EOY) Source: Bond Buyer 20-Bond GO Index
Salary Increase Rate	2.5% per annum
Inflation Rate	3.0% per annum
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age 65
Health Care Cost Trend Rate	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 6.0% for retirees 65 years of age and under and 5.0% 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.
Per Capita Health Claim Cost	Expected pre Medicare retiree claim costs were developed using 24 months of historical claim experience through May 2018. The annual age 60 claim costs for retirees and their spouses is \$8,200. The age 70 costs for retirees is \$4,040.
Mortality Rate	RP-2014 generational table scaled using MP17 and applied on a gender-specific basis

**Discount Rate.** A single discount rate of 3.50% was used to measure the total OPEB liability as of June 30, 2019, respectively.

**Other Information.** The discount rate is the only applicable change in the actuarial valuation. There were no other modifications to the postemployment health plan provisions, census and other assumptions reflected in the actuarial valuation as of June 30, 2018. 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.

**Health Care Trend Sensitivity Analysis.** The following schedules measures the Net OPEB Liability if the health care cost trend rate used was 1% higher than the assumed health care cost trend rate and 1% lower than the assumed health care cost trend rate for June 30, 2019, respectively.

	Year Ended June 30, 2019 (in thousands)		
	1% Decrease	Current Trend	1% Increase
New Mexico State University's net OPEB liability	\$ 127,391	\$ 145,672	\$ 169,269

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

**Discount Rate Sensitivity Analysis.** The following tables show the sensitivity of the OPEB liability to changes in the discount rate as of fiscal year end 2019 and 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, (2.50%) and (2.87%), or one percentage point higher, (4.50%) and (4.87%) than the single discount rate for June 30, 2019 and 2018, respectively.

	<b>Year Ended June 30, 2019 (in thousands)</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>(2.50%)</b>	<b>Rate (3.50%)</b>	<b>(4.50%)</b>
New Mexico State University's net OPEB liability	\$ 167,459	\$ 145,672	\$ 128,120

For the year ended June 30, 2019, the University recognized an OPEB expense of \$10.7 million. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>(Amounts in thousands)</i>	
	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 5,770	\$ 3,307
Total	\$ 5,770	\$ 3,307

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30,</b>	<i>(Amounts in thousands)</i>
2020	340
2021	340
2022	340
2023	1,132
2024	310
	<u>2,462</u>



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

#### NMIMT

The Institute's net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019.

The components of the Institute's net OPEB liability at June 30, were as follows:

<u>Components of the Institute's net OPEB liability</u>	<i>(Amounts in thousands)</i> <u>June 30, 2019</u>
Total OPEB Liability	32,523
Plan Fiduciary Net Position	<u>4,304</u>
The Institute's net OPEB liability	<u><u>28,219</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	13%

**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.

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	Medical Pre-Medicare: 6% initially, reduced by decrements to a rate of 5.0% after six years Medical Post-Medicare: 5% consistent for next six years Pharmacy: 8.5% initially, reduced by decrement to a rate of 5% after six years Dental and Vision: 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 4.40%, 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 3.87% on the last Friday prior to the measurement date of June 30, 2018. 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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, 2019, which was measured using the discount rate of 4.40% 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 (3.40 percent) or 1-percentage-point higher (5.40 percent) than the current rate:

	Year Ended June 30, 2019 (in thousands)		
	1% Decrease (3.40%)	Current Discount Rate (4.40%)	1% Increase (5.40%)
Net OPEB liability	\$ 34,670	\$ 28,219	\$ 23,185

*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, 2019, 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:

	Year Ended June 30, 2019 (in thousands)		
	1% Decrease (Pre-Medicare: 5% decreasing to 4%, Post- Medicare: 4% Pharmacy: 7.5% decreasing to 4%, Dental & Vision: 2%)	Current Discount (Pre-Medicare: 6% increasing to 5%, Post- Medicare: 5% Pharmacy: 8.5% decreasing to 5%, Dental & Vision: 3%)	1% Increase (Pre-Medicare: 7% increasing to 6%, Post- Medicare: 6% Pharmacy: 9.5% decreasing to 6%, Dental & Vision: 4%)
Net OPEB liability	\$ 22,432	\$ 28,219	\$ 35,891

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* For the year ended June 30, 2019, the Institute recognized OPEB expense of \$6.6 million. At June 30, 2019, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Amounts in thousands	
	2019 Deferred Outflow of Resources	2019 Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investment	\$ 34	\$ -
Changes of assumptions	-	3,944
Institute contribution subsequent to the measurement date	2,239	-
Total	\$ 2,273	\$ 3,944

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

The \$2.2 million reported as deferred outflows of resources related to OPEB resulting from Institute contributions subsequent to the measurement date of July 1, 2018 will be recognize as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ending June 30:</b>	<i>Amounts are in thousands</i>
2020	(522)
2021	(522)
2022	(522)
2023	(517)
2024	(529)
Thereafter	(1,296)
Total	<u>\$ (3,910)</u>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 14

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#### **NOTE 14. Deferred Compensation Plan**

The State of New Mexico offers state, local government, and school district employees a deferred compensation plan (Deferred Plan) under Chapters 10-7A-1 to 10-7A-12, NMSA 1978, the “Deferred Compensation Act,” in accordance with Internal Revenue Code Section 457. The Deferred Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

PERA is the trustee of the Deferred Plan; however, the Deferred Plan uses a third party administrator, acting under contract with PERA. All costs of administration and funding are borne by the Deferred Plan participants. The Administrator has authority to control and manage the operation of the Deferred Plan. The Administrator is delegated any and all powers as may be necessary or advisable to discharge its duties under the Deferred Plan, and has certain discretionary authority to decide all matters under the Deferred Plan. As Deferred Plan trustee, PERA’s primary responsibility is to select investment options that are safe and provide a reasonable rate of return and to ensure that all investments, amounts, property, and rights under the executed Deferred Plan-Trust are held for the exclusive benefit of Deferred Plan participants and their beneficiaries, as defined in the Deferred Plan. The assets of the Deferred Plan are not assets of the State, but are held in trust for the exclusive benefit of Deferred Plan participants and their beneficiaries. The State has no liability for losses under the Deferred Plan but does have the duty of due care that would be required of a fiduciary agent.

The Deferred Plan issues a publicly available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, 33 Plaza la Prensa, Santa Fe, NM 87507. This report is also available online at: <http://www.nmpera.org/deferred-compensation>.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 15

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#### **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 Office of the State Treasurer compile this information and files all required reports in compliance with regulations issued by the United States Internal Revenue Service.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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
<b>Condensed Statement of Net Position:</b>									
Current Assets	\$ 2,659	\$ 10,690	\$ 119,985	\$ 68,798	\$ 17,571	\$ 77,485	\$ 34,550	\$ 26,041	\$ 1,224,805
Other Assets	-	1,001	211,130	20,080	9,728	73,056	47,979	4,130	403,856
Capital Assets, Net	39,170	23,070	506,751	186,800	95,050	150,945	71,102	55,462	1,329,897
<b>Total Assets</b>	<b>41,829</b>	<b>34,761</b>	<b>837,866</b>	<b>275,678</b>	<b>122,350</b>	<b>301,486</b>	<b>153,631</b>	<b>85,633</b>	<b>2,958,558</b>
Deferred Outflows of Resources	1,061	6,932	197,892	38,520	22,980	44,677	15,111	17,740	523,103
Current Liabilities	803	3,730	66,806	18,406	9,998	11,746	5,107	3,913	422,667
Long-term Liabilities	6,243	48,856	1,097,717	231,463	135,601	207,883	77,661	103,084	2,780,003
<b>Total Liabilities</b>	<b>7,046</b>	<b>52,586</b>	<b>1,164,523</b>	<b>249,869</b>	<b>145,599</b>	<b>219,629</b>	<b>82,768</b>	<b>106,997</b>	<b>3,202,670</b>
Deferred Inflows of Resources	606	3,961	36,207	16,636	11,107	7,701	4,670	9,357	50,398
Net Investment in Capital Assets	39,170	14,045	383,626	143,324	71,063	141,306	64,299	39,607	744,512
Restricted	1,325	1,001	73,209	7,224	16,084	45,584	44,124	15,207	268,212
Unrestricted	(5,258)	(29,900)	(621,807)	(102,855)	(98,522)	(68,056)	(27,120)	(67,795)	(784,131)
<b>Total Net Position</b>	<b>\$ 35,237</b>	<b>\$ (14,854)</b>	<b>\$ (164,972)</b>	<b>\$ 47,693</b>	<b>\$ (11,375)</b>	<b>\$ 118,834</b>	<b>\$ 81,303</b>	<b>\$ (12,981)</b>	<b>\$ 228,593</b>
<b>Condensed Statement of Activities:</b>									
Operating Revenues:									
Charges for Services	\$ 12,182	\$ 16,875	\$ 21,780	\$ 7,173	\$ 3,544	\$ 5,240	\$ 8,616	\$ 4,395	\$ 119,510
Net Student Tuition and Fees	-	-	65,361	21,000	16,646	10,634	2,751	11,383	136,024
Loan and Other Income	-	-	-	-	-	-	-	-	-
State, Local, Private Grants/Contracts	-	-	-	-	-	-	-	-	-
Patient Income	-	-	-	-	-	-	-	-	1,293,562
Federal Funds	-	8,809	86,468	9,956	10,203	43,985	802	997	212,155
Other Operating Revenues	112	-	36,230	11,442	4,538	27,371	130	4,143	152,665
<b>Total Operating Revenue</b>	<b>12,294</b>	<b>25,684</b>	<b>209,839</b>	<b>49,570</b>	<b>34,930</b>	<b>87,230</b>	<b>12,300</b>	<b>20,918</b>	<b>1,913,915</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 16 (CONTINUED)

	Educational Institutions								
	State Fair Commission	Miners' Colfax Medical Center	New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
<b>Condensed Statement of Activities</b>									
<b>(Continued)</b>									
Operating Expenses:									
Operating Expenses	\$ 174	\$ 3,572.63	\$ 426,872	\$ 88,177	\$ 44,051	\$ 49,311	\$ 24,420	\$ 28,623	\$ 2,318,018
Depreciation Expense	2,622	2,175	34,250	8,891	4,781	10,920	2,927	3,795	103,614
General and Administrative	13,124	31,758	145,045	25,924	28,796	113,107	17,577	21,018	242,441
<b>Total Operating Expenses</b>	<b>15,919</b>	<b>37,506</b>	<b>606,167</b>	<b>122,992</b>	<b>77,628</b>	<b>173,338</b>	<b>44,923</b>	<b>53,436</b>	<b>2,664,073</b>
Operating Income (Loss)	(3,625)	(11,822)	(396,328)	(73,421)	(42,697)	(86,108)	(32,624)	(32,518)	(750,157)
Nonoperating Revenue (Expense)									
Government Grants and									
Contracts	-	-	61,968	5,663	-	260	74	3,219	158,583
Net Investment Income	(374)	646	8,259	827	742	944	2,715	730	35,206
Other Revenue	914	106	3,257	2,488	312	6,243	(5,662)	-	5,324
Interest Expense	-	-	(6,221)	(1,620)	(1,149)	-	(233)	-	(20,377)
Private Grants And Gifts	-	-	9,078	-	-	1,872	-	-	29,724
State Permanent Fund Income	-	-	-	-	-	-	-	-	-
Gain (Loss) On Sale Of Capital Assets	-	-	818	-	-	-	-	-	(249)
<b>Total Nonoperating Income (Expense)</b>	<b>540</b>	<b>752</b>	<b>77,159</b>	<b>7,358</b>	<b>(95)</b>	<b>9,319</b>	<b>(3,106)</b>	<b>3,949</b>	<b>208,211</b>
Capital Contributions	-	-	13,231	109	(58)	5,048	101	1,504	-
Permanent Fund Contributions	-	-	-	-	-	-	-	-	-
Net Transfers	6,102	7,043	239,377	51,495	33,891	40,776	27,436	23,924	366,034
Change in Net Position	3,017	(4,027)	(66,561)	(14,459)	(8,958)	(30,965)	(8,193)	(3,141)	(175,912)
Net Position, Beginning, restated	32,220	(10,827)	(98,411)	62,152	(2,417)	149,799	89,496	(9,840)	404,505
<b>Net Position, Ending</b>	<b>\$ 35,237</b>	<b>\$ (14,854)</b>	<b>\$ (164,972)</b>	<b>\$ 47,693</b>	<b>\$ (11,375)</b>	<b>\$ 118,834</b>	<b>\$ 81,303</b>	<b>\$ (12,981)</b>	<b>\$ 228,593</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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	
<b>Condensed Statement of Cash Flows:</b>									
Net Cash Provided (Used) by:									
Operating Activities	\$ (5,323)	\$ (3,876)	\$ (261,046)	\$ (46,733)	\$ (28,453)	\$ (46,876)	\$ (22,076)	\$ (21,855)	\$ (406,515)
Noncapital Financing Activities	6,641	7,067	284,643	65,864	31,547	30,752	27,599	25,341	482,491
Capital and Related Financing Activities	(1,190)	(1,532)	(22,302)	(2,782)	(3,129)	492	(2,400)	(2,872)	(118,099)
Investing Activities	-	514	22,501	(3,307)	344	(5,503)	4,421	533	24,189
Cash and Cash Equivalents at Beginning of Year	2,632	4,979	83,092	50,208	11,901	61,983	23,369	9,507	469,790
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,761</b>	<b>\$ 7,152</b>	<b>\$ 106,888</b>	<b>\$ 63,250</b>	<b>\$ 12,210</b>	<b>\$ 40,848</b>	<b>\$ 30,913</b>	<b>\$ 10,653</b>	<b>\$ 451,856</b>



# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 17

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#### **NOTE 17. State General Fund Investment Pool**

The Financial Control Division (FCD), within the Department of Finance and Administration (DFA), in collaboration with the New Mexico State Treasurer's Office (STO), implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool (SGFIP) to the associated resources held by STO. This process has been in place for nearly five years and applied across four 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 2019, 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 2019.
- 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, 2019, the Component Appropriations Funds report an aggregate investment of \$1.148 billion in the SGFIP.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

#### 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.

The State provides for a film production tax credit, which requires a film production company to be eligible to submit to the State, information required 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 Department a projection of the film production tax credit claim the film production company plans to submit in the fiscal year.

During fiscal year 2019, the Department estimates the State's revenues were reduced by approximately \$150.0 million as a result of these tax credits authorized under Section 7-2F-6 NMSA 1978. Included were approved unpaid film credits prior to July 1, 2019; legislation enacted authorized \$100.0 million to pay these credits.

In addition, as allowed by state statute, the various local governments in the State participate in various Industrial Revenue Bond Programs/Industrial Development Projects (IRBs/IDPs) which result in reduced revenues for all participating governments. Various local governments have identified the State of New Mexico as a governmental entity which has been impacted by reduced revenues. The specific amount of loss revenues of the State as a result of these various programs has not been determined; however, it is deemed to be insignificant to the State of New Mexico as a whole.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 19

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#### NOTE 19. Commitments

##### A. Construction Commitments

The State has active construction projects as of June 30, 2019. The projects include highway construction, university infrastructure, and facilities construction and renovation. At year-end, the State's commitments for construction were \$8.1 million for governmental activities and \$136.5 million for business-type activities.

##### B. Loan Commitments

###### *New Mexico Environment Department*

The New Mexico Environment Department had loan commitments at June 30, 2019 of the following:

Wastewater Loan Construction Fund – the agency has executed binding commitments to disburse \$21.6 million for future loans.

Rural Infrastructure Loan Fund – the agency has executed binding commitments to disburse \$2.3 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, 2019, unfunded commitments to private equity partnerships were approximately \$1.46 billion, and unfunded commitments to real estate and real asset investments were approximately \$2.21 billion. Unfunded commitments to the Credit and Structured Finance Pool were \$668 million. Subsequent to June 30, 2019, the Council approved an additional \$805 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, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 20

#### NOTE 20. Contingencies

##### A. Contingent Liabilities

###### *Public Education Department*

The State did not meet its required level of financial support for the Special Education Cluster of programs for fiscal years 2011 and 2012. As a result, the Department may have a one-time reduction of future federal funding. Management's estimate of the potential one-time reduction in federal funding ranges from \$0 to \$63.49 million.

###### *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 \$115,779 (previously reported as \$268,000 in their FY2015 audit report) as the plaintiff is seeking reimbursement of legal costs. Because the liability has a high probability of being awarded and is estimable, a short-term contingent liability for \$115,779 was accrued in the New Mexico Unit Fund (30810) and the Government-Wide statement of net position.

###### *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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 20 (CONTINUED)

#### *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, 2019 and 2018, NMMFA is committed to assume a risk of approximately \$8,397 million and \$10.13 million for the 42 and 45 loans closed, respectively. These loans are considered in the NMMFA's assessment for the allowance for mortgage loan losses. As of September 30, 2019, of the 42 loans closed, 4 of the loans are not included in the Authority's financial statements because they are 100% participations with Fannie Mae. Of the \$8.97 million risk assumed as of September 30, 2019, the Authority's assumed risk approximated \$218 thousand for these 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 NMMFA 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, 2019. The NMMFA assumes 10% of the risk of loss and as of September 30, 2019 and 2018, is committed to assume risk of \$110 thousand and \$112 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, 2019.

#### **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 \$269.1 million.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21

#### NOTE 21. Subsequent Events

##### A. Bond Issues

On July 9, 2019, The State issued Series 2019 General Obligation Bonds in the amount of \$139.985 million. The Net proceeds of the Bonds are being used to make capital expenditures for senior citizen facility improvements and acquisitions, for library acquisitions, for the purchase of school buses and for capital improvements and acquisitions at institutions of higher education, state special schools and tribal schools.

##### B. Other Events

###### *State of New Mexico*

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the State of New Mexico, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, reduction in investments, reduction in lodging tax, reduction in gas prices, costs for emergency preparedness and shortages of personnel. Management believes the State of New Mexico is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

During the period January 1, 2020 through March 30, 2020, both domestic and international equity markets have experienced large declines. These investment losses are not included in the financial statements for the year ended June 30, 2019.

Concurrent with the spread of the Coronavirus, the oil-producing nations of the world engaged in a price war, which precipitated a substantial decrease in the price of oil. The State of New Mexico is very dependent on oil and gas extraction industries for a substantial portion of its revenues. As a result of the oil price decrease, the State may need to revise the budget which was recently adopted to adjust spending in light of predicted decrease in State revenues.

Due to COVID-19, the State implemented numerous policies in early March to help fight the virus. Public schools were to be closed from March 16, 2020 through the end of the school year. These policies included a teleworking policy for State of New Mexico employees, and restaurants are not allowed to have dine in customers through April 10, 2020. These restrictions are subject to change. The Department of Workforce Solutions had policy changes to accommodate all the individuals that are temporarily laid off due to the emergency. The Department of Economic Development had been instructed to assist small businesses with loans to ensure businesses can survive the crisis. Governor Michelle Lujan Grisham has set aside \$3.25 million in the budget to for emergency spending regarding the coronavirus.

Effective from March 19, 2020 to April 10, 2020, the Governor of New Mexico made a public health order regarding the virus. Restaurants, eateries, breweries and bars are to be closed except for either delivery or take out services. Spas, gyms, casinos, movie theaters and shopping centers are closed. Hotels and lodging establishments must be at fifty percent capacity. Due to hoarding of products, the Governor has mandated that certain toiletries and medical items can only be purchased at 3 per individual.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

#### *State of New Mexico*

The 2019 New Mexico Legislature granted a 4% salary increase to all State Employees in good standing. This increase was effective for the first full pay period in fiscal year 2020.

#### *Public Employees Retirement Association*

The passage of Senate Bill 72 PERA Solvency was signed by the governor on March 2, 2020.

#### *Educational Retirement Board*

Investment markets are down significantly. Global asset prices have been negatively impacted by the economic effects of the coronavirus to a significant degree. In December 2019, the Educational Retirement Board (ERB) fund hit an all-time high of \$13.8 billion (<https://www.nmerb.org/pdfs/Q4%202019%20NMERB%20IPA.pdf>).

Preliminary estimates for March 2020 indicate the fund could be as low as \$12.1 billion ERB's portfolio consist of 50% alternative investments, which can have up to a three-month reporting lag, so the overall impact to the ERB fund is not yet known.

During the 2020 Legislative Session, SB111 was passed. The changes in this bill include the following:

- Removing the requirement for employers and retired ERB members to make non-refundable contributions for those retired ERB members who work 0.25 FTE or less
- Allowing certain retirees to return to work without suspending their retirement benefits
- Exempting short term substitutes from the requirements of the Educational Retirement Act
- Exempting PERA retirees who work for an ERB employer from contribution requirements if they have not suspended their retirement benefits.

The impact to NM ERB from these changes is that it will extend the funding period by an estimated two years. The funding period is the number of years it will take to eliminate the unfunded actuarial accrued liability (UAAL). NMERB's funding policy has a goal to eliminate the UAAL within thirty years. As of June 30, 2019, NMERB's UAAL was \$7.9 billion and the funding period was 47 years.

#### *Office of Superintendent of Insurance and Taxation and Revenue Department*

Per legislative mandate (2019 Regular Session, Chapter 47, HB162), the administration of insurance premium tax transferred from the Office of Superintendent of Insurance to the Taxation and Revenue Department effective January 1, 2020. The Taxation and Revenue Department is in the process of programing its Gentax software to accommodate the management of this program. Insurance premium tax claims are being processed manually for the tax periods through December 31, 2019.

#### *Department of Finance and Administration*

During fiscal year 2019, the State Board of Finance authorized the sale of General Obligation Bonds (GOB). The Series 2019 GOB were sold on July 9, 2019 and the sale closed on July 31, 2019 in the amount of \$139.99 million.

#### *Office of State Engineer*

The Bureau of Reclamation's cost estimate for construction of the regional water system was \$406.0 million at the end of calendar year 2018. During the 2019 legislative session the NM Legislature authorized up to \$100M for the Aamodt Settlement in order to help fund the project shortfall. In September 2019, the settlement parties entered into the 611g agreement which will require the settlement parties to provide additional funding for the project as follows: \$276.8 million by the United States, \$100.0 million by the State, and \$38.4 million by Santa Fe County. In addition,

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

the settlement parties will need to enter into a revised cost-sharing and system integration agreement and the State will need to enter into a revised project funding agreement with Bureau of Reclamation.

#### *Department of Health and Department of Veterans' Services*

Effective July 1, 2019, the New Mexico Veteran's Home is under Department of Health's operations. The home was transferred from Veterans' Services Department.

#### *Department of Health and Children Youth and Families Department*

The Early Childhood Services Divisions within Department of Health and Children Youth and Families Department will be transferring to a new business unit on July 1, 2020. The new state agency is to be called the Early Childhood Education and Care Department and was established through the 54th Legislature.

#### *Public Regulation Commission*

On March 10, 2020, Public Regulation Commission (PRC) received a notice of eviction of its office from General Services Department (GSD). The eviction is effective June 30, 2020. PRC is currently searching for other office space options. At this time, it appears that GSD does not have available office space options. PRC has estimated the cost to provide office space for its employees in the private office market in Santa Fe between \$420 thousand and \$500 thousand on an annual basis. Projected moving expenditures are \$50 thousand. PRC did not account for a lease or moving expenditures as part of its fiscal year 20 or fiscal year 21 budget request because it relied on remaining with the status quo office space leased thru GSD with a lease agreement entered into in 2018 that extends through 2022. PRC is currently in negotiations with GSD regarding the need to move.

#### *Department of Transportation*

##### *Capital Outlay Appropriations*

Below are the amounts appropriated from Department of Finance and Administration's General Fund to the Department of Transportation's GF Capital Outlay Fund (SHARE 93100): (Amounts in thousands)

Laws	Chapter	Section	Amount	Law Description
House Bill 2	271	5/34	\$ 11,000	Contingent of DFA FY19 General Fund revenues
House Bill 2	271	9/1	50,000	For acquisition of ROW, planning, design and construction
House Bill 2	271	9/2	89,000	Statewide transportation improvement plan
House Bill 2	271	9/3	50,000	Local government transportation project fund
House Bill 548	279	24	25	Carrot Express Milan

#### *Gaming Control Board*

An employee filed a lawsuit and a settlement is currently being finalized, as approved by all parties and Risk Management. The amount of the settlement is \$65,000, of which \$32,000 will be paid by the Gaming Control Board in wages and \$32,500 in attorney fees and other damages to be paid by Risk Management. The wages and attorney fees will come out of the 2020 fiscal year.

#### *Board of Nursing*

There is a case with a former employee where we are going to have to pay out \$10,000.

#### *Department of Cultural Affairs*

State Museums and Historic Sites were closed by Executive Order as of Monday, March 20, 2020 in order to limit the spread of COVID-19. If this closure extends to the end of FY20, it is expected to cost the department \$500,000 to \$1,000,000 in lost admissions and rental income.



# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

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#### *Developmental Disabilities Planning Commission*

Developmental Disabilities Planning Commission (DDPC) had a lawsuit which was settled; Risk Management Division has informed DDPC that there will be no additional cost to DDPC for the settlement; however, premiums will increase for DDPC coverage for FY21.

#### *New Mexico Spaceport Authority*

In January 2020, an independent accounting firm published an "Economic & Fiscal Impact Analyses" on the NM Spaceport Authority. This Study was performed by a separate from the annual financial audit. The positive results of the study show the estimate of Spaceport America's cumulative economic impact through FY24 reaches nearly \$1 billion. The full study can be downloaded at [www.spaceportamerica.com/impact](http://www.spaceportamerica.com/impact). A significant driver of Spaceport America's success is continued operations of Virgin Galactic, the anchor tenant at Spaceport America. In May of 2019, Virgin Galactic increased the workforce in New Mexico by 100 people. On Oct 28, 2019, Virgin Galactic started publicly trading stock under the ticker SPCE. On February 14, 2020, Virgin Galactic moved the spaceship "VSS Unity" to New Mexico from the manufacturing facility in Mohave, CA. On March 1, 2020, a new customer, AeroVironment, started paying rent at Spaceport America and started construction on new facilities and a second runway to perform aircraft testing.

#### *Cumbres & Toltec Scenic Railroad Commission*

Information for the fiscal year ended June 30, 2019 was not available for this entity, so the fiscal year 2018 balances for the Statement of Net Position have been included in the report.

**STATE OF NEW MEXICO**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS – NOTE 21**

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STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

# FINANCIAL SECTION

## REQUIRED SUPPLEMENTARY INFORMATION



INDIAN PUEBLO CULTURAL CENTER  
SOURCE - [NEWMEXICONOMAD.COM](http://NEWMEXICONOMAD.COM)

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Year Ended June 30, 2019

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Taxes	\$ 585,452	\$ 587,588	\$ 618,044	\$ 30,456
Federal Revenue	6,520,878	7,178,883	6,339,892	(838,991)
Investment Income	11,231	11,231	35,431	24,200
Rentals and Royalties	26,856	27,069	52,073	25,004
Charges for Services	160,113	167,664	163,699	(3,965)
Licenses, Fees, and Permits	149,493	151,045	249,724	98,679
Assessments	12,778	12,778	14,277	1,499
Miscellaneous and Other	193,982	204,715	234,989	30,274
Operating Transfers In	6,255,995	6,265,232	1,576,588	(4,688,644)
<b>Total Revenues and Other Financing Sources</b>	<b>13,916,578</b>	<b>14,606,205</b>	<b>9,284,717</b>	<b>(5,321,488)</b>
Fund Balance Budgeted	83,923	290,413		
Total	<u>14,000,501</u>	<u>14,896,618</u>		
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
<b>Culture, Recreation, and Natural Resources</b>				
Museums and Monuments	25,224	26,512	24,851	1,661
Preservation	3,238	4,031	2,653	1,378
Library Services	4,787	4,711	4,578	133
Program Support	4,008	3,461	3,425	36
Water Resource Allocation	16,243	16,633	14,605	2,028
Interstate Stream Compact Compliance and Water Development	23,443	25,612	17,574	8,038
Litigation and Adjudication	10,249	10,250	8,153	2,097
Program Support	5,404	5,404	4,884	520
Commissioner of Public Lands	17,414	18,599	16,923	1,676
Livestock Inspection	5,950	6,361	5,952	409
Youth Conservation Corps	3,864	5,319	3,590	1,729
Office of the Natural Resources Trustee	1,796	1,811	992	819
Sport Hunting and Fishing	9,234	9,234	8,865	369
Conservation Services	22,572	25,042	23,665	1,377
Wildlife Depredation and Nuisance Abatement	1,013	1,014	833	181
Program Support	6,911	7,246	6,969	277
Renewable Energy and Energy Efficiency	2,565	2,737	2,391	346
Healthy Forests	13,459	16,939	11,963	4,976
Parks and Recreation	19,972	20,699	16,821	3,878
Mine Reclamation	8,157	8,221	3,696	4,525
Oil and Gas Conservation	8,001	8,001	6,853	1,148
Program Leadership and Support	4,856	4,856	4,274	582
Arts	1,949	2,117	1,994	123
Intertribal Ceremonial	50	50	50	-
Special Appropriations	5,926	5,926	5,065	861
<b>Total Culture, Recreation, and Natural Resources</b>	<b>226,285</b>	<b>240,786</b>	<b>201,619</b>	<b>39,167</b>
<b>Education</b>				
Operations	34,418	35,892	31,973	3,919
Student Financial Aid	64,193	66,593	64,305	2,288
Administrative Services	5,845	5,845	4,384	1,461
Rehab Services	28,422	28,839	22,834	6,005
Independent Living	1,462	1,796	1,519	277
Disability Determination	14,800	14,799	11,247	3,552
SDE Operation	15,449	15,690	15,156	534
Public Schools Facilities Auth	5,172	5,172	5,107	65
Special Appropriations	2,822,282	2,830,723	2,807,378	23,345
<b>Total Education</b>	<b>2,992,043</b>	<b>3,005,349</b>	<b>2,963,903</b>	<b>41,446</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2019

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>General Control</b>				
Policy Development, Budget Oversight and Educational Accountability	\$ 3,185	\$ 3,185	\$ 2,689	\$ 496
Program Support	923	923	715	208
Community Development, Local Government Assistance and Fiscal Oversight	36,762	38,305	34,140	4,165
Fiscal Management and Oversight	53,828	53,179	52,790	389
Program Support	19,314	19,314	17,540	1,774
Tax Administration	30,214	30,214	27,970	2,244
Motor Vehicle	32,160	34,818	33,189	1,629
Property Tax	4,076	4,077	2,926	1,151
Compliance Enforcement	1,576	1,576	1,183	393
State Purchasing	2,055	2,398	2,094	304
Facilities Management Division	12,513	12,513	12,497	16
Office of the Attorney General	25,159	25,596	20,995	4,601
Medicaid Fraud Program	2,881	2,881	2,715	166
State Auditor	3,489	3,489	3,098	391
State Investment Program	54,745	54,745	47,592	7,153
Criminal & Juvenile Justice	552	613	600	13
Governor	3,263	3,263	3,197	66
Lieutenant Governor	514	514	499	15
Records Info & Archival Mgmt.	2,496	2,504	2,285	219
Secretary of State	3,472	4,021	3,429	592
New Mexico State Personnel	4,005	4,005	3,868	137
State Treasurer	3,601	3,601	3,585	16
Public Employees Labor Relations Board	232	232	230	2
Enterprise Services	-	356	159	197
Elections	9,139	6,816	6,581	235
Compliance and Project Management	853	853	803	50
Administrative Hearings Office	1,690	1,696	1,683	13
Special Appropriations	166,887	177,059	146,512	30,547
<b>Total General Control</b>	<b>479,584</b>	<b>492,746</b>	<b>435,564</b>	<b>57,182</b>
<b>Health and Human Services</b>				
Administration	14,349	14,562	13,165	1,397
Financial Oversight	175,593	175,703	156,391	19,312
Epidemiology and Response	27,107	31,942	29,744	2,198
Laboratory Services	13,185	13,185	11,980	1,205
Program Area 6 - Facilities	123,767	125,167	118,808	6,359
Developmental Disabilities Support	168,080	169,805	167,699	2,106
Health Certification, Licensing and Oversight	13,798	13,798	12,228	1,570
Program Support	53,563	54,876	52,294	2,582
Child Support Enforcement	31,255	31,255	29,563	1,692
Medical Assistance Program	5,262,696	5,254,436	5,156,665	97,771
Income Support Program	969,048	978,970	909,227	69,743
Resource Management	7,871	8,072	7,376	696
Water Quality	23,859	24,817	19,684	5,133
Environmental Health	14,031	13,644	11,800	1,844
Environmental Protection	21,908	22,626	20,262	2,364
Program Support	19,605	19,605	18,724	881
Juvenile Justice Facilities	72,091	73,717	70,091	3,626
Protective Services	152,768	152,808	148,235	4,573
Program Support	6,533	8,780	6,238	2,542

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2019

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>Health and Human Services (Continued)</b>				
Consumer and Elder Rights	\$ 4,600	\$ 4,831	\$ 4,369	\$ 462
Adult Protective Services	13,363	13,201	13,058	143
Community Involvement	36,882	41,309	35,761	5,548
Office of African-American Affairs	737	737	707	30
Commission For Deaf and Hard of Hearing	6,243	6,243	3,453	2,790
Martin Luther King Jr., Commission	351	351	253	98
Blind Services Program	7,973	8,157	6,774	1,383
Indian Affairs Department	2,504	2,512	2,034	478
Workers' Compensation Administration	11,267	11,267	10,964	303
Governor's Commission On Disability	1,606	1,668	1,517	151
Brain Injury Advisory Council	196	196	195	1
Veterans' Services Department	4,141	5,383	4,538	845
Developmental Disabilities Planning Council	1,262	1,262	1,088	174
Office of Guardianship	5,256	5,283	5,229	54
Medicaid Behavioral Health	502,285	519,702	494,039	25,663
Behavioral Health Services	59,654	69,483	65,986	3,497
Workforce Transition Services	8,777	8,777	8,015	762
Labor Relations	3,679	4,436	3,998	438
Workforce Technology	14,219	14,962	13,962	1,000
Business Services	13,187	13,385	12,731	654
Program Support	23,590	40,925	31,187	9,738
Uninsured Employers Fund	895	895	529	366
Early Childhood Services	255,804	255,804	238,967	16,837
Early Childhood Services	3,158	3,330	3,090	240
Early Childhood Services	18,244	19,127	18,405	722
Special Revenue	3,092	3,815	3,514	301
Early Childhood Services	45,301	46,227	37,900	8,327
Veterans Retirement Facility	14,567	14,567	13,620	947
Special Appropriations	18,318	19,294	18,776	518
<b>Total Health and Human Services</b>	<b>8,252,258</b>	<b>8,324,897</b>	<b>8,014,833</b>	<b>310,064</b>
<b>Highways &amp; Transportation</b>				
Construction Program	528,751	1,175,695	535,711	639,984
Maintenance Program	235,611	282,716	232,515	50,201
Program Support	42,749	42,749	36,020	6,729
MODAL	71,289	106,344	51,087	55,257
<b>Total Highways and Transportation</b>	<b>878,400</b>	<b>1,607,504</b>	<b>855,333</b>	<b>752,171</b>
<b>Judicial</b>				
Supreme Court Law Library	-	-	-	-
New Mexico Compilation Commission	1,872	2,172	1,917	255
Judicial Standards Commission	850	850	838	12
Court of Appeals	6,143	6,143	6,130	13
Supreme Court	6,164	6,164	5,857	307
Supreme Court Building Commission	-	-	-	-
First Judicial District Court	8,487	8,539	8,227	312
Second Judicial District Court	28,696	29,378	27,521	1,857
Third Judicial District Court	7,884	7,976	7,903	73
Fourth Judicial District Court	2,636	2,659	2,634	25
Fifth Judicial District Court	7,573	7,676	7,555	121
Sixth Judicial District Court	3,643	3,648	3,623	25
Seventh Judicial District Court	2,886	2,891	2,860	31
Eighth Judicial District Court	3,443	3,448	3,331	117
Ninth Judicial District Court	4,343	4,260	4,228	32

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2019

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>Judicial (Continued)</b>				
Tenth Judicial District Court	\$ 1,024	\$ 1,024	\$ 981	\$ 43
Eleventh Judicial District Court	7,541	7,638	7,510	128
Twelfth Judicial District Court	3,795	3,800	3,702	98
Thirteenth Judicial District Court	8,660	8,873	8,802	71
Bernalillo County Metropolitan Court	27,214	27,694	27,059	635
First Judicial District Attorney	6,099	6,099	6,079	20
Second Judicial District Attorney	23,839	24,902	23,264	1,638
Third Judicial District Attorney	5,715	5,926	5,805	121
Fourth Judicial District Attorney	3,395	3,395	3,390	5
Fifth Judicial District Attorney	5,706	5,832	5,812	20
Sixth Judicial District Attorney	3,312	3,312	3,296	16
Seventh Judicial District Attorney	2,679	2,679	2,658	21
Eighth Judicial District Attorney	2,924	2,924	2,912	12
Ninth Judicial District Attorney	3,291	3,291	3,279	12
Tenth Judicial District Attorney	1,362	1,362	1,360	2
Eleventh Judicial District Attorney-Division I	4,514	4,631	4,583	48
Twelfth Judicial District Attorney	3,568	3,655	3,632	23
Thirteenth Judicial District Attorney	5,557	5,557	5,424	133
Administrative Office of the District Attorneys	2,592	2,783	2,539	244
Eleventh Judicial District Attorney-Division II	2,585	2,754	2,600	154
Administrative Support	14,129	15,265	11,971	3,294
Administrative Support	9,747	9,952	8,675	1,277
Statewide Judiciary Automation	33,465	33,496	32,775	721
Special Court Services	-	-	-	-
Administrative Support	52,405	52,697	52,532	165
Special Appropriations	14,815	14,895	13,549	1,346
<b>Total Judicial</b>	<b>334,553</b>	<b>340,240</b>	<b>326,813</b>	<b>13,427</b>
<b>Legislative</b>				
Leg Analysis/Oversight Program	4,244	4,244	4,089	155
Education Study Committee	1,332	1,332	1,222	110
Special Appropriations	12,241	12,241	10,867	1,374
<b>Total Legislative</b>	<b>17,817</b>	<b>17,817</b>	<b>16,178</b>	<b>1,639</b>
<b>Public Safety</b>				
Program Support	7,867	7,867	5,509	2,358
Law Enforcement	124,387	124,387	118,026	6,361
Program Support	12,900	12,839	12,194	645
Inmate Management and Control	280,667	282,622	279,475	3,147
Community Offender Management	34,773	35,290	33,630	1,660
Parole Board	483	483	428	55
Juvenile Parole Board	13	13	11	2
Victim Compensation	6,776	6,785	6,226	559
Federal Grant Administration	14,449	22,300	14,272	8,028
National Guard Support	24,013	32,236	23,656	8,580
Crisis Response	-	-	-	-
Homeland Security and Emergency Management Department	19,315	27,533	16,891	10,642
Motor Transportation Program	-	-	-	-
State Law Enforcement Support Program	21,432	21,893	17,549	4,344
Special Appropriations	15,338	15,338	14,778	560
<b>Total Public Safety</b>	<b>562,413</b>	<b>589,586</b>	<b>542,645</b>	<b>46,941</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2019

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>Regulation and Licensing</b>				
Economic Development	\$ 8,799	\$ 22,710	\$ 11,640	\$ 11,070
Film	686	686	665	21
Program Support	1,690	1,690	1,637	53
Job Creation & Job Growth	-	-	-	-
Program Support	1,170	1,170	1,149	21
Outreach	2,272	2,334	1,761	573
Marketing and Promotion	11,441	11,441	11,414	27
Construction Industries and Manufactured Housing	8,582	8,582	7,951	631
Financial Institutions and Securities	4,123	4,123	3,647	476
Alcohol and Gaming	967	967	931	36
Program Support	3,671	3,671	3,351	320
Policy and Regulation	7,391	7,401	6,662	739
Public Safety	71,618	73,815	72,564	1,251
Program Support	1,727	1,727	1,580	147
Special Revenues	72,476	74,672	15,806	58,866
Board of Examiners for Architects	392	392	302	90
New Mexico Border Authority	507	638	471	167
Medical Board	2,029	2,029	1,907	122
Board of Nursing	2,204	2,314	2,251	63
ASD/PEPS	873	873	750	123
Gaming Control Board	5,202	5,202	5,322	(120)
State Racing Commission	3,802	3,802	3,494	308
Board of Veterinary Medicine	417	437	378	59
Office of Military Base Planning and Support	227	227	107	120
Program Thirty-three	-	-	-	-
Program Thirty-four	-	-	-	-
Spaceport Authority	7,613	8,813	6,663	2,150
Special Revenue	5,208	5,208	5,208	-
Insurance Operations Program	10,838	11,505	10,953	552
Patient Compensation Program	-	-	-	-
Boards and Commission	12,697	12,817	11,459	1,358
Securities Division	1,908	1,908	1,723	185
Special Appropriations	6,619	6,619	101	6,518
<b>Total Regulation and Licensing</b>	<b>257,149</b>	<b>277,773</b>	<b>191,847</b>	<b>85,926</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>14,000,502</b>	<b>14,896,698</b>	<b>13,548,735</b>	<b>\$ 1,347,963</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1)</b>	<b>\$ (80)</b>	<b>\$ (4,264,018)</b>	



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2019

(In Thousands)

### Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance (Budgetary Basis) \$ (4,264,018)

#### Differences:

Taxes - Bud Refs other than 118 and 918	5,699,132
Investment Income - Bud Refs 118 and 918	86,882
Rent and Royalties - Bud Refs other than 118 and 918	1,279,270
Charges for Services - Bud Refs other than 118 and 918	1,117
Licenses, Fees and Permits - Bud Refs other than 118 and 918	66,552
Assessments - Bud Refs other than 118 and 918	699
Misc. and Other Revenue - Bud Refs other than 118 and 918	10,544
Federal Revenue - Bud Refs other than 118 and 918	463,893
Transfers In - Bud Refs other than 118 and 918	2,558,163
Non Budgeted - Transfers In - Component Units	96,984
Transfers In - Bud Refs other than 118 and 918 (Ref. Bond Proceeds)	-
NonBudgeted Revenue - Bond Issuances & Premiums	60,925
NonBudgeted Revenue - Sale of Capital Assets	1,577
NonBudgeted Revenue - Tobacco Settlement - 497101	34,240
Expenses - Bud Refs other than 118 and 918	(812,030)
Transfers Out - Bud Refs other than 118 and 918	(8,802,540)
NonBudgeted Expenditure - 569000 In-Kind Expenditure	(34,636)
NonBudgeted Expenditure - 566100 & 566109 (Reversions)	(106,992)
Non Budgeted Expenditure - 555102 (OFU - NonBudgeted)	(8,988)
Non Budgeted Expenditure - 555210 (OFU CU-NonBudgeted)	(62,543)
NonBudgeted Expenditure Adj. - 577100 (General Fund Allotments)	4,705,233
NonBudgeted Expenditure Adj. - 577200 (General Fund Allotments-CUs)	-
NonBudgeted Expenditure Adj. - 577300 (General Fund Allotments-Ext)	(1,526)
NonBudgeted Expenditure - 560300 (Refunds)	-
975001 - Indirect Memo Expense Account	-
No Function - Expenditures	(9,307)
Function Exclusions - Expenditures	-
A Code Expenditures not included in Budgetary Comparison Actuals	(10,531)

### Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances

\$ 952,100

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2019

(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

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## REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2019

(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, 2019, the Gaming Control Board exceeded Pcode/program 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 , 2019	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
<b>Total Pension Liability</b>						
Service Cost	\$ 403,879	\$ 376,310	\$ 405,561	\$ 390,221	\$ 389,053	\$ 418,996
Interest	1,504,991	1,462,669	1,452,723	1,393,557	1,335,950	1,286,996
Benefit Changes	-	-	-	-	-	-
Difference Between Expected and Actual Experience	(54,005)	113,712	(584,186)	330,751	59,112	-
Changes of Assumptions	-	545,510	(62,778)	424,792	-	(91,857)
Benefit Payments	(1,193,943)	(1,133,418)	(1,084,818)	(1,024,399)	(966,237)	(905,329)
Refunds of Contributions	(54,337)	(50,288)	(44,396)	(44,938)	(46,010)	(47,377)
Net Change in Total Pension Liability	606,585	1,314,495	82,106	1,469,984	771,868	661,429
Total Pension Liability - Beginning	21,382,639	20,068,144	19,986,038	18,516,054	17,744,187	17,082,758
Total Pension Liability - Ending	21,989,224	21,382,639	20,068,144	19,986,038	18,516,055	17,744,187
<b>Plan Net Position</b>						
Contributions - Employer	339,676	319,499	332,473	324,752	317,164	370,765
Contributions - Member	281,643	282,847	272,829	265,529	258,920	174,037
Net Investment Income	935,561	1,004,227	1,500,759	47,445	251,488	2,118,285
Benefit Payments	(1,193,944)	(1,133,418)	(1,084,818)	(1,024,399)	(966,236)	(905,329)
Administrative Expenses	(13,583)	(12,667)	(11,506)	(10,754)	(9,886)	(10,336)
Refunds of Contributions	(54,337)	(50,288)	(44,396)	(44,938)	(46,010)	(47,377)
Other	2,047	2,110	471	12,318	25,296	17,006
Net Change in Plan Net Position	297,063	412,310	965,812	(430,047)	(169,264)	1,717,051
Plan Net Position - Beginning	15,210,482	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	15,210,482	14,798,172	13,833,105	14,256,705	14,424,793	12,707,741
Plan Net Position - Ending	15,507,545	15,210,482	14,798,917	13,826,658	14,255,529	14,424,793
<b>Net Pension Liability - Ending</b>	<b>\$ 6,481,679</b>	<b>\$ 6,172,157</b>	<b>\$ 5,269,227</b>	<b>\$ 6,159,380</b>	<b>\$ 4,260,526</b>	<b>\$ 3,319,394</b>

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, 2019	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
<b>Total Pension Liability</b>						
Service Cost	\$ 4,282	\$ 4,488	\$ 5,492	\$ 3,245	\$ 3,344	\$ 3,793
Interest	10,341	9,867	9,066	10,238	9,900	10,798
Benefit Changes	-	-	-	-	-	(16,059)
Difference Between Expected and Actual Experience	7,420	(1,358)	(2,474)	4,737	755	-
Changes of Assumptions	19,033	(2,892)	(17,241)	46,155	-	(1,004)
Benefit Payments	(11,352)	(10,585)	(10,096)	(9,813)	(9,373)	(8,770)
Refunds of Contributions	(100)	-	(11)	(45)	(40)	(52)
Net Change in Total Pension Liability	29,624	(480)	(15,264)	54,517	4,586	(11,294)
Total Pension Liability - Beginning	175,811	176,291	191,555	137,038	132,452	143,746
Total Pension Liability - Ending	205,435	175,811	176,291	191,555	137,038	132,452
<b>Plan Net Position</b>						
Contributions - Employer	4,731	4,723	4,524	4,237	4,196	3,741
Contributions - Member	1,692	1,632	1,636	1,582	1,579	1,086
Net Investment Income	5,528	6,020	9,012	232	1,512	13,197
Benefit Payments	(11,352)	(10,585)	(10,096)	(9,813)	(9,373)	(8,770)
Administrative Expenses	(79)	(75)	(69)	(64)	(60)	(64)
Refunds of Contributions	(100)	-	(11)	(45)	(40)	(53)
Other	10	-	-	72	33	486
Net Change in Plan Net Position	430	1,715	4,996	(3,799)	(2,153)	9,623
Plan Net Position - Beginning	91,331	89,616	84,932	88,989	91,142	81,519
Prior Period Adjustments	-	-	(312)	(257)	-	-
Plan Net Position - beginning, restated	91,331	89,616	84,620	88,731	91,142	81,519
Plan Net Position - Ending	91,761	91,331	89,616	84,932	88,989	91,142
<b>Net Pension Liability - Ending</b>	<b>\$ 113,674</b>	<b>\$ 84,480</b>	<b>\$ 86,675</b>	<b>\$ 106,623</b>	<b>\$ 48,050</b>	<b>\$ 41,310</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,  
(In Thousands)

	Fiscal Year Ended June 30, 2019	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
<b>Total Pension Liability</b>						
Service Cost	\$ 1,466	\$ 1,354	\$ 1,537	\$ 1,118	\$ 948	\$ 1,428
Interest	3,494	3,487	3,192	3,452	3,445	3,689
Benefit Changes	-	-	-	-	-	(7,528)
Difference Between Expected and Actual Experience	2,209	(237)	(1,539)	1,571	6,703	-
Changes of Assumptions	5,255	2,874	(8,114)	8,832	-	(7,644)
Benefit Payments	(4,026)	(3,951)	(3,966)	(3,976)	(3,956)	(3,690)
Refunds of Contributions	(56)	(63)	-	(15)	(5)	(15)
Net Change in Total Pension Liability	8,342	3,464	(8,890)	10,982	7,135	(13,760)
Total Pension Liability - Beginning	69,092	65,628	74,518	63,536	56,401	70,161
Total Pension Liability - Ending	77,434	69,092	65,628	74,518	63,536	56,401
<b>Plan Net Position</b>						
Contributions - Employer	1,236	1,232	1,282	1,280	937	793
Contributions - Member	640	580	603	587	490	266
Net Investment Income	1,938	2,156	3,290	70	579	5,199
Benefit Payments	(4,026)	(3,951)	(3,966)	(3,977)	(3,956)	(3,690)
Administrative Expenses	(28)	(27)	(25)	(24)	(23)	(24)
Refunds of Contributions	(56)	(63)	-	(15)	(5)	(15)
Other	-	14	3	27	(19)	217
Net Change in Plan Net Position	(296)	(59)	1,187	(2,052)	(1,997)	2,746
Plan Net Position - Beginning	32,094	32,226	31,038	33,187	35,185	32,439
Prior Period Adjustments	-	(73)	-	(98)	-	-
Plan Net Position - beginning, restated	32,094	32,153	31,038	33,089	35,185	32,439
Plan Net Position - Ending	31,798	32,094	32,226	31,038	33,187	35,185
<b>Net Pension Liability - Ending</b>	<b>\$ 45,636</b>	<b>\$ 36,998</b>	<b>\$ 33,402</b>	<b>\$ 43,480</b>	<b>\$ 30,349</b>	<b>\$ 21,216</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,  
(In Thousands)

	Fiscal Year Ended June 30, 2019	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
<b>Total Pension Liability</b>						
Service Cost	\$ 2,194	\$ 2,204	\$ 2,337	\$ 1,440	\$ 1,251	\$ 1,254
Interest	3,594	3,555	3,584	3,376	3,105	2,872
Benefit Changes	-	-	-	-	-	-
Difference Between Expected and Actual Experience	(1,573)	(2,504)	(4,101)	(498)	874	-
Changes of Assumptions	-	1,363	-	1,976	-	408
Benefit Payments	(2,457)	(2,319)	(222)	(1,836)	(1,633)	(1,419)
Refunds of Contributions	-	-	(2,031)	-	-	-
Net Change in Total Pension Liability	1,758	2,299	(433)	4,458	3,597	3,115
Total Pension Liability - Beginning	50,802	48,503	48,936	44,478	40,881	37,766
Total Pension Liability - Ending	52,560	50,802	48,503	48,936	44,478	40,881
<b>Plan Net Position</b>						
Contributions - Employer	750	750	750	750	750	750
Contributions - Member	-	-	-	-	-	-
Net Investment Income	4,318	4,512	6,682	206	1,094	8,920
Benefit Payments	(2,457)	(2,319)	(2,031)	(1,835)	(1,633)	(1,419)
Administrative Expenses	(63)	(58)	(52)	(47)	(43)	(44)
Refunds of Contributions	-	-	-	-	-	-
Other	1	1	1	51	12	404
Net Change in Plan Net Position	2,549	2,886	5,350	(875)	180	8,611
Plan Net Position - Beginning	69,287	66,399	61,049	62,103	61,923	53,312
Prior Period Adjustments	-	-	-	(179)	-	-
Plan Net Position - beginning, restated	69,287	66,399	61,049	61,924	61,923	53,312
Plan Net Position - Ending	71,836	69,287	66,399	61,049	62,103	61,923
<b>Net Pension Liability - Ending</b>	<b>\$ (19,276)</b>	<b>\$ (18,485)</b>	<b>\$ (17,896)</b>	<b>\$ (12,113)</b>	<b>\$ (17,626)</b>	<b>\$ (21,042)</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,  
(In Thousands)

	Fiscal Year Ended June 30, 2019	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
<b>Total Pension Liability</b>						
Service Cost	\$ 523,132	\$ 494,876	\$ 357,631	\$ 356,874	\$ 346,956	\$ 350,248
Interest	1,396,376	1,375,676	1,424,586	1,367,647	1,321,048	1,254,730
Benefit Changes	(4,381,849)	-	-	-	-	-
Difference Between Expected and Actual Experience	(112,652)	(184,090)	(207,789)	42,492	(86,722)	(114,508)
Changes of Assumptions	-	659,788	4,371,800	-	299,085	-
Benefit Payments	(1,164,645)	(1,107,441)	(1,052,675)	(1,012,731)	(957,185)	(907,214)
Refunds of Contributions	-	-	-	-	-	-
Net Change in Total Pension Liability	(3,739,638)	1,238,809	4,893,553	754,282	923,182	583,256
Total Pension Liability - Beginning	24,861,634	23,622,825	18,729,272	17,974,989	17,051,807	16,468,551
Total Pension Liability - Ending	21,121,996	24,861,634	23,622,825	18,729,272	17,974,989	17,051,807
<b>Plan Net Position</b>						
Contributions - Employer	406,549	388,724	395,844	396,989	395,130	362,463
Contributions - Member	303,442	287,324	292,809	295,946	294,561	271,514
Net Investment Income	1,037,883	900,132	1,350,389	364,571	429,738	1,444,233
Benefit Payments	(1,164,645)	(1,107,441)	(1,052,675)	(1,012,731)	(957,183)	(907,214)
Administrative Expenses	(9,326)	(9,908)	(9,848)	(9,661)	(10,598)	(16,619)
Refunds of Contributions	-	-	-	-	-	-
Other	487	2,116	-	-	-	-
Net Change in Plan Net Position	574,390	460,947	976,519	35,115	151,648	1,154,377
Plan Net Position - Beginning	12,970,303	12,509,357	11,532,839	11,497,724	11,346,076	10,191,699
Prior Period Adjustments	-	-	-	-	-	-
Plan Net Position - beginning, restated	12,970,303	12,509,357	11,532,839	11,497,724	11,346,076	10,191,699
Plan Net Position - Ending	13,544,693	12,970,303	12,509,357	11,532,839	11,497,724	11,346,076
<b>Net Pension Liability - Ending</b>	<b>\$ 7,577,303</b>	<b>\$ 11,891,331</b>	<b>\$ 11,113,468</b>	<b>\$ 7,196,433</b>	<b>\$ 6,477,266</b>	<b>\$ 5,705,731</b>



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF 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 <u>June 30, 2019</u>	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 156,598	\$ 188,372	\$ 265,229
Interest	208,666	199,584	187,563
Benefit Changes	14,004	-	-
Difference Between Expected and Actual Experience	(754,197)	(145,524)	(210,436)
Changes of Assumptions	(535,457)	(225,363)	(958,756)
Claims and Premiums	(96,487)	(122,199)	(113,698)
Net Change in Total Pension Liability	<u>(1,006,873)</u>	<u>(105,130)</u>	<u>(830,098)</u>
Total Pension Liability - Beginning	<u>5,006,012</u>	<u>5,111,142</u>	<u>5,941,240</u>
Total Pension Liability - Ending	<u>3,999,139</u>	<u>5,006,012</u>	<u>5,111,142</u>
<b>Plan Net Position</b>			
Contributions - Employer	88,516	85,402	85,858
Contributions - Member	216,528	210,650	196,393
Net Investment Income	41,663	49,758	67,760
Claims and Premiums	(296,417)	(321,480)	(294,393)
Administrative Expenses	(4,148)	(3,672)	(4,180)
Other	52,949	57,530	55,556
Net Change in Plan Net Position	<u>99,093</u>	<u>78,188</u>	<u>106,994</u>
Plan Net Position - Beginning	657,657	579,469	472,475
Prior Period Adjustments	-	-	-
Plan Net Position - beginning, restated	<u>657,657</u>	<u>579,469</u>	<u>472,475</u>
Plan Net Position - Ending	<u>756,750</u>	<u>657,657</u>	<u>579,469</u>
<b>Net OPEB Liability - Ending</b>	<u>\$ 3,242,389</u>	<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, 2019	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	\$ 21,989,225	\$ 21,382,639	\$ 20,068,143	\$ 19,986,038	\$ 18,516,055	\$ 17,744,187
Plan Net Position	15,507,546	15,210,483	14,798,918	13,826,658	14,255,529	14,424,793
Net Pension Liability	<u>\$ 6,481,679</u>	<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>70.52%</u>	<u>71.13%</u>	<u>73.74%</u>	<u>69.18%</u>	<u>76.99%</u>	<u>81.29%</u>
Covered Payroll	<u>\$ 2,287,712</u>	<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>283.33%</u>	<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, 2019	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	\$ 205,435	\$ 175,810	\$ 176,291	\$ 191,555	\$ 137,038	\$ 132,452
Plan Net Position	91,760	91,331	89,616	84,932	88,988	91,141
Net Pension Liability	<u>\$ 113,675</u>	<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>44.67%</u>	<u>51.95%</u>	<u>50.83%</u>	<u>44.34%</u>	<u>64.94%</u>	<u>68.81%</u>
Covered Payroll	<u>\$ 16,292</u>	<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>697.74%</u>	<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, 2019	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	\$ 77,431	\$ 69,090	\$ 65,628	\$ 74,519	\$ 63,536	\$ 56,401
Plan Net Position	31,798	32,093	32,225	31,038	33,187	35,185
Net Pension Liability	<u>\$ 45,633</u>	<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>41.07%</u>	<u>46.45%</u>	<u>49.10%</u>	<u>41.65%</u>	<u>52.23%</u>	<u>62.38%</u>
Covered Payroll	<u>\$ 6,025</u>	<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>757.37%</u>	<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, 2019	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	\$ 52,561	\$ 50,802	\$ 48,503	\$ 48,936	\$ 44,478	\$ 40,881
Plan Net Position	71,836	69,287	66,401	61,050	62,103	61,923
Net Pension Liability	<u>\$ (19,275)</u>	<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>136.67%</u>	<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>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<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, 2019	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	\$ 21,121,994	\$ 24,861,632	\$ 23,622,824	\$ 18,729,271	\$ 17,974,989	\$ 17,051,807
Plan Net Position	13,544,692	12,970,301	12,509,356	11,532,838	11,497,723	11,346,076
Net Pension Liability	<u>\$ 7,577,302</u>	<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>64.13%</u>	<u>52.17%</u>	<u>52.95%</u>	<u>61.58%</u>	<u>63.97%</u>	<u>66.54%</u>
Covered Payroll	<u>\$ 2,797,686</u>	<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>270.84%</u>	<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)

	<u>Ended</u> <u>June 30, 2019</u>	<u>Ended</u> <u>June 30, 2018</u>	<u>Ended</u> <u>June 30, 2017</u>
Total OPEB Liability	\$ 3,999,138	\$ 5,006,012	\$ 5,111,142
Plan Net Position	<u>756,749</u>	<u>657,657</u>	<u>579,469</u>
Net OPEB Liability	<u>\$ 3,242,389</u>	<u>\$ 4,348,355</u>	<u>\$ 4,531,673</u>
Percentage of Plan Net Position to Total OPEB Liability	<u>18.92%</u>	<u>13.14%</u>	<u>11.34%</u>
Covered Payroll	<u>\$ 4,172,929</u>	<u>\$ 4,290,617</u>	<u>\$ 4,165,647</u>
Net OPEB Liability as a Percentage of Covered Payroll	<u>77.70%</u>	<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 in Thousands)

	2019	2018	2017
<b>Total OPEB liability</b>			
Service cost	3,501	3,526	3,019
Interest	10,007	9,469	9,058
Changes of benefit terms	-	-	-
Differences between expected & actual experience	-	-	-
Changes of assumptions	(7,105)	(6,444)	7,114
Benefit payments	(4,913)	(4,841)	(4,818)
<b>Net change in total OPEB liability</b>	<b>1,490</b>	<b>1,710</b>	<b>14,373</b>
<b>Total OPEB liability- beginning</b>	<b>154,799</b>	<b>153,089</b>	<b>138,715</b>
<b>Total OPEB liability- ending (a)</b>	<b>156,289</b>	<b>154,799</b>	<b>153,089</b>
<b>Plan fiduciary net position</b>			
Contributions- employer	7,322	7,467	7,675
Contributions- member	2,408	2,625	2,856
Net investment income	2,080	1,615	895
Benefit payments	(4,913)	(4,841)	(4,818)
Administrative expense	(5)	-	-
<b>Net change in plan fiduciary net position</b>	<b>6,892</b>	<b>6,866</b>	<b>6,608</b>
<b>Plan fiduciary net position- beginning</b>	<b>23,913</b>	<b>17,045</b>	<b>10,435</b>
<b>Plan fiduciary net position- ending (b)</b>	<b>30,805</b>	<b>23,913</b>	<b>17,045</b>
<b>University's net OPEB liability- ending (a)-(b)</b>	<b>125,484</b>	<b>130,886</b>	<b>136,044</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>19.71%</b>	<b>15.45%</b>	<b>11.13%</b>
<b>Covered-employee payroll</b>	<b>321,166</b>	<b>350,452</b>	<b>383,432</b>
<b>University's net OPEB liability as a percentage of covered-employee payroll</b>	<b>39.07%</b>	<b>37.35%</b>	<b>35.48%</b>

### Notes to the Schedule:

Changes of assumptions: The \$6.4 million decrease in the liability from the fiscal year ending June 30, 2017 to the fiscal year ending June 30, 2018 is due to the increase in the assumed discount rate as of the measurement date. The \$7.1 million decrease in the liability from the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2019 is due to the increase in the assumed discount rate as of the measurement date.



# 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 in Thousands)

	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>		
Service cost	5,127	4,936
Interest	5,268	5,291
<b>Current Recognized deferred outflows/(inflows):</b>		
Changes in assumptions or other inputs	7,135	(5,357)
Benefit payments	(5,758)	(5,523)
<b>Net change in total OPEB liability</b>	11,772	(653)
<b>Total OPEB liability- beginning</b>	<u>133,899</u>	<u>134,552</u>
<b>Total OPEB liability- ending</b>	<u><u>145,671</u></u>	<u><u>133,899</u></u>
<b>Covered-employee payroll</b>	153,961	150,205
<b>University's net OPEB liability as a percentage of covered-employee payroll</b>	95%	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,

(In Thousands)

	2019	2018	2017
<b>Total OPEB liability</b>			
Service cost	2,317	2,697	2,149
Interest cost	1,377	1,225	1,194
Changes of benefit terms	-	-	-
Differences between expected & actual experience	-	-	-
Changes of assumptions	(1,486)	(3,354)	3,706
Benefit payments	(649)	(1,490)	(930)
<b>Net change in total OPEB liability</b>	<b>1,559</b>	<b>(922)</b>	<b>6,119</b>
<b>Total OPEB liability- beginning</b>	<b>30,964</b>	<b>31,886</b>	<b>25,765</b>
<b>Total OPEB liability- ending (a)</b>	<b>32,523</b>	<b>30,964</b>	<b>31,886</b>
<b>Plan fiduciary net position</b>			
Contributions- employer	3,997	4,998	4,936
Contributions- member	3,386	3,706	3,628
Net investment income	173	208	29
Benefit payments	(649)	(1,490)	(930)
Administrative expense	(359)	(378)	(388)
Other	(5,899)	(6,132)	(5,963)
<b>Net change in plan fiduciary net position</b>	<b>649</b>	<b>912</b>	<b>1,312</b>
<b>Plan fiduciary net position- beginning</b>	<b>3,655</b>	<b>2,743</b>	<b>1,431</b>
<b>Plan fiduciary net position- ending (b)</b>	<b>4,304</b>	<b>3,655</b>	<b>2,743</b>
<b>University's net OPEB liability- ending (a)-(b)</b>	<b>28,219</b>	<b>27,309</b>	<b>29,143</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>13.2%</b>	<b>11.8%</b>	<b>8.6%</b>
<b>Covered-employee payroll</b>	<b>28,337</b>	<b>28,142</b>	<b>27,958</b>
<b>University's net OPEB liability as a percentage of covered-employee payroll</b>	<b>100%</b>	<b>97%</b>	<b>104%</b>

### Notes to the Schedule:

Changes in assumptions: The \$3.4 million decrease in liability from the fiscal year ending June 30, 2017 to the fiscal year ending June 30, 2018 is due to the increase in the assumed discount rate as of the measurement date. The \$1.5 million decrease in the liability from the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2019 is due to the increase in the assumed discount rate as of the measurement date.

Benefits changes: None

# 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				
	2019	2018	2017	2016	2015
Statutory Required Contributions	\$ 339,676	\$ 319,499	\$ 332,473	\$ 324,752	\$ 317,164
Actual Employer Contributions	<u>339,676</u>	<u>319,499</u>	<u>332,473</u>	<u>324,752</u>	<u>317,164</u>
Annual Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 2,287,712</u>	<u>\$ 2,265,036</u>	<u>\$ 2,193,889</u>	<u>\$ 2,326,943</u>	<u>\$ 2,248,254</u>
Annual Contribution as a Percentage of Covered Payroll	<u>14.85%</u>	<u>14.11%</u>	<u>15.15%</u>	<u>13.96%</u>	<u>14.11%</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				
	2014	2013	2012	2011	2010
Statutory Required Contributions	\$ 370,766	\$ 285,560	\$ 274,906	\$ 283,377	\$ 291,683
Actual Employer Contributions	<u>370,766</u>	<u>285,560</u>	<u>274,906</u>	<u>283,377</u>	<u>291,683</u>
Annual Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 2,102,265</u>	<u>\$ 2,049,738</u>	<u>\$ 1,994,280</u>	<u>\$ 1,935,014</u>	<u>\$ 1,993,517</u>
Annual Contribution as a Percentage of Covered Payroll	<u>17.64%</u>	<u>13.93%</u>	<u>13.78%</u>	<u>14.64%</u>	<u>14.63%</u>

# 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				
	2019	2018	2017	2016	2015
Statutory Required Contributions	\$ 5,881	\$ 4,908	\$ 4,975	\$ 4,816	\$ 4,919
Actual Employer Contributions	4,731	4,723	4,524	4,237	4,196
Annual Contribution Deficiency (Excess)	\$ 1,150	\$ 185	\$ 451	\$ 579	\$ 723
Covered Payroll	\$ 16,292	\$ 15,126	\$ 15,493	\$ 15,612	\$ 15,084
Annual Contribution as a Percentage of Covered Payroll	29.04%	31.22%	29.20%	27.14%	27.82%

# 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				
	2014	2013	2012	2011	2010
Statutory Required Contributions	\$ 6,413	\$ 7,235	\$ 5,835	\$ 5,784	\$ 5,658
Actual Employer Contributions	3,741	3,527	3,266	3,824	3,699
Annual Contribution Deficiency (Excess)	\$ 2,672	\$ 3,708	\$ 2,569	\$ 1,960	\$ 1,959
Covered Payroll	\$ 13,163	\$ 13,226	\$ 12,691	\$ 12,267	\$ 13,042
Annual Contribution as a Percentage of Covered Payroll	28.42%	26.67%	25.74%	31.17%	28.36%

# 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				
	2019	2018	2017	2016	2015
Statutory Required Contributions	\$ 1,862	\$ 1,588	\$ 1,576	\$ 1,463	\$ 1,967
Actual Employer Contributions	<u>1,236</u>	<u>1,232</u>	<u>1,282</u>	<u>1,280</u>	<u>937</u>
Annual Contribution Deficiency (Excess)	<u>\$ 626</u>	<u>\$ 356</u>	<u>\$ 294</u>	<u>\$ 183</u>	<u>\$ 1,030</u>
Covered Payroll	<u>\$ 6,025</u>	<u>\$ 5,638</u>	<u>\$ 5,633</u>	<u>\$ 5,243</u>	<u>\$ 5,066</u>
Annual Contribution as a Percentage of Covered Payroll	<u>20.52%</u>	<u>21.85%</u>	<u>22.76%</u>	<u>24.42%</u>	<u>18.49%</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				
	2014	2013	2012	2011	2010
Statutory Required Contributions	\$ 1,992	\$ 2,286	\$ 1,793	\$ 2,014	\$ 1,698
Actual Employer Contributions	793	805	676	895	825
Annual Contribution Deficiency (Excess)	<u>\$ 1,199</u>	<u>\$ 1,481</u>	<u>\$ 1,117</u>	<u>\$ 1,119</u>	<u>\$ 873</u>
Covered Payroll	<u>\$ 3,516</u>	<u>\$ 3,137</u>	<u>\$ 3,214</u>	<u>\$ 3,405</u>	<u>\$ 3,520</u>
Annual Contribution as a Percentage of Covered Payroll	<u>22.56%</u>	<u>25.67%</u>	<u>21.04%</u>	<u>26.27%</u>	<u>23.45%</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				
	2019	2018	2017	2016	2015
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				
	2014	2013	2012	2011	2010
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				
	2019	2018	2017	2016	2015
Statutory Required Contributions	\$ 587,331	\$ 546,593	\$ 477,840	\$ 465,341	\$ 450,951
Actual Employer Contributions	406,549	388,724	395,844	396,989	395,130
Annual Contribution Deficiency (Excess)	<u>\$ 180,782</u>	<u>\$ 157,869</u>	<u>\$ 81,996</u>	<u>\$ 68,352</u>	<u>\$ 55,821</u>
Covered Payroll	<u>\$ 2,797,686</u>	<u>\$ 2,678,215</u>	<u>\$ 2,728,362</u>	<u>\$ 2,740,527</u>	<u>\$ 2,730,320</u>
Annual Contribution as a Percentage of Covered Payroll	<u>14.53%</u>	<u>14.51%</u>	<u>14.51%</u>	<u>14.49%</u>	<u>14.47%</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				
	2014	2013	2012	2011	2010
Statutory Required Contributions	\$ 479,884	\$ 480,700	\$ 400,461	\$ 377,885	\$ 357,220
Actual Employer Contributions	362,463	299,658	253,845	308,368	313,282
Annual Contribution Deficiency (Excess)	<u>\$ 117,421</u>	<u>\$ 181,042</u>	<u>\$ 146,616</u>	<u>\$ 69,517</u>	<u>\$ 43,938</u>
Covered Payroll	<u>\$ 2,718,101</u>	<u>\$ 2,706,170</u>	<u>\$ 2,495,300</u>	<u>\$ 2,523,800</u>	<u>\$ 2,575,800</u>
Annual Contribution as a Percentage of Covered Payroll	<u>13.34%</u>	<u>11.07%</u>	<u>10.17%</u>	<u>12.22%</u>	<u>12.16%</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		
	2019	2018	2017
Statutory Required Contributions	\$ 88,516	\$ 85,402	\$ 85,858
Actual Employer Contributions	<u>88,516</u>	<u>85,402</u>	<u>85,858</u>
Annual Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 4,172,929</u>	<u>\$ 4,290,617</u>	<u>\$ 4,165,647</u>
Annual Contribution as a Percentage of Covered Payroll	<u>2.12%</u>	<u>1.99%</u>	<u>2.06%</u>

# 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

(In Thousands)

	2019	2018	2017
Actuarially determined contribution	7,513	7,322	7,467
Contributions in relation to the actuarially determined contribution	7,513	7,322	7,467
Contribution deficiency (excess)	-	-	-
Covered employee payroll	295,345	321,166	350,452
Contributions as a percentage of payroll	2.54%	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	Medical Pre-Medicare: 6.5% initially, reduced by decrements to a rate of 5.0% after six years Medical Post-Medicare: 8.5% reduced by decrements to a rate of 5% after seven years Dental: 4.0%
Salary increases	2.0%
Investment rate of return	8.0%, net of OPEB plan investment expense, 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,

(In Thousands)

	2019	2018	2017
Actuarially determined contribution	2,239	3,997	4,998
Contributions in relation to the actuarially determined contribution	2,239	3,997	4,998
Contribution deficiency (excess)	-	-	-
Covered employee payroll	14,433	28,337	28,142
Contributions as a percentage of payroll	15.5%	14.1%	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	Medical Pre-Medicare: 6% initially, reduced by decrements to a rate of 5.0% after six years Medical Post-Medicare: 5% consistent for next six years Pharmacy: 8.5% initially, reduced by decrement to a rate of 5% after six years Dental and Vision: 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

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - PENSION PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
Annual Money-weighted Rate of Return, Net of Investment Expenses	<u>5.60%</u>	<u>6.50%</u>	<u>10.60%</u>	<u>0.70%</u>	<u>1.70%</u>	<u>17.40%</u>

\* Information for prior years not available.



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - PENSION EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2019

	Fiscal Year								
	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual Money-weighted Rate of Return, Net of Investment Expenses	<u>7.29%</u>	<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**

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**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS - OPEB  
NEW MEXICO RETIREE HEALTH CARE AUTHORITY  
For the Last Ten Years (a) Ending June 30,**

	<b>Fiscal Year</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Annual Money-weighted Rate of Return, Net of Investment Expenses</b>	<u>6.53%</u>	<u>9.06%</u>	<u>13.98%</u>

\* Information for prior years not available.

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - OPEB THE UNIVERSITY OF NEW MEXICO For the Last Ten Years (a) Ending June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.18%	6.77%	11.26%

\* Information for prior years not available.

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - OPEB NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY For the Last Ten Years (a) Ending June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.10%	9.40%	11.30%

\* Information for prior years not available.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

### ALL RETIREMENT SYSTEMS

Fiscal Year Ending June 30, 2019

(In Thousands)

	<u>PERS</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Valuation date	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Pay	Level Percent of Pay, Open	Level Percent of Payroll, Open	Level Dollar, Open	Closed 30 year period, Amortization. Level percent of Payroll.
Amortization period	Solved for Based on Statutory Rates	30 years	30 years	30 years	Closed 30 years
Asset valuation method					5 Year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.25%	7.25% SEIR 5.12%	7.25% SEIR 4.56%	7.25%	7.25%
Projected Benefit Payment	100 years	89 years	86 years	100 years	
Payroll Growth	3.00%	3.00%	3.00%	N/A	-
Projected Salary Increases	3.25%-13.50%	4.00%	3.50%	N/A	2.50% Inflation, plus .75% Prod, Inc.
Includes Inflation At	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality Assumption	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RP-2000 Combined Mortality Table
Discount Rate	7.25%	5.12%	5.21%	5.12%	7.25%
Municipal Bond Rate	3.50%	3.50%	4.56%	3.50%	

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

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS NEW MEXICO RETIREE HEALTH CARE AUTHORITY Fiscal Year Ending June 30, 2019 (In Thousands)

Valuation Date	June 30, 2019
Actuarial cost method	Entry age normal, level of percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
<b>Actuarial Assumptions:</b>	
Inflation	2.50% for ERB; 2.50% for PERA
Projected payroll increases:	3.25% to 13.50% 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

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,

(In Thousands)

PERA - State-Funded Divisions	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	52.74%	52.52%	51.25%	52.70%	54.10%
State proportionate share of the net pension liability	\$ 3,255,419	\$ 2,767,431	\$ 3,156,785	\$ 2,243,965	\$ 1,795,898
State covered payroll (b)	\$ 987,851	\$ 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	329.55%	268.51%	264.71%	189.39%	157.91%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%	100.00%
State proportionate share of the net pension liability	\$ 84,479	\$ 86,675	\$ 106,623	\$ 48,050	\$ 41,311
State covered payroll (b)	\$ 15,126	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
State proportionate share of the net pension liability as a percentage of its covered payroll	0.01%	0.01%	682.95%	318.54%	313.83%
Plan fiduciary net position as a percentage of the total pension liability	51.95%	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, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%	100.00%
State proportionate share of the net pension liability	\$ 36,998	\$ 33,403	\$ 43,481	\$ 30,349	\$ 21,216
State covered payroll (b)	\$ 5,638	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
State proportionate share of the net pension liability as a percentage of its covered payroll	0.02%	0.02%	829.29%	599.09	603.49%
Plan fiduciary net position as a percentage of the total pension liability	46.45%	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,  
(In Thousands)

PERA - Volunteer Firefighters Fund	Measurement Date				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability (asset)	100.00%	100.00%	100.00%	100.00%	100.00%
State proportionate share of the net pension liability	\$ (18,485)	\$ (17,898)	\$ (12,114)	\$ (17,625)	\$ (21,042)
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	N/A
Plan fiduciary net position as a percentage of the total pension liability	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 OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,  
(In Thousands)

ERB - State Agencies	Measurement Date				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	0.29%	0.27%	0.30%	0.34%	0.34%
State proportionate share of the net pension liability	\$ 34,028	\$ 30,486	\$ 21,580	\$ 22,015	\$ 19,127
State covered payroll (b)	\$ 8,000	\$ 8,561	\$ 9,662	\$ 9,240	\$ 9,242
State proportionate share of the net pension liability as a percentage of its covered payroll	425.35%	356.10%	223.35%	238.26%	206.96%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	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, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	28.73%	28.80%	28.65%	28.85%	29.19%
State proportionate share of the net pension liability	\$ 3,416,362	\$ 3,200,504	\$ 2,061,616	\$ 1,868,432	\$ 1,665,276
State covered payroll (b)	\$ 802,777	\$ 818,187	\$ 819,993	\$ 804,471	\$ 930,167
State proportionate share of the net pension liability as a percentage of its covered payroll	425.57%	391.17%	251.42%	232.26%	179.03%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	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>Retiree Health Care - State-Funded Divisions</u>	<u>Measurement Date</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
State proportion of the net OPEB liability	24.13%	24.12%
State proportionate share of the net OPEB liability	\$ 1,049,291	\$ 1,093,162
State covered payroll (b)	\$ 1,030,100	\$ 1,035,550
State proportionate share of the net OPEB liability as a percentage of its covered payroll	101.86%	105.56%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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>Retiree Health Care - Educational Institutions</u>	<u>Measurement Date</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
State proportion of the net OPEB liability	\$ 124,460	\$ 130,892
State proportionate share of the net OPEB liability	2.86%	2.89%
State covered payroll (b)	\$ 128,727	\$ 123,997
State proportionate share of the net OPEB liability as a percentage of its covered payroll	96.69%	105.56%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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,  
(In Thousands)

<b>PERA - State-Funded Divisions</b>	<b>FY2019</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>
Contractually Required contribution	\$ 181,674	\$ 174,957	\$ 184,801	\$ 171,144	\$ 176,397
Contributions in relation to contractually required contribution	181,674	174,957	184,801	171,144	176,397
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State covered payroll	\$ 1,024,186	\$ 987,851	\$ 1,030,651	\$ 1,192,558	\$ 1,184,830
Contributions as a percentage of covered payroll	17.74%	17.71%	17.93%	14.35%	14.89%

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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,  
(In Thousands)

<b>PERA - Judicial Fund</b>	<b>FY2019</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>	<b>FY2014</b>
Contractually Required contribution	\$ 5,881	\$ 4,908	\$ 4,975	\$ 4,816	\$ 4,919	\$ 6,413
Contributions in relation to contractually required contributions	4,731	4,723	4,524	4,237	4,196	3,741
Contribution deficiency	<u>\$ 1,150</u>	<u>\$ 185</u>	<u>\$ 451</u>	<u>\$ 579</u>	<u>\$ 723</u>	<u>\$ 2,672</u>
State covered payroll	\$ 16,292	\$ 15,126	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
Contributions as a percentage of covered payroll	29.05%	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,  
(In Thousands)

<u>PERA - Magistrate Fund</u>	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Contractually Required contribution	\$ 1,862	\$ 1,588	\$ 1,576	\$ 1,463	\$ 1,967	\$ 1,992
Contributions in relation to contractually required contributions	1,236	1,232	1,282	1,280	937	793
Contribution deficiency	<u>\$ 626</u>	<u>\$ 356</u>	<u>\$ 294</u>	<u>\$ 183</u>	<u>\$ 1,030</u>	<u>\$ 1,199</u>
State covered payroll	\$ 6,025	\$ 5,638	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
Contributions as a percentage of covered payroll	20.51%	21.85%	22.76%	24.42%	18.49%	22.56%

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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,  
(In Thousands)

<u>PERA - Volunteer Firefighters Fund</u>	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>
Statutorily determined contribution *	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Contributions in relation to statutorily determined contributions	750	750	750	750	750	750
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State covered payroll	*	*	*	*	*	*
Contributions as a percentage of covered payroll	N/A	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,  
(In Thousands)

<u>ERB - State Agencies</u>	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2015</u>
Contractually Required contribution	\$ 1,180	\$ 1,112	\$ 1,190	\$ 1,343	\$ 1,215
Contributions in relation to contractually required contributions	1,180	1,112	1,190	1,343	1,215
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State covered payroll	8,489	8,000	8,561	9,662	9,240
Contributions as a percentage of covered payroll	13.90%	13.90%	13.90%	13.90%	13.15%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30,  
(In Thousands)

<b>ERB - Educational Institutions</b>	<b>FY2019</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>
Contractually Required contribution	\$ 113,215	\$ 111,586	\$ 113,728	\$ 113,979	\$ 105,788
Contributions in relation to contractually required contributions	113,215	111,586	113,728	113,979	105,788
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Educational Institutions' covered payroll	814,496	802,777	818,187	819,993	804,471
Contributions as a percentage of covered payroll	13.90%	13.90%	13.90%	13.90%	13.15%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(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,  
(In Thousands)

<u>Retiree Health Care - State-Funded Divisions</u>	<u>FY2019</u>	<u>FY2018</u>
Contractually Required contribution	\$ 20,707	\$ 20,602
Contributions in relation to contractually required contribution	20,707	20,602
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
State covered payroll	\$ 1,035,350	\$ 1,030,100
Contributions as a percentage of covered payroll	2.00%	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

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30,  
(In Thousands)

<b>Retiree Health Care - Educational Institutions</b>	<b>FY2019</b>	<b>FY2018</b>
Contractually Required contribution	\$ 2,454	\$ 2,575
Contributions in relation to contractually required contribution	2,454	2,575
Contribution deficiency	\$ -	\$ -
State covered payroll	\$ 122,700	\$ 128,727
Contributions as a percentage of covered payroll	2.00%	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, 2019

# FINANCIAL SECTION

## OTHER SUPPLEMENTARY INFORMATION



CARLSBAD CAVERNS  
SOURCE - SANTAFE.COM

# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR PROPRIETARY FUNDS COMBINING FINANCIAL STATEMENTS

### **Enterprise Funds**

Enterprise funds report the activities for which fees are charged to external users for goods and services. Enterprise Funds are presented beginning on page 270.

### **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 282.

# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR ENTERPRISE FUNDS COMBINING FINANCIAL STATEMENTS

**Industries for the Blind** – The New Mexico Commission for the Blind’s mission is to encourage and enable the State’s blind citizens to achieve vocational, economic, and social equality. This proprietary fund is used to provide career training and other assistance for New Mexico’s blind citizens and entails the operations of the Albuquerque Training Center.

**Corrections Industries Revolving Fund** – This fund is used to account for certain activities of the Corrections Industries Division of the Department of Corrections. These activities include the manufacture of furniture and textiles, production of agricultural crops, and data entry services.

**Environment Department** – This fund is used to account for revolving loans for wastewater and drinking water facilities.

**New Mexico Magazine** – New Mexico Magazine is a program of the Department of Tourism. The fund accounts for the publishing and distribution of the monthly New Mexico Magazine.

**New Mexico Public Schools Insurance Authority (NMPSIA)** – NMPSIA is a self-insurance pool that provides various benefits and risk coverage to participating public schools, school board members and public school employees, plus retired board members and employees. Coverage provided includes property, casualty, workers’ compensation, health, life, and disability.

**State Infrastructure Bank** – The State Infrastructure Bank is a proprietary fund administered by the Department of Transportation. The fund is used to account for loans made for road projects.

**Miners’ Colfax Medical Center** – Miners’ Colfax Medical Center is a State owned medical facility in Raton, New Mexico. The current organization is a result of a merger between the Miners’ Hospital and Northern Colfax County Hospital. Miners’ Colfax operates a 25-bed acute care hospital; a 37 bed extended care facility and various outpatient clinics in Raton, New Mexico. Miners’ Colfax has programs that serve both miners and non-miners.

**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, 2019

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ -	\$ 2	\$ -	\$ -	\$ 44,700	\$ -
Investment in the State General Fund						
Investment Pool	164	1,567	166,663	1,626	(650)	10,214
Investment in the Local Government						
Investment Pool	-	-	-	-	55,169	-
Prepaid Expenses and Other Assets	-	-	-	62	256	-
Receivables, Net	13	712	12,978	83	11,260	89
Inventories	-	834	-	-	-	-
<b>Total Current Assets</b>	<b>177</b>	<b>3,115</b>	<b>179,641</b>	<b>1,771</b>	<b>110,735</b>	<b>10,303</b>
Noncurrent Assets:						
Loans Receivable	-	-	181,320	-	-	11,352
Investments	-	-	-	-	28,874	-
Nondepreciable Capital Assets	-	-	-	-	237	-
Capital Assets, Net	16	701	-	-	39	-
<b>Total Noncurrent Assets</b>	<b>16</b>	<b>701</b>	<b>181,320</b>	<b>-</b>	<b>29,150</b>	<b>11,352</b>
<b>Total Assets</b>	<b>193</b>	<b>3,816</b>	<b>360,961</b>	<b>1,771</b>	<b>139,885</b>	<b>21,655</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - OPEB	2	27	-	9	14	-
Deferred Outflows - Pension	74	861	-	295	479	-
<b>Total Deferred Outflows</b>	<b>76</b>	<b>888</b>	<b>-</b>	<b>304</b>	<b>493</b>	<b>-</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2019

(In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 733	\$ 467,883	\$ 1,436	-	-	\$ 514,754
Investment in the State General Fund						
Investment Pool	6,418	(1,301)	1,325	1,602	630	188,258
Investment in the Local Government						
Investment Pool	-	-	-	-	8,987	64,156
Prepaid Expenses and Other Assets	-	-	-	-	-	318
Receivables, Net	2,745	40,173	52	-	578	68,683
Inventories	793	-	-	-	-	1,627
<b>Total Current Assets</b>	<b>10,689</b>	<b>506,755</b>	<b>2,813</b>	<b>1,602</b>	<b>10,195</b>	<b>837,796</b>
Noncurrent Assets:						
Loans Receivable	-	-	-	-	-	192,672
Investments	1,001	-	-	-	-	29,875
Nondepreciable Capital Assets	716	-	819	-	-	1,772
Capital Assets, Net	22,355	-	38,350	214	-	61,675
<b>Total Noncurrent Assets</b>	<b>24,072</b>	<b>-</b>	<b>39,169</b>	<b>214</b>	<b>-</b>	<b>285,994</b>
<b>Total Assets</b>	<b>34,761</b>	<b>506,755</b>	<b>41,982</b>	<b>1,816</b>	<b>10,195</b>	<b>1,123,790</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - OPEB	208	-	32	-	3	295
Deferred Outflows - Pension	6,724	-	1,029	-	101	9,563
<b>Total Deferred Outflows</b>	<b>6,932</b>	<b>-</b>	<b>1,061</b>	<b>-</b>	<b>104</b>	<b>9,858</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2019

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	\$ -	\$ 458	\$ -	\$ 99	\$ 124	\$ -
Accrued Liabilities	4	55	-	26	39	-
Unearned Revenue	-	10	1,500	52	128	-
Due to Other Funds	-	-	-	-	-	-
Due to Higher Education	-	-	-	-	-	-
Funds Held for Others	-	-	-	-	-	-
Bonds Payable - Current Portion	-	-	-	-	-	-
Other Liabilities - Current Portion	-	160	-	814	31,453	-
<b>Total Current Liabilities</b>	<b>4</b>	<b>683</b>	<b>1,500</b>	<b>991</b>	<b>31,744</b>	<b>-</b>
Noncurrent Liabilities:						
Bonds Payable	-	-	-	-	-	-
Net Pension Liability	338	3,942	-	1,350	2,190	-
Net OPEB Liability	110	1,281	-	439	712	-
Other Liabilities	-	-	-	75	75,391	-
<b>Total Noncurrent Liabilities</b>	<b>448</b>	<b>5,223</b>	<b>-</b>	<b>1,864</b>	<b>78,293</b>	<b>-</b>
<b>Total Liabilities</b>	<b>452</b>	<b>5,906</b>	<b>1,500</b>	<b>2,855</b>	<b>110,037</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - OPEB	29	331	-	113	184	-
Deferred Inflows - Pension	15	176	-	60	98	-
	<b>44</b>	<b>507</b>	<b>-</b>	<b>173</b>	<b>282</b>	<b>-</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	16	701	-	-	276	-
Restricted for:						
Unemployment and Insurance	-	-	-	-	-	-
Loans	-	-	359,461	-	-	-
Other Purposes	173	2,432	-	-	32,025	21,655
Unrestricted (Deficit)	(416)	(4,842)	-	(953)	(2,242)	-
<b>Total Net Position</b>	<b>\$ (227)</b>	<b>\$ (1,709)</b>	<b>\$ 359,461</b>	<b>\$ (953)</b>	<b>\$ 30,059</b>	<b>\$ 21,655</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2019

(In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	\$ 1,073	\$ 17	\$ 332	\$ 34	\$ 36	\$ 2,173
Accrued Liabilities	751	4,829	93	-	10	5,807
Unearned Revenue	-	19,335	55	-	-	21,080
Due to Other Funds	-	11	142	-	-	153
Due to Higher Education	53	-	-	-	-	53
Funds Held for Others	127	455	132	-	-	714
Bonds Payable - Current Portion	1,030	-	-	-	-	1,030
Other Liabilities - Current Portion	695	4	202	-	19	33,347
<b>Total Current Liabilities</b>	<b>3,729</b>	<b>24,651</b>	<b>956</b>	<b>34</b>	<b>65</b>	<b>64,357</b>
Noncurrent Liabilities:						
Bonds Payable	7,995	-	-	-	-	7,995
Net Pension Liability	30,785	-	4,712	-	463	43,780
Net OPEB Liability	10,001	-	1,531	-	150	14,224
Other Liabilities	75	-	-	-	-	75,541
<b>Total Noncurrent Liabilities</b>	<b>48,856</b>	<b>-</b>	<b>6,243</b>	<b>-</b>	<b>613</b>	<b>141,540</b>
<b>Total Liabilities</b>	<b>52,585</b>	<b>24,651</b>	<b>7,199</b>	<b>34</b>	<b>678</b>	<b>205,897</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - OPEB	2,584	-	396	-	39	3,676
Deferred Inflows - Pension	1,377	-	211	-	21	1,958
	<b>3,961</b>	<b>-</b>	<b>607</b>	<b>-</b>	<b>60</b>	<b>5,634</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	14,045	-	39,170	214	-	54,422
Restricted for:						
Unemployment and Insurance	-	482,104	-	-	-	482,104
Loans	-	-	-	-	-	359,461
Other Purposes	1,794	-	1,325	-	10,129	69,533
Unrestricted (Deficit)	(30,692)	-	(5,258)	1,568	(568)	(43,403)
<b>Total Net Position</b>	<b>\$ (14,853)</b>	<b>\$ 482,104</b>	<b>\$ 35,237</b>	<b>\$ 1,782</b>	<b>\$ 9,561</b>	<b>\$ 922,117</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2019 (In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 5,300	\$ 10,885	\$ -	\$ 2,919	\$ 375,555	\$ -
Unemployment Insurance	-	-	-	-	-	-
Federal Revenue	-	-	7,859	-	-	-
Loan and Other Income	-	-	7,803	-	-	533
Other Operating Revenues	57	-	-	16	-	-
<b>Total Operating Revenues</b>	<u>5,357</u>	<u>10,885</u>	<u>15,662</u>	<u>2,935</u>	<u>375,555</u>	<u>533</u>
<b>OPERATING EXPENSES</b>						
Benefits, Claims, and Premiums	-	-	-	-	6,082	-
General and Administrative Expenses	248	3,868	2,726	2,914	364,284	-
Depreciation Expense	17	146	-	-	23	-
Other Operating Expenses	5,184	8,383	-	26	-	-
<b>Total Operating Expenses</b>	<u>5,449</u>	<u>12,397</u>	<u>2,726</u>	<u>2,940</u>	<u>370,389</u>	<u>-</u>
<b>Operating Income (Loss)</b>	<u>(92)</u>	<u>(1,512)</u>	<u>12,936</u>	<u>(5)</u>	<u>5,166</u>	<u>533</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Income	-	36	85	-	4,038	-
Other Revenue (Expenses)	1	(36)	1,616	7	411	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>1</u>	<u>-</u>	<u>1,701</u>	<u>7</u>	<u>4,449</u>	<u>-</u>
<b>Income (Loss) Before Transfers</b>	<u>(91)</u>	<u>(1,512)</u>	<u>14,637</u>	<u>2</u>	<u>9,615</u>	<u>533</u>
<b>TRANSFERS</b>						
Transfers In	-	-	6	-	-	-
Transfers Out	-	-	(979)	-	-	-
<b>Total Transfers</b>	<u>-</u>	<u>-</u>	<u>(973)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	(91)	(1,512)	13,664	2	9,615	533
<b>Net Position - Beginning, as Restated</b>	(136)	(197)	345,797	(955)	20,444	21,122
<b>Net Position - Ending</b>	<u>\$ (227)</u>	<u>\$ (1,709)</u>	<u>\$ 359,461</u>	<u>\$ (953)</u>	<u>\$ 30,059</u>	<u>\$ 21,655</u>



# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

### NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2019

(In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 16,875	\$ 189	\$ 12,182	\$ 593	\$ 2,402	\$ 426,900
Unemployment Insurance	-	126,103	-	-	-	126,103
Federal Revenue	8,809	4,447	-	-	-	21,115
Loan and Other Income	-	-	-	-	-	8,336
Other Operating Revenues	-	3,991	112	-	2	4,178
<b>Total Operating Revenues</b>	<b>25,684</b>	<b>134,730</b>	<b>12,294</b>	<b>593</b>	<b>2,404</b>	<b>586,632</b>
<b>OPERATING EXPENSES</b>						
Benefits, Claims, and Premiums	-	137,995	-	-	-	144,077
General and Administrative Expenses	35,075	-	13,282	118	1,933	424,448
Depreciation Expense	2,175	-	2,622	8	-	4,991
Other Operating Expenses	255	-	15	-	-	13,863
<b>Total Operating Expenses</b>	<b>37,505</b>	<b>137,995</b>	<b>15,919</b>	<b>126</b>	<b>1,933</b>	<b>587,379</b>
<b>Operating Income (Loss)</b>	<b>(11,821)</b>	<b>(3,265)</b>	<b>(3,625)</b>	<b>467</b>	<b>471</b>	<b>(747)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Income	646	10,797	(374)	-	212	15,440
Other Revenue (Expenses)	105	-	914	192	4	3,214
<b>Total Nonoperating Revenues (Expenses)</b>	<b>751</b>	<b>10,797</b>	<b>540</b>	<b>192</b>	<b>216</b>	<b>18,654</b>
<b>Income (Loss) Before Transfers</b>	<b>(11,070)</b>	<b>7,532</b>	<b>(3,085)</b>	<b>659</b>	<b>687</b>	<b>17,907</b>
<b>TRANSFERS</b>						
Transfers In	7,043	-	6,101	823	-	13,973
Transfers Out	-	-	-	-	-	(979)
<b>Total Transfers</b>	<b>7,043</b>	<b>-</b>	<b>6,101</b>	<b>823</b>	<b>-</b>	<b>12,994</b>
<b>Change in Net Position</b>	<b>(4,027)</b>	<b>7,532</b>	<b>3,016</b>	<b>1,482</b>	<b>687</b>	<b>30,901</b>
<b>Net Position - Beginning, as Restated</b>	<b>(10,826)</b>	<b>474,572</b>	<b>32,221</b>	<b>300</b>	<b>8,874</b>	<b>891,216</b>
<b>Net Position - Ending</b>	<b>(14,853)</b>	<b>482,104</b>	<b>35,237</b>	<b>1,782</b>	<b>9,561</b>	<b>922,117</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2019 (In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from:						
Fees for Service	\$ -	\$ -	\$ -	\$ -	\$ 371,799	\$ -
Sale of Products	5,371	12,011	-	2,787	-	-
Gifts, Grants, and Contracts	-	-	5,133	-	-	-
Loan and Note Repayments	-	-	10,779	-	-	87
Unemployment Insurance	-	-	-	-	-	-
Other Sources	-	151	7,722	-	-	533
Cash Payments to or for:						
Suppliers	(5,228)	(10,082)	-	(2,092)	(48,607)	-
Employees	(132)	(1,599)	-	(743)	-	-
Unemployment Benefits	-	-	-	-	-	-
Loans, Loan Losses, Insurance Losses	-	-	-	-	(291,229)	(10,900)
Other Payments	1	(166)	(15,323)	-	(22,263)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>12</b>	<b>315</b>	<b>8,311</b>	<b>(48)</b>	<b>9,700</b>	<b>(10,280)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers In	-	-	6	-	1,407	-
Transfers Out	-	-	(979)	-	(1,407)	-
Gifts for Other Than Capital Purposes	-	-	-	-	-	-
Intergovernmental Receipts	-	-	1,501	-	-	-
Other Noncapital Financing	-	6	-	6	411	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>-</b>	<b>6</b>	<b>528</b>	<b>6</b>	<b>411</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of Capital Assets	-	-	-	-	-	-
Capital Gifts, Grants, and Contracts	-	-	-	-	-	-
Capital Debt Service Payments - Principal	-	-	-	-	-	-
Other Capital Financing	-	-	-	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Receipts of Interest and Dividends of Investments	1	37	-	-	2,330	-
Proceeds from Sale and Maturity of Investments	-	-	-	-	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>1</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>2,330</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash</b>	<b>13</b>	<b>358</b>	<b>8,839</b>	<b>(42)</b>	<b>12,441</b>	<b>(10,280)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>151</b>	<b>1,211</b>	<b>157,824</b>	<b>1,668</b>	<b>86,778</b>	<b>20,494</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 164</b>	<b>\$ 1,569</b>	<b>\$ 166,663</b>	<b>\$ 1,626</b>	<b>\$ 99,219</b>	<b>\$ 10,214</b>
<b>Cash and Cash Equivalents</b>						
Unrestricted	\$ -	\$ 2	\$ -	\$ -	\$ 44,700	\$ -
Restricted	-	-	-	-	-	-
Investment in State Gen. Fund Investment Pool	164	1,567	166,663	1,626	(650)	10,214
Investment in Local Government Invest Pool	-	-	-	-	55,169	-
<b>Total Cash and Cash Equivalents</b>	<b>\$ 164</b>	<b>\$ 1,569</b>	<b>\$ 166,663</b>	<b>\$ 1,626</b>	<b>\$ 99,219</b>	<b>\$ 10,214</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED) For the Year Ended June 30, 2019 (In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from:						
Fees for Service	\$ 24,271	\$ -	\$ 12,244	\$ 593	\$ -	\$ 408,907
Sale of Products	-	-	-	-	-	20,169
Gifts, Grants, and Contracts	504	4,446	-	-	2,204	12,287
Loan and Note Repayments	-	-	-	-	-	10,866
Unemployment Insurance	-	142,434	-	-	-	142,434
Other Sources	3,110	-	-	-	-	11,516
Cash Payments to or for:						
Suppliers	(13,431)	-	(11,767)	(84)	-	(91,291)
Employees	(18,330)	-	(5,801)	-	(1,836)	(28,441)
Unemployment Benefits	-	(138,875)	-	-	-	(138,875)
Loans, Loan Losses, Insurance Losses	-	-	-	-	-	(302,129)
Other Payments	-	-	-	-	-	(37,751)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(3,876)</b>	<b>8,005</b>	<b>(5,324)</b>	<b>509</b>	<b>368</b>	<b>7,692</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers In	13,343	-	6,102	823	-	21,681
Transfers Out	(6,300)	-	-	-	-	(8,686)
Gifts for Other Than Capital Purposes	-	-	-	-	-	-
Intergovernmental Receipts	-	-	-	-	-	1,501
Other Noncapital Financing	24	-	540	192	-	1,179
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>7,067</b>	<b>-</b>	<b>6,642</b>	<b>1,015</b>	<b>-</b>	<b>15,675</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of Capital Assets	(485)	-	(1,189)	(203)	-	(1,877)
Capital Gifts, Grants, and Contracts	-	-	-	-	-	-
Capital Debt Service Payments - Principal	(1,047)	-	-	(197)	-	(1,244)
Other Capital Financing	-	-	-	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,532)</b>	<b>-</b>	<b>(1,189)</b>	<b>(400)</b>	<b>-</b>	<b>(3,121)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Receipts of Interest and Dividends of Investments	515	10,798	-	-	215	13,896
Proceeds from Sale and Maturity of Investments	-	-	-	-	(4)	(4)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>515</b>	<b>10,798</b>	<b>-</b>	<b>-</b>	<b>211</b>	<b>13,892</b>
<b>Net Increase (Decrease) in Cash</b>	<b>2,174</b>	<b>18,803</b>	<b>129</b>	<b>1,124</b>	<b>579</b>	<b>34,138</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>4,977</b>	<b>447,779</b>	<b>2,632</b>	<b>478</b>	<b>9,038</b>	<b>733,030</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 7,151</b>	<b>\$ 466,582</b>	<b>\$ 2,761</b>	<b>\$ 1,602</b>	<b>\$ 9,617</b>	<b>\$ 767,168</b>
<b>Cash and Cash Equivalents</b>						
Unrestricted	\$ 733	\$ 467,883	\$ 1,436	\$ -	\$ -	\$ 514,754
Restricted	-	-	-	-	-	-
Investment in State Gen. Fund Investment Pool	6,418	(1,301)	1,325	1,602	630	188,258
Investment in Local Government Invest Pool	-	-	-	-	8,987	64,156
<b>Total Cash and Cash Equivalents</b>	<b>\$ 7,151</b>	<b>\$ 466,582</b>	<b>\$ 2,761</b>	<b>\$ 1,602</b>	<b>\$ 9,617</b>	<b>\$ 767,168</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2019

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (92)	\$ (1,512)	\$ 12,936	\$ (5)	\$ 5,166	\$ 533
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)						
by Operating Activities:						
Depreciation	17	146	-	-	23	-
Realized (Gain) Loss on Disposal of Assets	-	-	-	-	-	-
Change in net pension liability	61	502	-	79	294	-
Change in net OPEB liability	18	99	-	(16)	63	-
Bad Debt Expense	-	-	-	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables/Due From Other Funds	15	1,277	(545)	(15)	(3,756)	-
Notes/Loans	-	-	(4,679)	6	-	(10,813)
Inventories	-	173	-	4	-	-
Prepaid Items/Other Assets	-	1	-	4	-	-
Claims Payable	-	-	-	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	(7)	(371)	-	18	1,805	-
Loss Adjustments	-	-	-	-	6,082	-
Unearned Revenue	-	-	599	(123)	23	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 12</b>	<b>\$ 315</b>	<b>\$ 8,311</b>	<b>\$ (48)</b>	<b>\$ 9,700</b>	<b>\$ (10,280)</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2019

(In Thousands)

	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (11,821)	\$ (3,265)	\$ (3,625)	\$ 467	\$ 471	\$ (747)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	2,175	-	2,622	8	-	4,991
Realized (Gain) Loss on Disposal of Assets	-	-	374	-	-	374
Change in net pension liability	3,026	-	172	-	34	4,168
Change in net OPEB liability	292	-	(112)	-	(2)	342
Bad Debt Expense	2,101	-	-	-	-	2,101
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables Due From Other Funds	(867)	4,335	(18)	-	(192)	234
Notes/Loans	-	-	-	-	-	(15,486)
Inventories	44	-	-	-	-	221
Prepaid Items/Other Assets	-	-	-	-	55	60
Claims Payable	-	-	-	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	1,174	6,935	(4,737)	34	2	4,853
Loss Adjustments	-	-	-	-	-	6,082
Unearned Revenue	-	-	-	-	-	499
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (3,876)</b>	<b>\$ 8,005</b>	<b>\$ (5,324)</b>	<b>\$ 509</b>	<b>\$ 368</b>	<b>\$ 7,692</b>

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR INTERNAL SERVICE FUNDS COMBINING FINANCIAL STATEMENTS

June 30, 2019

**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, 2019

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Total
<b>ASSETS</b>						
Current Assets:						
Investment in the State General Fund						
Investment Pool	\$ 4,395	\$ 134,971	\$ 2,253	\$ 20,300	\$ 35,933	\$ 197,852
Due From Other Funds	-	-	1	-	16,278	16,279
Receivables, Net	15	652	91	6,809	180	7,747
Inventories and Other Assets	-	-	-	-	11	11
<b>Total Current Assets</b>	<b>4,410</b>	<b>135,623</b>	<b>2,345</b>	<b>27,109</b>	<b>52,402</b>	<b>221,889</b>
Noncurrent Assets:						
Nondepreciable Capital Assets	-	-	9	817	-	826
Capital Assets, Net	4,908	-	302	23,860	26,372	55,442
<b>Total Noncurrent Assets</b>	<b>4,908</b>	<b>-</b>	<b>311</b>	<b>24,677</b>	<b>26,372</b>	<b>56,268</b>
<b>Total Assets</b>	<b>9,318</b>	<b>135,623</b>	<b>2,656</b>	<b>51,786</b>	<b>78,774</b>	<b>278,157</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - OPEB	21	47	77	127	70	342
Deferred Outflows - Pension	685	1,521	2,508	4,120	2,281	11,115
<b>Total Deferred Outflows</b>	<b>706</b>	<b>1,568</b>	<b>2,585</b>	<b>4,247</b>	<b>2,351</b>	<b>11,457</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	329	11,440	260	2,004	1,467	15,500
Accrued Liabilities	61	135	160	370	157	883
Unearned Revenue	-	235	-	-	-	235
Due to Other Funds	-	-	-	13,056	3,222	16,278
Funds Held for Others	-	-	6	-	-	6
Other Liabilities	99	90,729	193	494	230	91,745
<b>Total Current Liabilities</b>	<b>489</b>	<b>102,539</b>	<b>619</b>	<b>15,924</b>	<b>5,076</b>	<b>124,647</b>
Noncurrent Liabilities:						
Net Pension Liability	3,135	6,963	11,482	18,864	10,443	50,887
Net OPEB Liability	1,018	2,262	3,730	6,128	3,393	16,531
Other Liabilities	5	75,968	5	-	-	75,978
<b>Total Noncurrent Liabilities</b>	<b>4,158</b>	<b>85,193</b>	<b>15,217</b>	<b>24,992</b>	<b>13,836</b>	<b>143,396</b>
<b>Total Liabilities</b>	<b>4,647</b>	<b>187,732</b>	<b>15,836</b>	<b>40,916</b>	<b>18,912</b>	<b>268,043</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - OPEB	263	585	964	1,583	877	4,272
Deferred Inflows - Pension	140	311	514	844	467	2,276
<b>Total Deferred Inflows</b>	<b>403</b>	<b>896</b>	<b>1,478</b>	<b>2,427</b>	<b>1,344</b>	<b>6,548</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	4,908	-	311	24,677	26,372	56,268
Restricted for Other Purposes	-	-	-	11,185	47,325	58,510
Unrestricted (Deficit)	66	(51,437)	(12,384)	(23,172)	(12,828)	(99,755)
<b>Total Net Position</b>	<b>\$ 4,974</b>	<b>\$ (51,437)</b>	<b>\$ (12,073)</b>	<b>\$ 12,690</b>	<b>\$ 60,869</b>	<b>\$ 15,023</b>



# 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, 2019 (In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Total
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 6,835	\$ 427,184	\$ 2,685	\$ 51,369	\$ 9,928	\$ 498,001
Other Operating Revenues	92	99	1,126	638	283	2,238
<b>Total Operating Revenues</b>	<b>6,927</b>	<b>427,283</b>	<b>3,811</b>	<b>52,007</b>	<b>10,211</b>	<b>500,239</b>
<b>OPERATING EXPENSES</b>						
General and Administrative Expenses	6,826	405,554	6,086	38,053	10,443	466,962
Depreciation Expense	1,229	6	109	5,012	3,222	9,578
Other Operating Expenses	-	401	56	-	-	457
<b>Total Operating Expenses</b>	<b>8,055</b>	<b>405,961</b>	<b>6,251</b>	<b>43,065</b>	<b>13,665</b>	<b>476,997</b>
<b>Operating Income (Loss)</b>	<b>(1,128)</b>	<b>21,322</b>	<b>(2,440)</b>	<b>8,942</b>	<b>(3,454)</b>	<b>23,242</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Income	-	3,971	-	-	835	4,806
Gain (Loss) on Sale of Capital Assets	137	-	143	(1)	(4)	275
Nonoperating Revenues (Expenses)	7	9,209	5	33	61	9,315
<b>Total Nonoperating Revenues (Expenses)</b>	<b>144</b>	<b>13,180</b>	<b>148</b>	<b>32</b>	<b>892</b>	<b>14,396</b>
<b>Income (Loss) Before Transfers</b>	<b>(984)</b>	<b>34,502</b>	<b>(2,292)</b>	<b>8,974</b>	<b>(2,562)</b>	<b>37,638</b>
<b>TRANSFERS</b>						
Transfers In	4,493	7,416	3,915	8,187	12,395	36,406
Transfers Out	(460)	(10,667)	(85)	(7,158)	(8,546)	(26,916)
<b>Total Transfers</b>	<b>4,033</b>	<b>(3,251)</b>	<b>3,830</b>	<b>1,029</b>	<b>3,849</b>	<b>9,490</b>
<b>Change in Net Position</b>	<b>3,049</b>	<b>31,251</b>	<b>1,538</b>	<b>10,003</b>	<b>1,287</b>	<b>47,128</b>
<b>Net Position - Beginning, as Restated</b>	<b>1,925</b>	<b>(82,688)</b>	<b>(13,611)</b>	<b>2,687</b>	<b>59,582</b>	<b>(32,105)</b>
<b>Net Position - Ending</b>	<b>\$ 4,974</b>	<b>\$ (51,437)</b>	<b>\$ (12,073)</b>	<b>\$ 12,690</b>	<b>\$ 60,869</b>	<b>\$ 15,023</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR INTERNAL SERVICE FUNDS

June 30, 2019

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from:						
Fees for Service	\$ 6,990	\$ 415,599	\$ 2,653	\$ 60,027	\$ 9,768	\$ 495,037
Other Sources	-	-	(9)	-	-	(9)
Cash Payments to or for:						
Suppliers	(5,236)	(403,270)	(2,584)	(29,715)	(6,512)	(447,317)
Employees	(1,777)	(3,579)	(3,571)	(8,173)	(3,751)	(20,851)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(23)</b>	<b>8,750</b>	<b>(3,511)</b>	<b>22,139</b>	<b>(495)</b>	<b>26,860</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers In	4,493	7,416	3,915	8,187	12,395	36,406
Transfers Out	(460)	(10,667)	(85)	(7,158)	(8,546)	(26,916)
Other Noncapital Financing	(1,265)	14,562	5	(9)	48	13,341
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>2,768</b>	<b>11,311</b>	<b>3,835</b>	<b>1,020</b>	<b>3,897</b>	<b>22,831</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from Sale of Capital Assets	93	-	143	-	-	236
Other	-	-	-	-	(4,695)	(4,695)
Acquisition of Capital Assets	(165)	-	(15)	-	(5,780)	(5,960)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(72)</b>	<b>-</b>	<b>128</b>	<b>-</b>	<b>(10,475)</b>	<b>(10,419)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Receipts of Interest and Dividends of Investments	-	3,971	-	-	835	4,806
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>3,971</b>	<b>-</b>	<b>-</b>	<b>835</b>	<b>4,806</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents at Beginning of Year, as Restated</b>	<b>2,673</b>	<b>24,032</b>	<b>452</b>	<b>23,159</b>	<b>(6,238)</b>	<b>44,078</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 4,395</b>	<b>\$ 134,971</b>	<b>\$ 2,253</b>	<b>\$ 20,300</b>	<b>\$ 35,933</b>	<b>\$ 197,852</b>
<b>Cash and Cash Equivalents</b>						
Investment in the State General Fund Investment Pool	4,395	134,971	2,253	20,300	35,933	197,852
<b>Total Cash and Cash Equivalents</b>	<b>\$ 4,395</b>	<b>\$ 134,971</b>	<b>\$ 2,253</b>	<b>\$ 20,300</b>	<b>\$ 35,933</b>	<b>\$ 197,852</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (1,128)	\$ 21,322	\$ (2,440)	\$ 8,942	\$ (3,454)	\$ 23,242
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	1,229	6	109	5,012	3,221	9,577
Change in net pension liability	82	378	(407)	339	319	711
Change in net OPEB liability	(92)	(99)	(719)	(638)	(283)	(1,831)
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables/Due From Other Funds	(9)	350	(22)	8,658	(159)	8,818
Prepaid Items/Other Assets	-	-	-	-	2	2
Insurance Claims Payable	-	(5,911)	-	-	-	(5,911)
Accounts Payable/Accrued Liabilities/Due To Other Funds	(105)	(7,296)	(32)	(174)	(141)	(7,748)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (23)</b>	<b>\$ 8,750</b>	<b>\$ (3,511)</b>	<b>\$ 22,139</b>	<b>\$ (495)</b>	<b>\$ 26,860</b>

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION

### FIDUCIARY FUNDS

### PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS FINANCIAL STATEMENTS

**Public Employees Retirement Association - (PERA)** – PERA is a qualified, defined benefit, government retirement plan established by the State of New Mexico to provide pension benefits for all State, County, and Municipal employees, police, firefighters, judges, magistrates and legislators. 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 10-7A-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, 2019

(In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
<b>ASSETS</b>					
Cash and Short-Term Investments	\$ 974,001	\$ 201,514	\$ -	\$ -	\$ 1,175,515
Investment in State General Fund Investment Pool	23,194	6,398	41,122	28	70,742
Investment in Local Government Investment Pool	-	105	-	-	105
Investments:					
U.S. Gov't. and Agency Securities	712,761	397,936	-	-	1,110,697
International Securities	255,557	2,250,712	165,623	-	2,671,892
Corporate Equity Securities	4,493,284	2,817,300	112,506	-	7,423,090
Corporate and Municipal Bonds	2,771,794	337,505	149,338	-	3,258,637
Partnerships and Other Investments	6,864,861	7,497,165	295,184	-	14,657,210
Securities Lending Collateral Invest.	341,651	-	-	-	341,651
Deferred Comp. Plan Invest.	-	-	-	630,988	630,988
Receivables:					
Brokers	1,225,673	262,812	-	-	1,488,485
Accrued Interest and Other	-	16,160	-	-	16,160
Accounts Receivable	28,653	90,020	17,953	1,198	137,824
Other State Agencies	-	-	-	-	-
Component Units	-	-	283	-	283
Participant Loans	-	-	-	12,813	12,813
Capital Assets, Net	11,174	1,735	1,230	-	14,139
<b>Total Assets</b>	<u>17,702,603</u>	<u>13,879,362</u>	<u>783,239</u>	<u>645,027</u>	<u>33,010,231</u>
<b>LIABILITIES</b>					
Accounts Payable	5,826	4,633	4,228	-	14,687
Accrued Liabilities	263	253	66	3	585
Due to Brokers	1,649,524	326,804	-	-	1,976,328
Unearned Revenue	-	-	421	-	421
Deposits Held in Trust	2,133	62	-	-	2,195
Other Liabilities	341,918	2,919	21,776	7	366,620
<b>Total Liabilities</b>	<u>1,999,664</u>	<u>334,671</u>	<u>26,491</u>	<u>10</u>	<u>2,360,836</u>
<b>NET POSITION</b>					
Restricted for:					
Pension Benefits	15,702,939	13,544,691	-	-	29,247,630
Other Employee Benefits	-	-	756,748	-	756,748
Defined Contribution	-	-	-	645,017	645,017
<b>Net Position</b>	<u>\$ 15,702,939</u>	<u>\$ 13,544,691</u>	<u>\$ 756,748</u>	<u>\$ 645,017</u>	<u>\$ 30,649,395</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

For the Year Ended June 30, 2019

(In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
<b>ADDITIONS</b>					
Contributions:					
Employee Contributions	\$ 283,973	\$ 303,466	\$ 172,270	\$ 43,135	\$ 802,844
Employer Contributions	343,671	406,549	132,775	-	882,995
Other	8	-	-	-	8
<b>Total Contributions</b>	<b>627,652</b>	<b>710,015</b>	<b>305,045</b>	<b>43,135</b>	<b>1,685,847</b>
Investment Income (Loss):					
Net Increase in Fair Value of Investments	702,301	1,009,667	40,736	33,806	1,786,510
Interest and Dividends	310,290	142,276	995	3,751	457,312
	1,012,591	1,151,943	41,731	37,557	2,243,822
Less Investment Expense	65,246	114,060	-	-	179,306
<b>Net Investment Income</b>	<b>947,345</b>	<b>1,037,883</b>	<b>41,731</b>	<b>37,557</b>	<b>2,064,516</b>
Other Additions:					
Other Operating Revenues	4,864	464	52,882	106	58,316
<b>Total Other Additions</b>	<b>4,864</b>	<b>464</b>	<b>52,882</b>	<b>106</b>	<b>58,316</b>
<b>Total Additions</b>	<b>1,579,861</b>	<b>1,748,362</b>	<b>399,658</b>	<b>80,798</b>	<b>3,808,679</b>
<b>DEDUCTIONS</b>					
Benefits and Claims	1,211,779	1,122,274	-	41,198	2,375,251
Refunds	54,493	42,371	963	-	97,827
General and Administrative Expenses	13,135	9,055	299,331	1,483	323,004
Other Operating Expenses	708	272	271	-	1,251
<b>Total Deductions</b>	<b>1,280,115</b>	<b>1,173,972</b>	<b>300,565</b>	<b>42,681</b>	<b>2,797,333</b>
<b>Change in Net Position</b>	<b>299,746</b>	<b>574,390</b>	<b>99,093</b>	<b>38,117</b>	<b>1,011,346</b>
<b>Net Position - Beginning, as Restated</b>	<b>15,403,193</b>	<b>12,970,301</b>	<b>657,655</b>	<b>606,900</b>	<b>29,638,049</b>
<b>Net Position - Ending</b>	<b>\$ 15,702,939</b>	<b>\$ 13,544,691</b>	<b>\$ 756,748</b>	<b>\$ 645,017</b>	<b>\$ 30,649,395</b>

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION

### FIDUCIARY FUNDS

#### EXTERNAL INVESTMENT TRUST FUNDS FINANCIAL STATEMENTS

**State Investment Council** – The State Investment Council (Council) is responsible for the investment activities of certain State of New Mexico Trust Funds. Pursuant to New Mexico law, the Council created the following investment pools: Large Capitalization Active, Large Capitalization Index, Core Bonds, Structured Credit, Mid\Small Capitalization, Non-U.S. Equity Securities, Non-U.S. Emerging Markets, and Absolute Bonds. The investment pools provide long-term investment opportunities for state agencies and designated institutions that have funds available for a long-term investment program that will extend for more than one year. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by State 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, 2019

(In Thousands)

	State Investment Council	State Treasurer	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,857	\$ -	\$ 2,857
Investment in Local Government Investments	83,363	670,326	753,689
Receivables	3,140	1,076	4,216
<b>Total Assets</b>	<u>89,360</u>	<u>671,402</u>	<u>760,762</u>
<b>LIABILITIES</b>			
Other Liabilities	3,292	-	3,292
<b>Total Liabilities</b>	<u>3,292</u>	<u>-</u>	<u>3,292</u>
<b>NET POSITION</b>			
Held in Trust for External Investment Pool Participants	86,068	671,402	757,470
<b>Net Position</b>	<u>\$ 86,068</u>	<u>\$ 671,402</u>	<u>\$ 757,470</u>

	State Investment Council	State Treasurer	Total
<b>ADDITIONS</b>			
Pool Participant Deposits	\$ 10,217	\$ 754,029	\$ 764,246
Investment Income (Loss): Interest and Dividends	5,153	14,319	19,472
<b>Total Additions</b>	<u>15,370</u>	<u>768,348</u>	<u>783,718</u>
<b>DEDUCTIONS</b>			
General and Administrative Expenses	80	40,204	40,284
Distributions	8,967	679,365	688,332
<b>Total Deductions</b>	<u>9,047</u>	<u>719,569</u>	<u>728,616</u>
<b>Change in Net Position</b>	6,323	48,779	55,102
<b>Net Position - Beginning, as Restated</b>	79,745	622,623	702,368
<b>Net Position - Ending</b>	<u>\$ 86,068</u>	<u>\$ 671,402</u>	<u>\$ 757,470</u>

# STATE OF NEW MEXICO

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## **OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION EXTERNAL INVESTMENT TRUST FUNDS For the Year Ended June 30, 2019 (In Thousands)**

- \* The pool participant deposits reported for the State Treasurer above is net of actual pool participant deposits and withdrawals.
- \*\* Includes reduction of interfund investments.

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION

### FIDUCIARY FUNDS

#### PRIVATE PURPOSE TRUST FUNDS FINANCIAL STATEMENTS

**Scholarship Fund** – This grouping includes scholarship trust funds administered by the Higher Education Department and the Public Education Department.

**Higher Education Savings Fund** – The 529 Higher Education Savings Plan is a variable return college savings program that enables individuals to save and invest in order to fund future higher education expenses of a child or beneficiary. The program is designed to be a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and is maintained by the Education Trust Board.

**Water Trust Fund** – The Water Trust Fund accounts for monies appropriated, donated, or otherwise accrued in the fund for the water project fund, which is administered by the State Investment Council.

**Bartlett Trust Fund** – The Cultural Affairs Department is the administrator of a trust fund which was privately endowed for the benefit of the Museum of International Folk Art.

**Children’s Trust Fund** - This fund accounts for a part of marriage license fees as well as private donations for the purpose of advocacy of children and prevention of child abuse and neglect.

**Children’s Trust Fund Next Generation** – This fund accumulates resources for programs that provide positive child and youth development activities.

**Office of Superintendent of Insurance** – This fund is comprised to two funds:

- a) Patient’s Compensation Fund – This is a medical malpractice insurance risk – assuming fund mandated by the Medical Malpractice Act.
- b) Trust Fund for Policyholders and Creditors of insurance companies which have entered into receivership.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS

June 30, 2019

(In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Total
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 20	\$ 3,431	\$ 3,065	\$ -	\$ -	\$ -	\$ 1,450	\$ 7,966
Investment in State General Fund Investment Pool	20,098	-	-	109	2,067	531	46,877	69,682
Investments:								
Investment Pools	2,305	2,471,532	40,614	-	4,344	1,466	595,799	3,116,060
Receivables:								
Brokers	-	-	1,217	-	-	-	-	1,217
Accrued Interest and Other	-	2,543	-	-	-	-	-	2,543
Accounts Receivable	-	3,863	78	-	8	-	-	3,949
<b>Total Assets</b>	<u>22,423</u>	<u>2,481,369</u>	<u>44,974</u>	<u>109</u>	<u>6,419</u>	<u>1,997</u>	<u>644,126</u>	<u>\$ 3,201,417</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred Outflows of Resources	-	-	-	-	-	-	532	\$ 532
<b>Total Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532</u>	<u>532</u>
<b>LIABILITIES</b>								
Accounts Payable	-	-	-	-	-	-	2,440	2,440
Accrued Liabilities	-	6,027	-	-	-	-	4	6,031
Other Liabilities	-	482	529	-	-	-	119,000	120,011
<b>Total Liabilities</b>	<u>-</u>	<u>6,509</u>	<u>529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,444</u>	<u>\$ 128,482</u>
<b>NET POSITION</b>								
Held in Trust for Other Purposes	22,423	2,474,860	44,445	109	6,419	1,997	523,214	3,073,467
<b>Net Position</b>	<u>\$ 22,423</u>	<u>\$ 2,474,860</u>	<u>\$ 44,445</u>	<u>\$ 109</u>	<u>\$ 6,419</u>	<u>1,997</u>	<u>523,214</u>	<u>\$ 3,073,467</u>

# 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, 2019

(In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Total
<b>ADDITIONS</b>								
Member Contributions	\$ -	\$ 942,183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942,183
Total Contributions	-	942,183	-	-	-	-	-	1,084,150
Investment Income:								
Net Increase (Decrease) in Fair Value of Investments	58	18,839	1,569	-	206	79	147,114	167,865
Interest and Dividends	96	107,397	1,201	3	64	17	1,412	110,190
	154	126,236	2,770	3	270	96	148,526	278,055
Less Investment Expense	-	4,236	34	-	-	-	-	4,270
Net Investment Income	154	122,000	2,736	3	270	96	148,526	273,785
Other Additions:								
General Fund Appropriation	20,000	-	-	-	-	-	-	20,000
Other Operating Revenues	-	123	-	-	92	-	42,936	43,151
Total Other Additions	20,000	123	-	-	92	-	42,936	63,151
<b>Total Additions</b>	<b>20,154</b>	<b>1,064,306</b>	<b>2,736</b>	<b>3</b>	<b>362</b>	<b>96</b>	<b>191,462</b>	<b>1,421,086</b>
<b>DEDUCTIONS</b>								
Distributions	-	1,049,876	4,000	-	-	-	-	1,053,876
Payments	100	-	-	-	-	-	689	789
General and Administrative Expenses	5	5,386	-	-	-	-	194,539	199,930
<b>Total Deductions</b>	<b>105</b>	<b>1,055,262</b>	<b>4,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,228</b>	<b>1,254,595</b>
<b>Change in Net Position</b>	<b>20,049</b>	<b>9,044</b>	<b>(1,264)</b>	<b>3</b>	<b>362</b>	<b>96</b>	<b>(3,766)</b>	<b>24,524</b>
<b>Net Position - Beginning, as Restated</b>	<b>2,374</b>	<b>2,465,816</b>	<b>45,709</b>	<b>106</b>	<b>6,057</b>	<b>1,901</b>	<b>526,980</b>	<b>3,048,943</b>
<b>Net Position - Ending</b>	<b>\$ 22,423</b>	<b>\$ 2,474,860</b>	<b>\$ 44,445</b>	<b>\$ 109</b>	<b>\$ 6,419</b>	<b>\$ 1,997</b>	<b>\$ 523,214</b>	<b>\$ 3,073,467</b>

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# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

#### AGENCY FUNDS

Year Ended June 30, 2019

(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, 2018 as Restated	Additions	Deletions	Balance June 30, 2019
<b>Assets</b>				
Cash and Cash Equivalents	\$ 20,313	\$ 10,484	\$ 8,412	\$ 22,385
Investment in State General Fund Investment Pool	57,551	14,289,121	14,283,687	62,985
Investment in Local Government Investment Pool	3,340	72	1,507	1,905
Investments	1,364	-	1,364	-
Due from Other Parties	1	1,222	1,223	-
Receivables, Net	350,043	9,772,037	9,767,413	354,667
<b>Total Assets</b>	<u>\$ 432,612</u>	<u>\$ 24,072,936</u>	<u>\$ 24,063,606</u>	<u>\$ 441,942</u>
<b>Liabilities</b>				
Accounts Payable	\$ 749	\$ 3,078,610	\$ 3,078,749	\$ 610
Accrued Liabilities	88	2,960	2,954	94
Due to Component Units	-	13,692	-	13,692
Due to Other Parties	13,847	3,354,990	3,368,770	67
Intergovernmental Payables	386,196	396,213	386,266	396,143
Deposits Held in Trust	27,287	42,841,056	42,842,056	26,287
Other Liabilities	4,445	229,739	229,135	5,049
<b>Total Liabilities</b>	<u>\$ 432,612</u>	<u>\$ 49,917,260</u>	<u>\$ 49,907,930</u>	<u>\$ 441,942</u>



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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS

June 30, 2019

(In Thousands)

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

There were seventeen non-major component units at June 30, 2019. 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 Charter Schools.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS

June 30, 2019

(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
<b>ASSETS</b>									
Current Assets:									
Cash and Cash Equivalents	\$ 971	\$ 4,454	\$ 1,832	\$ 406	\$ 693	\$ -	\$ 451	\$ 117	\$ 25
Investment in Local Government									
Investment Pool	8,480	-	-	-	-	-	-	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	541	-	-
Investments	-	-	2,734	18,789	-	-	-	-	-
Due From Primary Government	-	-	53	-	-	-	-	-	-
Receivables, Net	24	-	655	584	129	-	-	11	-
Loans Receivable, Current	-	15	-	-	-	-	-	-	-
Prepaid Expenses	22	7	14	-	3	-	-	6	-
Inventory	-	-	40	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>9,497</b>	<b>4,476</b>	<b>5,328</b>	<b>19,779</b>	<b>825</b>	<b>-</b>	<b>992</b>	<b>134</b>	<b>25</b>
Noncurrent Assets:									
Restricted Cash and Cash Equivalents	-	-	-	-	521	-	-	-	-
Restricted Investments	-	-	-	6,622	-	-	-	-	-
Loans Receivable, Net	-	-	-	26	-	-	-	-	-
Investments	-	-	-	-	8,752	-	9,242	20,865	11,240
Other Noncurrent Assets	-	-	-	-	128	-	881	148	-
Nondepreciable Capital Assets	-	-	-	-	6,049	-	8	-	-
Other Capital Assets, Net	-	-	-	1,449	1,039	-	13	-	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,097</b>	<b>16,489</b>	<b>-</b>	<b>10,144</b>	<b>21,013</b>	<b>11,240</b>
<b>Total Assets</b>	<b>9,497</b>	<b>4,476</b>	<b>5,328</b>	<b>27,876</b>	<b>17,314</b>	<b>-</b>	<b>11,136</b>	<b>21,147</b>	<b>11,265</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Deferred Charge on Refunding	-	-	-	-	-	-	-	-	-
Deferred Outflows - OPEB	-	-	-	-	-	-	-	-	-
Deferred Outflows - Pension	-	-	-	-	-	-	-	-	-
<b>Total Deferred Outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED)

June 30, 2019

(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
<b>ASSETS</b>									
Current Assets:									
Cash and Cash Equivalents	\$ 222	\$ 654	\$ 79	\$ 13	\$ 2,536	\$ 155	\$ 274	\$ 50,699	63,581
Investment in Local Government									
Investment Pool	-	-	-	-	-	-	3,580	-	12,060
Restricted Cash and Cash Equivalents	-	244	1,452	-	-	-	-	4,001	6,238
Investments	-	-	-	-	-	-	12,223	86	33,832
Due From Primary Government	-	-	-	-	-	-	-	7,296	7,349
Receivables, Net	21	5	57	-	638	-	6	3,520	5,650
Loans Receivable, Current	-	-	-	-	-	-	-	-	15
Prepaid Expenses	-	-	3	-	26	8	4	243	336
Inventory	-	-	-	-	232	-	-	-	272
<b>Total Current Assets</b>	<b>243</b>	<b>903</b>	<b>1,591</b>	<b>13</b>	<b>3,432</b>	<b>163</b>	<b>16,087</b>	<b>65,845</b>	<b>129,333</b>
Noncurrent Assets:									
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	-	521
Restricted Investments	-	-	41,765	-	-	-	-	-	48,387
Loans Receivable, Net	-	-	-	-	-	-	20,054	-	20,080
Investments	196	3,899	19,168	152	-	-	3,334	-	76,848
Other Noncurrent Assets	-	-	1,789	-	-	-	-	-	2,946
Nondepreciable Capital Assets	-	-	-	-	1,561	-	-	12,670	20,288
Other Capital Assets, Net	-	-	1	-	13,358	-	-	64,245	80,105
<b>Total Noncurrent Assets</b>	<b>196</b>	<b>3,899</b>	<b>62,723</b>	<b>152</b>	<b>14,919</b>	<b>-</b>	<b>23,388</b>	<b>76,915</b>	<b>249,175</b>
<b>Total Assets</b>	<b>439</b>	<b>4,802</b>	<b>64,314</b>	<b>165</b>	<b>18,351</b>	<b>163</b>	<b>39,475</b>	<b>142,760</b>	<b>378,508</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Deferred Charge on Refunding	-	-	-	-	-	-	-	-	-
Deferred Outflows - OPEB	-	-	-	-	-	-	-	4,255	4,255
Deferred Outflows - Pension	-	-	-	-	-	-	-	81,356	81,356
<b>Total Deferred Outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,611</b>	<b>85,611</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED)

June 30, 2019

(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
<b>LIABILITIES</b>									
Current Liabilities:									
Accounts Payable	38	-	12	-	18	-	2	24	-
Accrued Liabilities	-	-	-	30	2	-	-	226	-
Unearned Revenue	-	-	693	-	-	-	-	-	-
Due to Primary Government	-	2,623	974	-	-	-	264	-	-
Funds Held for Others	-	-	-	-	-	-	260	-	-
Other Liabilities	-	-	-	-	225	-	-	-	-
<b>Total Current Liabilities</b>	<b>38</b>	<b>2,623</b>	<b>1,679</b>	<b>30</b>	<b>245</b>	<b>-</b>	<b>526</b>	<b>250</b>	<b>-</b>
Noncurrent Liabilities:									
Net Pension Liability	-	-	-	-	-	-	-	-	-
Net OPEB Liability	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	11	3,288	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>3,288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>38</b>	<b>2,623</b>	<b>1,679</b>	<b>41</b>	<b>3,533</b>	<b>-</b>	<b>526</b>	<b>250</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unearned Revenue	-	606	-	-	-	-	-	-	-
Deferred Inflows - OPEB Liability	-	-	-	-	-	-	-	-	-
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	-	-
<b>Total Deferred Inflows</b>	<b>-</b>	<b>606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>									
Net Investment in Capital Assets	-	-	-	1,449	6,017	-	21	148	-
Restricted:									
Nonexpendable	-	-	-	5,307	5,015	-	10,123	9,394	1,990
Expendable:									
Other Purposes	-	-	464	1,792	1,245	-	281	10,407	4,711
Unrestricted Net Position (Deficit)	9,459	1,247	3,185	19,287	1,504	-	185	948	4,564
<b>Total Net Position (Deficit)</b>	<b>\$ 9,459</b>	<b>\$ 1,247</b>	<b>\$ 3,649</b>	<b>\$ 27,835</b>	<b>\$ 13,781</b>	<b>\$ -</b>	<b>\$ 10,610</b>	<b>\$ 20,897</b>	<b>\$ 11,265</b>

# 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
<b>LIABILITIES</b>									
Current Liabilities:									
Accounts Payable	19	-	2	-	561	57	-	3,305	4,038
Accrued Liabilities	-	-	18	-	-	-	-	13,558	13,834
Unearned Revenue	-	244	-	-	1,151	-	-	180	2,268
Due to Primary Government	-	603	388	-	-	-	-	-	4,852
Funds Held for Others	-	-	-	-	-	-	-	-	260
Other Liabilities	-	-	404	-	40	-	784	-	1,453
<b>Total Current Liabilities</b>	<u>19</u>	<u>847</u>	<u>812</u>	<u>-</u>	<u>1,752</u>	<u>57</u>	<u>784</u>	<u>17,043</u>	<u>26,705</u>
Noncurrent Liabilities:									
Net Pension Liability	-	-	-	-	-	-	-	263,215	263,215
Net OPEB Liability	-	-	-	-	-	-	-	63,324	63,324
Other Liabilities	-	-	-	-	10	-	-	65,044	68,353
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>391,583</u>	<u>394,892</u>
<b>Total Liabilities</b>	<u>19</u>	<u>847</u>	<u>812</u>	<u>-</u>	<u>1,762</u>	<u>57</u>	<u>784</u>	<u>408,626</u>	<u>421,597</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unearned Revenue	-	-	-	-	83	-	-	-	689
Deferred Inflows - OPEB Liability	-	-	-	-	-	-	-	19,164	19,164
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	9,513	9,513
<b>Total Deferred Inflows</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83</u>	<u>-</u>	<u>-</u>	<u>28,677</u>	<u>29,366</u>
<b>NET POSITION</b>									
Net Investment in Capital Assets	-	-	-	-	14,919	-	-	12,285	34,839
Restricted:									
Nonexpendable	186	3,899	26,369	-	-	-	-	28,651	90,934
Expendable:									
Other Purposes	109	-	17,355	152	-	106	38,691	-	75,313
Unrestricted Net Position (Deficit)	<u>125</u>	<u>56</u>	<u>19,778</u>	<u>13</u>	<u>1,587</u>	<u>-</u>	<u>-</u>	<u>(249,868)</u>	<u>(187,930)</u>
<b>Total Net Position (Deficit)</b>	<u>\$ 420</u>	<u>\$ 3,955</u>	<u>\$ 63,502</u>	<u>\$ 165</u>	<u>\$ 16,506</u>	<u>\$ 106</u>	<u>\$ 38,691</u>	<u>\$ (208,932)</u>	<u>13,156</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS

June 30, 2019

(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	\$ 694	\$ 5,313	\$ 1,198	\$ 1,964	\$ 1,052	\$ 70	\$ 710	\$ 1,411	\$ 221
Program Revenues:									
Charges for Services	4	-	759	-	-	70	-	-	-
Operating Grants and Contributions	557	5,531	372	933	1,492	-	512	170	452
Total Program Revenues	561	5,531	1,131	933	1,492	70	512	170	452
Nonoperating Revenues:									
Grant Revenue	-	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	(133)	218	(67)	(1,031)	440	-	(198)	(1,241)	231
Other Revenues & Expenses:									
Payment from State of New Mexico	-	-	-	-	-	-	-	-	-
Payment to State of New Mexico	-	-	-	-	-	-	-	-	-
Other	494	-	-	-	(8)	-	612	907	12
Investment Income	245	28	139	2,198	347	-	363	1,025	783
Total General Revenues	739	28	139	2,198	339	-	975	1,932	795
<b>Change in Net Position</b>	606	246	72	1,167	779	-	777	691	1,026
<b>Net Position - Beginning, as Restated</b>	8,853	1,001	3,577	26,668	13,002	-	9,833	20,206	10,239
<b>Net Position - Ending (Deficit)</b>	\$ 9,459	\$ 1,247	\$ 3,649	\$ 27,835	\$ 13,781	\$ -	\$ 10,610	\$ 20,897	\$ 11,265

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2019

(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	\$ 75	\$ 426	\$ 1,970	\$ 40	\$ -	\$ 563	\$ 413	\$ 203,346	\$ 219,466
Program Revenues:									
Charges for Services	-	-	317	-	-	-	-	1,180	2,330
Operating Grants and Contributions	89	402	2,705	16	-	550	-	31,569	45,350
Total Program Revenues	89	402	3,022	16	-	550	-	32,749	47,680
Nonoperating Revenues:									
Grant Revenue	-	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	14	(24)	1,052	(24)	-	(13)	(413)	(170,597)	(171,786)
Other Revenues & Expenses:									
Payment from State of New Mexico	-	-	-	-	-	-	3,496	131,382	134,878
Payment to State of New Mexico	-	-	-	-	-	-	-	-	-
Other	35	-	5,761	-	-	-	-	3,287	11,100
Investment Income	16	207	2,764	9	-	2	1,391	-	9,517
Total General Revenues	51	207	8,525	9	-	2	4,887	134,669	155,495
Change in Net Position	65	183	9,577	(15)	-	(11)	4,474	(35,928)	(16,291)
Net Position - Beginning, as Restated	355	3,772	53,925	180	16,506	117	34,217	(173,004)	29,447
Net Position - Ending (Deficit)	\$ 420	\$ 3,955	\$ 63,502	\$ 165	\$ 16,506	\$ 106	\$ 38,691	\$ (208,932)	\$ 13,156



STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

# STATISTICAL SECTION



TAOS SKI VALLEY  
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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

### 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.

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# STATE OF NEW MEXICO

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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				
	2019	2018	2017	2016	2015
<b>Governmental Activities</b>					
Net Investment in Capital Assets	\$ 5,826,283	\$ 5,866,806	\$ 5,904,225	\$ 5,930,820	\$ 5,356,468
Restricted	27,579,790	25,740,851	23,268,593	18,311,421	12,658,737
Unrestricted	(3,216,115)	(4,690,920)	(3,311,309)	(326,978)	7,158,005
<b>Total Governmental Activities Net Position</b>	<u>\$ 30,189,958</u>	<u>\$ 26,916,737</u>	<u>\$ 25,861,508</u>	<u>\$ 23,915,263</u>	<u>\$ 25,173,210</u>
<b>Business-type Activities</b>					
Net Investment in Capital Assets	\$ 1,770,690	\$ 1,755,991	\$ 1,742,099	\$ 1,654,692	\$ 1,589,677
Restricted	1,386,077	1,319,357	1,251,369	1,317,251	987,021
Unrestricted	(1,905,986)	(1,547,651)	(846,457)	(975,829)	(827,718)
<b>Total Business-type Activities Net Position</b>	<u>\$ 1,250,781</u>	<u>\$ 1,527,697</u>	<u>\$ 2,147,011</u>	<u>\$ 1,996,114</u>	<u>\$ 1,748,980</u>
<b>Primary Government</b>					
Net Investment in Capital Assets	\$ 7,596,973	\$ 7,622,797	\$ 7,646,323	\$ 7,585,511	\$ 6,946,145
Restricted	28,965,867	27,060,209	24,519,962	19,628,672	13,645,758
Unrestricted	(5,122,101)	(6,238,579)	(4,157,768)	(1,302,806)	6,330,287
<b>Total Primary Government Net Position</b>	<u>\$ 31,440,739</u>	<u>\$ 28,444,427</u>	<u>\$ 28,008,517</u>	<u>\$ 25,911,377</u>	<u>\$ 26,922,190</u>

\* Implementation of GASB 68 - Effective FY15

# STATE OF NEW MEXICO

## SCHEDULE A-1

(Accrual Basis of Accounting)

	Fiscal Year				
	2014	2013	2012 as Restated	2011 as Restated	2010 as Restated
<b>Governmental Activities</b>					
Net Investment in Capital Assets	\$ 5,164,435	\$ 5,552,572	\$ 6,463,198	\$ 6,671,011	\$ 6,994,968
Restricted	6,925,810	4,774,368	5,542,541	5,685,913	4,868,634
Unrestricted	1,464,494	2,417,608	450,731	261,333	(108,104)
Total Governmental Activities Net Position	<u>\$ 13,554,739</u>	<u>\$ 12,744,548</u>	<u>\$ 12,456,470</u>	<u>\$ 12,618,257</u>	<u>\$ 11,755,498</u>
<b>Business-type Activities</b>					
Net Investment in Capital Assets	\$ 1,517,364	\$ 1,507,921	\$ 1,488,738	\$ 1,491,224	\$ 1,453,705
Restricted	2,919,494	2,143,068	1,471,752	1,978,206	1,841,424
Unrestricted	139,334	697,511	1,256,024	767,876	731,394
Total Business-type Activities Net Position	<u>\$ 4,576,192</u>	<u>\$ 4,348,500</u>	<u>\$ 4,216,514</u>	<u>\$ 4,237,306</u>	<u>\$ 4,026,523</u>
<b>Primary Government</b>					
Net Investment in Capital Assets	\$ 6,681,799	\$ 7,060,493	\$ 7,951,936	\$ 8,162,235	\$ 8,448,673
Restricted	9,845,304	6,917,436	7,014,293	7,664,119	6,710,058
Unrestricted	1,603,828	3,115,119	1,706,755	1,029,209	623,290
Total Primary Government Net Position	<u>\$ 18,130,931</u>	<u>\$ 17,093,048</u>	<u>\$ 16,672,984</u>	<u>\$ 16,855,563</u>	<u>\$ 15,782,021</u>

# STATE OF NEW MEXICO

## CHANGES IN NET POSITION

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
<b>Program Expenses</b>					
Governmental Activities:					
General Control	\$ 949,925	\$ 1,244,170	\$ 1,722,398	\$ 1,706,181	\$ 993,220
Culture, Recreation, and Natural Resources	263,383	247,368	247,510	239,104	203,319
Highway and Transportation	876,159	805,736	824,522	987,512	1,051,567
Judicial	341,818	306,806	304,097	315,829	255,761
Legislative	28,024	24,068	26,834	23,184	29,626
Public Safety	548,909	534,228	552,421	498,391	480,286
Regulation and Licensing	194,956	175,084	124,269	118,405	126,917
Health and Human Services	7,864,173	7,982,533	8,008,413	8,008,413	7,401,005
Education	3,483,071	3,167,364	3,286,148	3,554,909	4,024,669
Unemployment Benefits	-	-	-	-	-
Interest	130,183	123,439	115,594	123,083	131,154
Special Items					
Indian Water Rights Settlement	-	-	-	12,436	15,561
Arizona Water Settlement	-	-	-	-	-
Reduction of Receivable, Internal Service Fund	-	-	-	-	977
<b>Total Governmental Activities Expenses</b>	<b>14,680,602</b>	<b>14,610,796</b>	<b>15,212,206</b>	<b>15,587,447</b>	<b>14,714,062</b>
Business-type Activities:					
Educational Institutions	3,844,396	3,645,245	3,383,288	3,126,892	3,041,713
Public Schools Insurance	370,389	354,996	383,282	395,579	363,373
Environmental Loans	2,726	1,526	1,949	2,266	441
Lottery					
Miners' Colfax Medical Center	37,506	34,807	33,180	31,295	24,967
Unemployment Insurance	137,995	166,040	178,334	195,506	193,479
State Fair	15,919	16,357	16,124	14,841	15,417
Other Business-type Activities	22,846	20,536	18,869	16,524	18,199
Special Items - Expo	-	-	-	866	-
<b>Total Business-type Activity Expenses</b>	<b>4,431,777</b>	<b>4,239,507</b>	<b>4,015,028</b>	<b>3,783,769</b>	<b>3,657,589</b>
<b>Total Primary Government Expenses</b>	<b>\$ 19,112,379</b>	<b>\$ 18,850,303</b>	<b>\$ 19,227,234</b>	<b>\$ 19,371,216</b>	<b>\$ 18,371,651</b>

# In fiscal year 2011, the New Mexico Lottery Authority was determined to be a discrete component unit. Prior to fiscal year 2011, the New Mexico Lottery Authority was considered to be a blended component unit and was presented as a nonmajor proprietary fund.

+In 2010, the President of the United States signed into law the American Recovery and Reinvestment Act (ARRA) of 2010. The State accounts for all ARRA revenue and expenditures under fund 89000, which is classified as a special revenue fund. Under ARRA, the State received federal unemployment monies that were accounted for in fund 89000. The Unemployment expenditures reported in the governmental activities represent funds from ARRA.

\*In fiscal year 2006, the Unemployment fund was determined to be a nonmajor proprietary fund.

# STATE OF NEW MEXICO

## SCHEDULE A-2

(Accrual Basis of Accounting)

	Fiscal Year				
	2014 as Restated	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated
<b>Program Expenses</b>					
<b>Governmental Activities:</b>					
General Control	\$ 918,870	\$ 1,254,250	\$ 1,311,355	\$ 1,217,362	\$ 1,197,734
Culture, Recreation, and Natural Resources	228,000	187,209	308,748	226,366	227,367
Highway and Transportation	1,230,707	1,023,696	945,406	905,469	1,007,714
Judicial	242,449	235,363	230,465	237,705	244,824
Legislative	23,751	25,774	24,047	26,147	25,474
Public Safety	457,119	469,359	441,675	449,734	456,583
Regulation and Licensing	112,770	104,919	145,748	105,199	117,728
Health and Human Services	6,284,737	5,777,302	5,603,724	5,631,423	5,995,540
Education	3,223,837	3,215,643	3,117,733	3,180,978	3,325,810
Unemployment Benefits	-	-	-	15,809	11,537
Interest	127,001	110,413	119,779	154,043	130,997
Special Items					
Indian Water Rights Settlement	-	-	91,400	-	-
Arizona Water Settlement	-	-	-	-	-
Reduction of Receivable, Internal Service Fund	-	-	101,735	-	-
<b>Total Governmental Activities Expenses</b>	<u>12,849,241</u>	<u>12,403,928</u>	<u>12,441,815</u>	<u>12,150,235</u>	<u>12,741,308</u>
<b>Business-type Activities:</b>					
Educational Institutions	2,901,959	2,845,355	2,768,492	2,761,289	2,678,999
Public Schools Insurance	349,589	331,783	322,904	320,762	298,852
Environmental Loans	294	673	874	14,908	7,581
Lottery	-	-	-	-	99,997
Miners' Colfax Medical Center	29,650	23,229	22,608	24,706	24,896
Unemployment Insurance	261,763	356,558	546,600	742,883	781,494
State Fair	14,671	14,613	16,115	16,031	18,916
Other Business-type Activities	11,409	9,934	10,387	11,988	8,726
Special Items - Expo	-	-	-	-	-
<b>Total Business-type Activity Expenses</b>	<u>3,569,335</u>	<u>3,582,145</u>	<u>3,687,980</u>	<u>3,892,567</u>	<u>3,919,461</u>
<b>Total Primary Government Expenses</b>	<u>\$ 16,418,576</u>	<u>\$ 15,986,073</u>	<u>\$ 16,129,795</u>	<u>\$ 16,042,802</u>	<u>\$ 16,660,769</u>



# STATE OF NEW MEXICO

## CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
Charges for Services					
General Control	\$ 2,795,908	\$ 1,958,862	\$ 1,581,393	\$ 1,457,352	\$ 1,880,869
Culture, Recreation, and Natural Resources	57,330	70,071	64,956	63,474	59,392
Highway and Transportation	115,639	111,792	109,835	110,754	105,215
Judicial	17,873	17,706	17,011	15,620	6,243
Legislative	-	-	-	-	-
Public Safety	44,304	12,641	9,326	9,345	9,162
Regulation and Licensing	41,915	41,178	34,304	35,218	45,558
Health and Human Services	167,077	173,479	159,894	147,373	135,431
Education	6,474	6,862	7,346	7,362	8,726
Operating Grants and Contributions	6,453,390	6,850,440	6,595,050	6,855,527	6,356,248
Capital Grants and Contributions	376,591	-	-	-	-
<b>Total Governmental Activities</b>	<b>10,076,501</b>	<b>9,243,031</b>	<b>8,579,115</b>	<b>8,702,025</b>	<b>8,606,844</b>
<b>Program Revenues</b>	<b>10,076,501</b>	<b>9,243,031</b>	<b>8,579,115</b>	<b>8,702,025</b>	<b>8,606,844</b>
<b>Business-type Activities:</b>					
Charges for Services					
Educational Institutions	1,732,441	1,665,364	1,642,869	1,521,460	1,567,129
Public Schools Insurance	375,555	373,489	378,957	363,949	351,731
Lottery	-	-	-	-	-
Environmental Loans	-	-	-	-	-
Miners' Colfax Medical Center	16,875	22,031	21,396	26,672	17,450
Unemployment Insurance	189	243	235	361	-
State Fair	12,182	11,469	11,722	11,928	11,556
Other Business-type Activities	22,099	20,666	17,280	13,954	16,304
Nonmajor Enterprise Funds					
Operating Grants and Contributions	663,285	697,032	896,071	595,057	627,067
Capital Grants and Contributions	23,997	12,437	11,607	6,906	12,524
<b>Total Business-type Activities</b>	<b>2,846,623</b>	<b>2,802,731</b>	<b>2,980,137</b>	<b>2,540,287</b>	<b>2,603,761</b>
<b>Program Revenues</b>	<b>2,846,623</b>	<b>2,802,731</b>	<b>2,980,137</b>	<b>2,540,287</b>	<b>2,603,761</b>
<b>Total Primary Government</b>					
<b>Program Revenues</b>	<b>\$ 12,923,124</b>	<b>\$ 12,045,762</b>	<b>\$ 11,559,252</b>	<b>\$ 11,242,312</b>	<b>\$ 11,210,605</b>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (4,693,510)	\$ (5,367,765)	\$ (6,381,223)	\$ (6,885,422)	\$ (6,107,218)
Business-type Activities	(1,585,154)	(1,436,776)	(1,034,888)	(1,243,482)	(1,053,828)
<b>Total Primary Government Net Expense</b>	<b>\$ (6,278,664)</b>	<b>\$ (6,804,541)</b>	<b>\$ (7,416,111)</b>	<b>\$ (8,128,904)</b>	<b>\$ (7,161,046)</b>

- Implementation of GASB 68 – Effective FY15

# STATE OF NEW MEXICO

## SCHEDULE A-2

(Accrual Basis of Accounting)

	Fiscal Year				
	2014 as Restated	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services					
General Control	\$ 796,337	\$ 784,337	\$ 305,992	\$ 187,280	\$ 196,030
Culture, Recreation, and Natural Resources	94,694	89,063	134,163	125,711	151,080
Highway and Transportation	301,126	185,593	268,612	272,038	78,887
Judicial	5,040	109,660	177,156	151,097	172,084
Legislative	-	-	-	-	-
Public Safety	26,711	263,568	363,078	355,965	328,297
Regulation and Licensing	75,308	65,646	95,278	138,848	90,715
Health and Human Services	365,016	133,060	167,230	275,408	361,077
Education	7,535	5,329	4,899	6,252	279
Operating Grants and Contributions	4,932,895	4,777,647	4,578,609	5,220,477	5,331,479
Capital Grants and Contributions	400,212	210,500	447,962	369,813	376,259
<b>Total Governmental Activities</b>					
<b>Program Revenues</b>	<u>7,004,874</u>	<u>6,624,403</u>	<u>6,542,979</u>	<u>7,102,889</u>	<u>7,086,187</u>
Business-type Activities:					
Charges for Services					
Educational Institutions	1,380,232	1,359,675	1,289,871	1,169,885	1,116,796
Public Schools Insurance	342,725	321,549	322,593	326,622	322,741
Lottery	-	-	-	-	143,539
Environmental Loans	3,905	4,423	4,384	4,215	-
Miners' Colfax Medical Center	25,025	21,784	23,455	22,442	20,588
Unemployment Insurance	215,699	223,057	216,824	-	-
State Fair	12,142	12,142	13,831	11,983	13,859
Other Business-type Activities	10,523	10,562	10,260	11,218	11,883
Nonmajor Enterprise Funds					
Operating Grants and Contributions	771,706	751,861	1,041,706	1,306,820	1,188,887
Capital Grants and Contributions	25,541	8,392	16,132	998	26,966
<b>Total Business-type Activities</b>					
<b>Program Revenues</b>	<u>2,787,498</u>	<u>2,713,445</u>	<u>2,939,056</u>	<u>2,854,183</u>	<u>2,845,259</u>
<b>Total Primary Government</b>					
<b>Program Revenues</b>	<u>\$ 9,792,372</u>	<u>\$ 9,337,848</u>	<u>\$ 9,482,035</u>	<u>\$ 9,957,072</u>	<u>\$ 9,931,446</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (5,844,367)	\$ (5,779,525)	\$ (5,898,836)	\$ (5,047,346)	\$ (5,655,121)
Business-type Activities	<u>(781,837)</u>	<u>(868,700)</u>	<u>(748,924)</u>	<u>(1,038,384)</u>	<u>(1,074,202)</u>
<b>Total Primary Government Net Expense</b>	<u>\$ (6,626,204)</u>	<u>\$ (6,648,225)</u>	<u>\$ (6,647,760)</u>	<u>\$ (6,085,730)</u>	<u>\$ (6,729,323)</u>

# STATE OF NEW MEXICO

## CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				2015 as Restated
	2019	2018	2017	2016	
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,713,643	\$ 1,581,590	\$ 1,418,070	\$ 1,320,154	\$ 1,451,288
Corporate Income Tax	179,781	(67,093)	76,274	118,502	262,600
Gross Receipts Taxes	2,869,466	2,541,586	2,168,168	2,109,889	4,238,670
Business Privilege	2,531,119	2,212,070	1,863,055	1,622,513	
Unemployment Insurance	18,510	14,529	7,200	18,970	
Other Taxes	4,849	7,154	3,545	7,055	33,424
Investment Income	1,414,834	1,949,723	2,548,331	909,846	1,212,060
Non Operating Investment Income and Other	-	155	68	34	
Other Revenue (Expense)	201,773	234,541	629,959	629,959	129,035
Special Item - Potential Loss SGFIP	-	-	-	-	100,000
Special Item - AZ Water Settlement	-	-	9,040	9,040	9,040
Transfers	(843,055)	(727,311)	(1,084,495)	(1,084,495)	(797,559)
<b>Total Governmental Activities</b>	<b>8,090,920</b>	<b>7,746,944</b>	<b>7,639,215</b>	<b>5,661,468</b>	<b>6,638,558</b>
Business-type Activities:					
Taxes					
Other Taxes	126,103	167,975	205,143	342,488	269,593
Investment Income (Loss)	23,776	14,276	13,742	9,838	9,292
Non Operating Investment Income and Other	50,207	27,865	47,929	21,465	
Other Revenue	258,532	260,061	123,959	242,772	244,201
Transfers	843,055	727,311	831,243	831,243	797,559
<b>Total Business-type Activities</b>	<b>1,301,673</b>	<b>1,197,489</b>	<b>1,222,017</b>	<b>1,447,806</b>	<b>1,320,645</b>
<b>Total Primary Government</b>	<b>\$ 9,392,593</b>	<b>\$ 8,944,432</b>	<b>\$ 8,861,232</b>	<b>\$ 7,109,274</b>	<b>\$ 7,959,203</b>
<b>Change in Net Position</b>					
Governmental Activities	3,397,410	2,379,179	1,257,993	(1,223,955)	531,340
Business-type Activities	(283,481)	(239,287)	187,129	204,324	266,817
<b>Total Primary Government</b>	<b>\$ 3,113,929</b>	<b>\$ 2,139,893</b>	<b>\$ 1,445,122</b>	<b>\$ (1,019,629)</b>	<b>\$ 798,157</b>

# STATE OF NEW MEXICO

## SCHEDULE A-2

(Accrual Basis of Accounting)

	Fiscal Year				
	2014 as Restated	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,236,674	\$ 1,236,015	\$ 1,189,273	\$ 1,088,300	\$ 956,560
Corporate Income Tax	196,762	277,029	270,118	238,452	125,101
Gross Receipts Taxes	2,133,540	1,985,601	522,847	444,717	737,996
Business Privilege					
Unemployment Insurance					
Other Taxes	2,048,944	1,736,620	3,362,391	3,145,105	2,547,648
Investment Income	1,351,182	1,208,035	708,673	1,618,785	1,252,935
Non Operating Investment Income and Other					
Other Revenue (Expense)	355,202	271,525	304,819	103,917	183,159
Special Item - Potential Loss SGFIP	(30,000)	-	-	-	-
Special Item - AZ Water Settlement	-	-	-	-	-
Transfers	(687,979)	(647,222)	(544,880)	(704,549)	(723,795)
<b>Total Governmental Activities</b>	<b>6,604,325</b>	<b>6,067,603</b>	<b>5,813,241</b>	<b>5,934,727</b>	<b>5,079,604</b>
Business-type Activities:					
Taxes					
Other Taxes	-	-	-	207,140	188,465
Investment Income (Loss)	220,411	214,413	70,774	261,972	220,917
Non Operating Investment Income and Other					
Other Revenue	140,737	139,051	27,713	75,506	103,066
Transfers	687,979	647,222	629,645	704,549	723,795
<b>Total Business-type Activities</b>	<b>1,049,127</b>	<b>1,000,686</b>	<b>728,132</b>	<b>1,249,167</b>	<b>1,236,243</b>
<b>Total Primary Government</b>	<b>\$ 7,653,452</b>	<b>\$ 7,068,289</b>	<b>\$ 6,541,373</b>	<b>\$ 7,183,894</b>	<b>\$ 6,315,847</b>
<b>Change in Net Position</b>					
Governmental Activities	759,958	288,078	(85,595)	887,381	(575,517)
Business-type Activities	267,290	131,986	(20,792)	210,783	162,041
Total Primary Government	<b>\$ 1,027,248</b>	<b>\$ 420,064</b>	<b>\$ (106,387)</b>	<b>\$ 1,098,164</b>	<b>\$ (413,476)</b>

# STATE OF NEW MEXICO

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2019	2018	2017	2016 as Restated	2015
<b>General Fund</b>					
Nonspendable	\$ 47,309	\$ 61,378	\$ 59,626	\$ 64,166	\$ 52,433
Restricted	1,389,540	1,159,544	835,483	890,206	916,201
Committed	35,352	38,294	388,030	250,021	695,182
Assigned	15,472	11,572	9,088	9,989	16,395
Unassigned	1,607,072	882,313	4,895	(120,451)	189,932
<b>Total General Fund</b>	<b>\$ 3,094,745</b>	<b>\$ 2,153,101</b>	<b>\$ 1,297,122</b>	<b>\$ 1,093,931</b>	<b>\$ 1,870,143</b>
<b>All Other Governmental Funds</b>					
Post-GASB 54 Implementation					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 10,000,000
Restricted	26,689,046	24,609,102	22,503,741	20,783,582	10,987,671
Committed	0	514	1,959	11,315	10,758
Assigned	150	-	-	-	-
Unassigned (Deficit)	(3)	9,553	(3,329)	(9,342)	-
<b>Total All Other Governmental Funds</b>	<b>\$ 26,689,193</b>	<b>\$ 24,619,169</b>	<b>\$ 22,502,371</b>	<b>\$ 20,785,555</b>	<b>\$ 20,998,429</b>
<b>All Governmental Funds</b>					
Post-GASB 54 Implementation					
Nonspendable	\$ 47,309	\$ 61,378	\$ 59,262	\$ 64,166	\$ 10,052,433
Restricted	28,078,586	25,768,646	23,339,224	21,673,788	11,903,872
Committed	35,352	38,808	389,989	261,336	705,940
Assigned	15,622	11,572	9,088	9,989	16,395
Unassigned (Deficit)	1,607,071	891,866	1,566	(129,793)	189,932
<b>Total All Governmental Funds</b>	<b>\$ 29,783,941</b>	<b>\$ 26,772,272</b>	<b>\$ 23,799,493</b>	<b>\$ 21,879,486</b>	<b>\$ 22,868,572</b>

# STATE OF NEW MEXICO

## SCHEDULE A-3

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2014	2013	2012	2011 as Restated	2010 as Restated
<b>General Fund</b>					
Nonspendable	\$ 54,809	\$ 5,968	\$ 6,157	\$ 8,636	\$ 7,549
Restricted	864,359	67,315	194,988	237,097	184,417
Committed	220,535	23,159	10,082	56,219	15,562
Assigned	9,881	488	293	7,866	2,790
Unassigned	626,317	769,738	604,813	310,765	177,521
<b>Total General Fund</b>	<b>\$ 1,775,901</b>	<b>\$ 866,668</b>	<b>\$ 816,333</b>	<b>\$ 620,583</b>	<b>\$ 387,839</b>
<b>All Other Governmental Funds</b>					
Post-GASB 54 Implementation					
Nonspendable	\$ 5,687,834	\$ 5,006,506	\$ 4,651,829	\$ 4,755,242	\$ 4,049,274
Restricted	318,808	540,063	821,792	752,599	311,917
Committed	1,190,318	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)
<b>Total All Other Governmental Funds</b>	<b>\$ 7,196,960</b>	<b>\$ 6,979,433</b>	<b>\$ 6,751,001</b>	<b>\$ 6,819,280</b>	<b>\$ 6,341,525</b>
<b>All Governmental Funds</b>					
Post-GASB 54 Implementation					
Nonspendable	\$ 5,742,643	\$ 5,012,474	\$ 4,657,986	\$ 4,763,878	\$ 4,056,823
Restricted	1,183,167	607,378	1,016,780	989,696	496,334
Committed	1,410,853	1,436,792	1,330,869	1,554,168	2,054,837
Assigned	9,881	1,477	293	11,611	7,787
Unassigned (Deficit)	626,317	787,980	561,406	120,510	113,583
<b>Total All Governmental Funds</b>	<b>\$ 8,972,861</b>	<b>\$ 7,846,101</b>	<b>\$ 7,567,334</b>	<b>\$ 7,439,863</b>	<b>\$ 6,729,364</b>

# STATE OF NEW MEXICO

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2019	# 2018	as Restated 2017	2016	2015
<b>Revenues</b>					
Taxes	\$ 7,096,166	\$ 6,401,737	\$ 5,472,102	\$ 5,197,084	\$ 5,923,849
Federal	6,734,473	6,848,354	6,595,840	6,856,707	6,363,684
Interest and Other Investment Income (Loss)	1,402,273	1,948,254	2,540,517	912,262	1,211,998
Rentals and Royalties	2,246,843	1,403,151	1,002,692	888,424	1,281,002
Charges for Services	168,392	173,087	164,565	119,509	124,674
Licenses, Fees, and Permits	318,456	319,293	294,482	307,532	295,282
Assessments *	14,983	12,803	13,820	14,389	-
Other Revenues	388,654	257,393	781,248	633,628	202,935
<b>Total Revenues</b>	<b>18,370,240</b>	<b>17,364,072</b>	<b>16,865,266</b>	<b>14,929,535</b>	<b>15,403,424</b>
<b>Expenditures</b>					
Current:					
Culture, Recreation, and Natural Resources	243,938	228,675	230,478	223,328	210,368
Education	3,480,930	3,166,486	3,285,298	3,554,249	4,025,302
General Control	467,422	550,302	981,271	1,600,674	487,468
Health and Human Services	7,855,655	7,975,718	7,737,341	7,996,609	7,355,734
Highways and Transportation	503,931	420,625	448,401	740,977	462,267
Judicial	325,644	300,587	298,224	306,727	250,360
Legislative	27,331	23,992	26,725	23,022	27,696
Public Safety	540,565	515,112	535,834	482,558	470,406
Regulation and Licensing	188,274	169,142	116,252	111,747	121,567
Unemployment Benefits	-	-	-	-	-
Land Grant	-	-	-	-	-
Severance Tax	-	-	-	-	-
Capital Outlay	487,503	405,338	352,204	118,018	444,308
Debt Service:					
Principal	567,644	382,549	298,168	282,120	284,766
Interest	120,424	190,182	123,810	109,886	128,197
Bond Issuance Costs	-	-	-	-	-
Provision for Potential Loss in the State General Fund Investment Pool	-	-	-	-	-
<b>Total Expenditures</b>	<b>14,809,261</b>	<b>14,328,708</b>	<b>14,434,007</b>	<b>15,549,915</b>	<b>14,268,439</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,560,979</b>	<b>3,035,365</b>	<b>2,431,259</b>	<b>(620,380)</b>	<b>1,134,985</b>
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	310,118	539,370	45,815	474,018	141,635
Bond Premium	7,170	154,128	5,463	82,239	43,146
Refunding Bond Issue	-	420,096	-	181,395	79,405
Proceeds from the Sale of Capital Assets	1,577	1,751	1,226	1,803	1,136
Operating Transfers In	2,172,675	8,604,858	8,030,490	7,182,543	7,233,253
Operating Transfers Out	(3,019,190)	(9,336,219)	(8,739,680)	(7,918,883)	(8,035,458)
Payment to Refunded Bond Escrow Agent	-	(450,865)	-	(208,143)	(96,083)
Nonoperating Revenues (Expenditures)	-	-	-	-	-
Note Proceeds	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(527,650)</b>	<b>(66,882)</b>	<b>(656,686)</b>	<b>(205,028)</b>	<b>(632,966)</b>
<b>Special Item</b>					
Reduction of Loss Contingency	-	-	-	-	93,479
Native American Water Rights Settlement	-	-	-	(12,436)	-
Arizona Water Settlement	-	-	-	(9,040)	-
<b>Total Special Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,476)</b>	<b>93,479</b>
<b>Total Other Financing and Special Items</b>	<b>(527,650)</b>	<b>(66,882)</b>	<b>(656,686)</b>	<b>(226,504)</b>	<b>(539,487)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 3,033,329</b>	<b>\$ 2,968,483</b>	<b>\$ 1,774,573</b>	<b>\$ (846,884)</b>	<b>\$ 595,498</b>
Debt Service as a Percentage of Noncapital Expenditures	4.8%	4.1%	3.0%	2.5%	3.0%

# STATE OF NEW MEXICO

## SCHEDULE A-4

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2014	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated
<b>Revenues</b>					
Taxes	\$ 5,626,421	\$ 5,235,786	\$ 5,321,538	\$ 4,926,279	\$ 4,407,236
Federal	5,338,059	4,981,084	5,035,279	5,558,515	5,722,781
Interest and Other Investment Income (Loss)	1,521,022	1,247,937	708,470	1,618,502	1,252,709
Rentals and Royalties	647,438	568,227	651,576	479,546	445,547
Charges for Services	162,757	160,931	155,089	212,816	241,411
Licenses, Fees, and Permits	364,594	364,371	361,671	356,897	212,328
Assessments *	-	-	-	-	-
Other Revenues	363,411	332,323	212,326	135,360	179,906
<b>Total Revenues</b>	<b>14,023,702</b>	<b>12,890,659</b>	<b>12,445,949</b>	<b>13,287,915</b>	<b>12,461,918</b>
<b>Expenditures</b>					
Current:					
Culture, Recreation, and Natural Resources	185,317	193,639	223,858	211,032	210,552
Education	3,220,213	3,214,923	3,117,042	3,180,447	3,325,183
General Control	403,590	494,668	413,807	376,279	421,810
Health and Human Services	6,270,002	5,756,574	5,625,669	5,623,871	5,907,586
Highways and Transportation	591,824	398,836	330,574	307,454	429,522
Judicial	236,575	229,405	223,942	232,136	238,608
Legislative	21,810	23,954	22,381	24,651	24,128
Public Safety	440,897	454,250	428,331	437,529	442,777
Regulation and Licensing	108,442	101,355	108,457	99,528	110,411
Unemployment Benefits	-	-	-	15,809	11,537
Land Grant	-	37,757	45,005	1,132	1,673
Severance Tax	183,216	176,173	183,423	8,318	2,772
Capital Outlay	507,435	583,782	612,156	721,706	710,727
Debt Service:					
Principal	407,074	317,991	139,847	347,486	332,447
Interest	150,738	130,755	249,345	227,115	139,666
Bond Issuance Costs	-	-	204	10,225	7,023
Provision for Potential Loss in the State General Fund Investment Pool					
	-	-	101,735	-	-
<b>Total Expenditures</b>	<b>12,727,133</b>	<b>12,114,062</b>	<b>11,825,776</b>	<b>11,824,718</b>	<b>12,316,422</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
	<b>1,296,569</b>	<b>776,597</b>	<b>620,173</b>	<b>1,463,197</b>	<b>145,496</b>
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	371,440	137,220	105,780	39,205	432,693
Bond Premium	50,051	45,400	27,668	129,344	56,025
Refunding Bond Issue	-	220,400	75,715	776,220	174,990
Proceeds from the Sale of Capital Assets	2,053	1,950	5,208	1,420	1,154
Operating Transfers In	6,789,132	6,135,227	6,414,978	6,611,286	7,418,136
Operating Transfers Out	(7,483,788)	(6,774,851)	(7,033,153)	(7,643,610)	(8,336,960)
Payment to Refunded Bond Escrow Agent	-	(261,769)	(88,898)	(668,590)	(72,570)
Nonoperating Revenues (Expenditures)	-	(5,211)	-	-	-
Note Proceeds	-	-	-	2,025	80,534
<b>Total Other Financing Sources (Uses)</b>	<b>(271,112)</b>	<b>(501,634)</b>	<b>(492,702)</b>	<b>(752,700)</b>	<b>(245,998)</b>
<b>Special Item</b>					
Reduction of Loss Contingency	(30,000)	-	-	-	-
Native American Water Rights Settlement	-	-	-	-	-
Arizona Water Settlement	-	-	-	-	-
<b>Total Special Items</b>	<b>(30,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Other Financing and Special Items</b>	<b>(301,112)</b>	<b>(501,634)</b>	<b>(492,702)</b>	<b>(752,700)</b>	<b>(245,998)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 995,457</b>	<b>\$ 274,963</b>	<b>\$ 127,471</b>	<b>\$ 710,497</b>	<b>\$ (100,502)</b>
Debt Service as a Percentage of					
Noncapital Expenditures	4.6%	3.9%	3.5%	5.2%	4.1%



# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
<b>REVENUES</b>					
<b>Taxes and License Fees</b>					
General and Selective Sales Taxes:					
Gross Receipts	\$ 2,669,415	\$ 2,381,082	\$ 2,013,548	\$ 1,975,416	\$ 2,095,153
Compensating	78,380	56,102	48,529	46,882	71,840
Tobacco (Luxury)	75,424	78,368	77,887	79,819	82,348
Alcoholic Beverage	25,295	23,811	7,376	6,732	26,263
Insurance	216,347	213,597	227,464	207,904	189,953
Fire Protection	-	1,020	0	15,069	15,156
Racing	765	1,084	1,096	1,130	670
Private Car	931	860	663	703	660
Motor Vehicle and Other Excise Tax	152,523	154,008	145,238	150,395	138,701
Gaming Tax	64,886	62,054	59,523	63,050	70,409
Leased Vehicles Gross Receipts and Surcharge	5,727	5,528	5,489	5,536	5,236
Gasoline Tax	971	358	(380)	867	(1,152)
Telecommunications Relay Surcharge	66	58	59	69	123
Boat Excise Tax	282	347	325	195	184
Other Tax	-	-	-	-	-
<b>Total General and Selective Sales Tax</b>	<u>3,291,012</u>	<u>2,978,277</u>	<u>2,586,817</u>	<u>2,553,767</u>	<u>2,695,544</u>
<b>Income Taxes</b>					
Gross Withholding	166,318	897,157	872,299	1,200,151	1,179,123
Final Settlements	1,500,831	614,620	504,741	508,566	535,298
Less:					
Transfer - Retiree Health Care	(26,256)	(26,256)	(28,306)	(29,519)	(26,678)
Transfer - PIT Suspense and Others	(371,724)	(376,467)	(364,244)	(359,043)	(355,541)
Refunds - TAA Suspense	-	-	-	-	-
Net Personal Income Taxes	<u>1,269,169</u>	<u>1,109,054</u>	<u>984,490</u>	<u>1,320,155</u>	<u>1,332,202</u>
Corporate Taxes	22,808	106,601	70,156	118,502	254,477
Less Refunds	-	-	-	-	-
Net Corporate Income Taxes	<u>22,808</u>	<u>70,156</u>	<u>70,156</u>	<u>118,502</u>	<u>254,477</u>
Estate Taxes	-	-	-	1	1
Fiduciary Taxes	4,865	7,180	3,635	7,053	7,510
<b>Total Income Taxes</b>	<u>1,296,842</u>	<u>1,186,390</u>	<u>1,058,281</u>	<u>1,445,711</u>	<u>1,594,190</u>
<b>Severance Taxes</b>					
Oil and Gas School Tax	555,356	450,787	304,262	236,818	375,423
7% Oil Conservation	28,702	22,885	17,368	11,375	20,091
Resources Excise	7,834	8,569	9,649	11,203	13,345
Natural Gas Processors	15,125	10,841	10,307	20,354	18,594
<b>Total Severance Taxes</b>	<u>607,017</u>	<u>493,082</u>	<u>341,586</u>	<u>279,750</u>	<u>427,453</u>
<b>Total Taxes</b>	<u>5,194,871</u>	<u>4,657,749</u>	<u>3,986,684</u>	<u>4,279,228</u>	<u>4,717,187</u>

# STATE OF NEW MEXICO

## SCHEDULE B-1

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>REVENUES</b>					
<b>Taxes and License Fees</b>					
General and Selective Sales Taxes:					
Gross Receipts	\$ 1,992,035	\$ 1,917,660	\$ 1,928,469	\$ 1,822,457	\$ 1,634,367
Compensating	78,271	50,911	62,066	69,135	50,935
Tobacco (Luxury)	78,479	86,058	85,360	88,158	45,731
Alcoholic Beverage	26,357	26,240	26,129	25,673	25,593
Insurance	115,067	107,520	114,076	132,659	130,347
Fire Protection	16,082	18,316	18,812	17,583	4,995
Racing	821	942	852	413	564
Private Car	620	563	553	480	382
Motor Vehicle and Other Excise Tax	133,275	125,504	114,707	103,653	92,264
Gaming Tax	66,455	63,073	65,527	65,787	65,116
Leased Vehicles Gross Receipts and Surcharge	5,204	5,125	5,366	5,047	5,663
Gasoline Tax	1,227	(4,516)	5,539	792	1,472
Telecommunications Relay Surcharge	86	91	98	121	114
Boat Excise Tax	184	257	453	494	543
Other Tax	99	4	19	73	88
<b>Total General and Selective Sales Tax</b>	<u>2,514,262</u>	<u>2,397,748</u>	<u>2,428,026</u>	<u>2,332,525</u>	<u>2,058,174</u>
<b>Income Taxes</b>					
Gross Withholding	1,116,249	1,077,952	1,151,866	1,042,323	1,020,104
Final Settlements	506,245	517,862	355,734	382,690	337,782
Less:					
Transfer - Retiree Health Care	(24,141)	(21,876)	(19,853)	(18,047)	(15,935)
Transfer - PIT Suspense and Others	(351,365)	(340,381)	(346,289)	(352,633)	(384,055)
Refunds - TAA Suspense	-	-	-	-	-
Net Personal Income Taxes	<u>1,246,988</u>	<u>1,233,557</u>	<u>1,141,458</u>	<u>1,054,333</u>	<u>957,896</u>
Corporate Taxes	196,762	267,157	281,047	229,818	125,101
Less Refunds	-	-	-	-	-
Net Corporate Income Taxes	<u>196,762</u>	<u>267,157</u>	<u>281,047</u>	<u>229,818</u>	<u>125,101</u>
Estate Taxes	32	-	-	12	(1)
Fiduciary Taxes	7,951	7,388	9,011	42,589	(1,336)
<b>Total Income Taxes</b>	<u>1,451,733</u>	<u>1,508,102</u>	<u>1,431,516</u>	<u>1,326,752</u>	<u>1,081,660</u>
<b>Severance Taxes</b>					
Oil and Gas School Tax	500,659	379,899	399,589	376,104	324,544
7% Oil Conservation	27,244	20,775	21,452	19,371	16,353
Resources Excise	13,013	13,486	12,018	10,139	9,368
Natural Gas Processors	16,197	24,197	23,343	18,182	40,437
<b>Total Severance Taxes</b>	<u>557,113</u>	<u>438,357</u>	<u>456,402</u>	<u>423,796</u>	<u>390,702</u>
<b>Total Taxes</b>	<u>4,523,108</u>	<u>4,344,207</u>	<u>4,315,944</u>	<u>4,083,073</u>	<u>3,530,536</u>

# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
<b>REVENUES (CONTINUED)</b>					
<b>Taxes and License Fees (Continued)</b>					
<b>License Fees</b>					
Manufactured Housing	\$ 462	\$ 432	\$ 419	\$ 375	\$ 753
Corporate Filing	3,881	4,042	3,437	3,327	4,020
Alcoholic Beverages and Gaming	4,960	4,075	4,186	4,028	3,931
Financial Institutions	3,747	3,564	3,480	3,455	3,556
Corporate Special	-	-	2,984	2,955	3,308
Construction Industries	4,909	5,543	4,700	6,092	6,199
Gaming License and Permit Fees	373	6,365	577	353	416
Securities Receipts	22,340	22,267	22,399	22,016	21,267
Public Utilities	14,493	14,538	11,021	12,040	12,129
Health Facilities Fees	-	-	-	-	-
Pipeline Fees	242	207	137	153	196
Motor Vehicles Miscellaneous Fees	596	401	-	20	100
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
<b>Total License Fees</b>	<u>56,002</u>	<u>61,434</u>	<u>53,340</u>	<u>54,814</u>	<u>55,875</u>
<b>Total Taxes and License Fees</b>	<u>5,250,873</u>	<u>4,719,183</u>	<u>4,040,024</u>	<u>4,334,042</u>	<u>4,773,062</u>
<b>Other Revenue Sources</b>					
<b>Investment Income</b>					
State Land Grant Permanent Fund Income	-	-	-	555,103	502,757
Earnings on State Balances	86,880	5,945	(3,230)	25,224	24,160
Severance Tax Permanent Fund Earnings	-	-	-	193,510	182,723
<b>Total Interest Earnings</b>	<u>86,880</u>	<u>5,945</u>	<u>(3,230)</u>	<u>773,837</u>	<u>709,640</u>
<b>Rents and Royalties</b>					
Federal Mineral Leasing	1,146,800	564,232	435,692	47,817	42,235
Land Office	132,454	111,845	71,490	390,005	542,184
<b>Total Rents and Royalties</b>	<u>1,279,254</u>	<u>676,077</u>	<u>507,182</u>	<u>437,822</u>	<u>584,419</u>

# STATE OF NEW MEXICO

## SCHEDULE B-1 (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>REVENUES (CONTINUED)</b>					
<b>Taxes and License Fees (Continued)</b>					
<b>License Fees</b>					
Manufactured Housing	\$ 357	\$ 336	\$ 420	\$ 549	\$ 579
Corporate Filing	4,262	3,151	2,864	2,850	2,777
Alcoholic Beverages and Gaming	3,770	4,544	3,856	3,840	4,419
Financial Institutions	3,195	3,107	2,917	3,109	3,082
Corporate Special	3,672	3,963	4,096	1,125	3,512
Construction Industries	3,902	4,034	5,052	5,682	6,580
Gaming License and Permit Fees	373	362	392	262	387
Securities Receipts	20,201	19,065	18,765	18,374	17,838
Public Utilities	11,759	11,275	11,056	13,734	10,892
Health Facilities Fees	-	-	-	-	-
Pipeline Fees	65	50	41	74	60
Motor Vehicles Miscellaneous Fees	111	125	136	150	139
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
<b>Total License Fees</b>	<u>51,667</u>	<u>50,012</u>	<u>49,595</u>	<u>49,749</u>	<u>50,265</u>
<b>Total Taxes and License Fees</b>	<u>4,574,775</u>	<u>4,394,219</u>	<u>4,365,539</u>	<u>4,132,822</u>	<u>3,580,801</u>
<b>Other Revenue Sources</b>					
<b>Investment Income</b>					
State Land Grant Permanent Fund Income	449,382	440,876	461,737	446,227	437,128
Earnings on State Balances	42,293	35,925	17,618	17,633	22,126
Severance Tax Permanent Fund Earnings	170,473	176,173	183,424	184,571	187,072
<b>Total Interest Earnings</b>	<u>662,148</u>	<u>652,974</u>	<u>662,779</u>	<u>648,431</u>	<u>646,326</u>
<b>Rents and Royalties</b>					
Federal Mineral Leasing	569,860	459,631	502,574	411,819	355,302
Land Office	47,481	44,632	92,508	65,620	67,702
<b>Total Rents and Royalties</b>	<u>617,341</u>	<u>504,263</u>	<u>595,082</u>	<u>477,439</u>	<u>423,004</u>

# STATE OF NEW MEXICO

## SCHEDULE B-1 (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
<b>Miscellaneous Receipts and Fees</b>					
Environment Department Filing Fees	\$ 1,082	\$ 1,260	\$ 747	\$ 1,241	\$ 4,212
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	78,430	68,092	62,717	64,413	67,178
Media Lease Payments	-	0	22	18	19
MVD Penalty Assessments	4,484	4,632	4,271	4,009	5,658
Fines and Forfeitures	3,563	3,932	4,241	4,514	5,241
Birth and Death Certificates	1,175	1,260	1,184	1,043	1,019
District Judge Receipts	1,095	1,146	1,096	947	925
Notary Public Fees	683	658	743	984	681
Court of Appeals	-	-	-	-	-
Legislative Receipts	22	13	26	14	28
Workmen's Compensation Fees	699	390	7	3	5
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	-	-	-	15,297	7,641
Small County Assistance	-	-	-	11	5,809
Supreme Court Fees	1	1	1	1	1
Unclaimed Property	28,089	20,113	23,030	19,789	24,644
Public Defender Reimbursement	91	80	176	201	269
Small Cities Assistance	-	-	-	-	-
<b>Total Miscellaneous Receipts and Fees</b>	<u>119,413</u>	<u>101,576</u>	<u>98,260</u>	<u>112,485</u>	<u>123,330</u>
<b>Other Revenues</b>					
Miscellaneous Nonrecurring	138	173	970	39,616	36,136
Transfers - Reversions	-	-	366,208	56,367	59,163
<b>Total Other Revenues</b>	<u>138</u>	<u>173</u>	<u>367,178</u>	<u>95,983</u>	<u>95,299</u>
<b>Total Other Revenue Sources</b>	<u>1,485,685</u>	<u>783,771</u>	<u>969,390</u>	<u>1,420,127</u>	<u>1,512,688</u>
<b>Total Revenues</b>	<u>\$ 6,736,558</u>	<u>\$ 5,502,954</u>	<u>\$ 5,009,414</u>	<u>\$ 5,754,169</u>	<u>\$ 6,285,750</u>

Source: General Fund Financial Audit (30600) - Schedule of Revenue by Source  
Department of Finance and Administration General Fund Report

\* Alcohol is down due to sending a portion to the lottery scholarship fund

# STATE OF NEW MEXICO

## SCHEDULE B-1 (CONTINUED)

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Miscellaneous Receipts and Fees</b>					
Environment Department Filing Fees	\$ 1,322	\$ 3,350	\$ 2,048	\$ 5,201	\$ 4,412
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	67,582	70,709	68,189	65,891	64,118
Media Lease Payments	18	21	19	17	31
MVD Penalty Assessments	5,982	6,018	5,705	5,737	6,078
Fines and Forfeitures	5,567	5,708	6,052	7,104	7,276
Birth and Death Certificates	1,010	1,045	1,075	1,051	1,032
District Judge Receipts	936	1,051	1,064	1,196	1,260
Notary Public Fees	628	648	1,386	607	580
Court of Appeals	-	-	-	-	-
Legislative Receipts	18	35	20	46	29
Workmen's Compensation Fees	268	4	4	15	-
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	3,936	4,576	8,291	9,089	9,920
Small County Assistance	3,748	1,537	3,576	3,346	-
Supreme Court Fees	-	-	-	1	-
Unclaimed Property	21,516	16,833	15,452	18,352	11,757
Public Defender Reimbursement	354	446	411	414	429
Small Cities Assistance	-	-	-	-	1,546
<b>Total Miscellaneous Receipts and Fees</b>	<u>112,885</u>	<u>111,981</u>	<u>113,292</u>	<u>118,067</u>	<u>108,468</u>
<b>Other Revenues</b>					
Miscellaneous Nonrecurring	29,509	39,921	42,604	55,825	55,039
Transfers - Reversions	101,751	81,167	68,077	73,499	394,354
<b>Total Other Revenues</b>	<u>131,260</u>	<u>121,088</u>	<u>110,681</u>	<u>129,324</u>	<u>449,393</u>
<b>Total Other Revenue Sources</b>	<u>1,523,634</u>	<u>1,390,306</u>	<u>1,481,834</u>	<u>1,373,261</u>	<u>1,627,191</u>
<b>Total Revenues</b>	<u>\$ 6,098,409</u>	<u>\$ 5,784,525</u>	<u>\$ 5,847,373</u>	<u>\$ 5,506,083</u>	<u>\$ 5,207,992</u>

# STATE OF NEW MEXICO

## REVENUE BASE

Last Ten Calendar Years  
(In Thousands)

## SCHEDULE B-2

	Fiscal Year				
	2019	2018	2017	2016	2015
<b>Taxable Gross Receipts (in thousands)</b>					
Agriculture, Forestry and Fishing	\$ 126,252	\$ 126,940	\$ 111,430	\$ 106,156	\$ 84,720
Mining	6,815,136	4,834,724	2,213,846	2,328,158	4,144,544
Construction	8,027,002	7,428,957	6,312,982	6,537,914	6,331,176
Manufacturing	2,084,012	1,617,171	1,315,416	1,607,798	2,238,013
Transportation	1,175,605	836,920	571,482	668,207	867,443
Communications and Utilities	5,384,324	5,161,295	4,673,015	5,281,589	5,134,386
Wholesale Trade	3,529,917	2,698,455	1,786,231	2,030,984	2,544,689
Retail Trade	14,780,421	13,041,456	11,045,865	12,063,308	12,553,764
Finance, Insurance and Real Estate	2,338,187	2,032,733	1,559,574	1,613,419	1,630,999
Services and Other	26,756,441	22,338,845	17,675,223	19,824,081	19,219,587
Public Administration	901,867	425,736	587,747	665,833	673,442
<b>Total Taxable Gross Receipts</b>	<b>\$ 71,919,164</b>	<b>\$ 60,543,232</b>	<b>\$ 47,852,811</b>	<b>\$ 52,727,447</b>	<b>\$ 55,422,763</b>
<b>State Gross Receipts Tax Rate</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.1%</b>
<b>Personal Income by Industry (in millions)</b>					
Federal Civilian	\$ 3,335	\$ 3,373	\$ 3,220	\$ 3,103	\$ 3,110
Federal Military	1,398	1,323	1,321	1,265	1,215
State and Local Government	9,976	9,596	9,379	9,836	9,860
Farm Earnings	767	793	889	664	1,088
Forestry, Fishing, and Related Activities	169	163	170	142	145
Mining	3,013	2,638	2,532	2,393	3,035
Utilities	511	490	490	533	503
Construction	3,659	3,474	3,368	3,146	3,111
Manufacturing	1,868	1,717	1,372	1,606	2,118
Wholesale Trade	1,538	1,456	1,517	1,491	1,442
Retail	3,599	3,549	3,667	3,670	3,546
Transportation and Warehousing	1,713	1,578	1,550	1,503	1,569
Information	914	845	812	859	927
Financial, Insurance, Real Estate, Rental, and Leasing	2,855	2,721	2,732	2,652	2,725
Services	21,462	20,359	19,782	19,465	18,166
Other <sup>1</sup>	32,843	30,596	27,992	28,063	27,490
<b>Total Personal Income</b>	<b>\$ 89,620</b>	<b>\$ 84,671</b>	<b>\$ 80,793</b>	<b>\$ 80,391</b>	<b>\$ 80,050</b>
<b>Highest Income Tax Rate</b>	<b>4.9%</b>	<b>4.9%</b>	<b>4.9%</b>	<b>4.9%</b>	<b>4.9%</b>

<sup>1</sup>Other personal income includes dividends, interest and rent, residence adjustment, personal current transfer receipts and deduction for insurance contributions.

<sup>2</sup>Data for 2012 is based on fiscal year.

Source: New Mexico Department of Taxation and Revenue Department, RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code.

Department of Commerce Bureau of Economic Analysis, SQ5N - Personal Income by Major Source and Earnings by Major NAICS Industry Report.

Note: 2009 Personal income by industry information was updated as of December 2010

# STATE OF NEW MEXICO

## SCHEDULE B-2 (CONTINUED)

	Fiscal Year				
	2014	2013	2012 as Restated	2011 as Restated	2010 as Restated
<b>Taxable Gross Receipts (in thousands)</b>					
Agriculture, Forestry and Fishing	\$ 54,047	\$ 61,294	\$ 57,791	\$ 59,602	\$ 60,408
Mining	2,998,455	3,668,701	3,431,242	3,239,185	1,983,493
Construction	4,257,409	5,562,314	5,271,994	5,326,763	5,470,706
Manufacturing	1,607,519	2,015,743	1,833,576	1,643,653	1,187,908
Transportation	543,996	780,150	686,364	679,289	658,454
Communications and Utilities	1,908,054	4,907,802	4,803,345	4,648,079	4,319,207
Wholesale Trade	1,790,115	2,335,113	2,280,235	2,207,054	1,816,586
Retail Trade	9,268,342	12,160,633	12,024,304	11,912,593	11,411,399
Finance, Insurance and Real Estate	1,106,612	1,377,056	1,218,396	1,131,560	982,349
Services and Other	15,112,166	17,413,350	17,395,771	17,558,765	16,412,247
Public Administration	378,243	622,335	597,549	692,754	551,028
<b>Total Taxable Gross Receipts</b>	<b>\$ 39,024,958</b>	<b>\$ 50,904,491</b>	<b>\$ 49,600,567</b>	<b>\$ 49,099,297</b>	<b>\$ 44,853,785</b>
<b>State Gross Receipts Tax Rate</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.3%</b>
<b>Personal Income by Industry (in millions)</b>					
Federal Civilian	\$ 2,948	\$ 2,965	\$ 3,351	\$ 3,331	\$ 3,395
Federal Military	1,268	1,367	1,632	1,596	1,447
State and Local Government	9,590	9,229	8,934	8,640	8,643
Farm Earnings	1,769	1,472	1,203	1,389	1,034
Forestry, Fishing, and Related Activities	150	150	132	99	115
Mining	3,167	3,151	2,410	2,045	2,040
Utilities	491	520	522	442	460
Construction	3,042	2,978	2,888	2,868	2,651
Manufacturing	2,089	2,178	2,344	2,272	2,197
Wholesale Trade	1,441	1,451	1,444	1,382	1,482
Retail	3,505	3,412	3,417	3,274	3,219
Transportation and Warehousing	1,508	1,464	1,408	1,318	1,221
Information	790	881	878	832	862
Financial, Insurance, Real Estate, Rental, and Leasing	2,448	2,404	2,139	2,361	2,036
Services	17,790	17,652	17,731	17,233	9,215
Other <sup>1</sup>	26,432	24,537	22,791	22,931	27,694
<b>Total Personal Income</b>	<b>\$ 78,428</b>	<b>\$ 75,811</b>	<b>\$ 73,224</b>	<b>\$ 72,013</b>	<b>\$ 67,711</b>
<b>Highest Income Tax Rate</b>	<b>4.9%</b>	<b>4.9%</b>	<b>4.9%</b>	<b>4.9%</b>	<b>4.9%</b>



# 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 2019				Calendar Year 2010			
	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	1,643	0.4%	\$ 126,252	0.2%	1,279	0.4%	\$ 60,408	0.1%
Mining	4,677	1.2%	6,815,136	9.5%	2,315	0.8%	1,983,493	4.4%
Construction	37,285	9.8%	8,027,002	11.2%	32,985	11.1%	5,470,706	12.2%
Manufacturing	19,774	5.2%	2,084,012	2.9%	11,292	3.8%	1,187,908	2.6%
Transportation	6,016	1.6%	1,175,605	1.6%	3,916	1.3%	658,454	1.5%
Communications and Utilities	26,694	7.0%	5,384,324	7.5%	19,718	6.6%	4,319,207	9.6%
Wholesale Trade	22,327	5.8%	3,529,917	4.9%	16,863	5.7%	1,816,586	4.1%
Retail Trade	72,359	18.9%	14,780,421	20.6%	60,134	20.2%	11,411,399	25.3%
Finance, Insurance and Real Estate	21,690	5.7%	2,338,187	3.3%	13,864	4.7%	982,349	2.2%
Services and Other	168,944	44.3%	26,756,441	37.1%	134,586	45.2%	16,412,247	36.6%
Public Administration	845	0.2%	901,867	1.3%	608	0.2%	551,028	1.2%
<b>Total Number of Outlets and Total Taxable Gross Revenues</b>	<b>382,254</b>	<b>100.2%</b>	<b>\$ 71,919,164</b>	<b>100.1%</b>	<b>297,560</b>	<b>100.0%</b>	<b>\$ 44,853,785</b>	<b>99.8%</b>
State Gross Receipts Tax Rate	<u>5.1%</u>				<u>5.3%</u>			

<sup>1</sup>Data for 2019 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				2017*			
	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%	26,090	2.8%	\$ 2,448,411	42.4%
\$100,000 - \$199,999	68,629	7.4%	1,198,608	26.3%	94,580	10.3%	1,633,409	28.3%
\$75,000 - \$99,999	65,298	7.1%	543,243	11.9%	72,250	7.8%	608,227	10.5%
\$50,000 - \$74,999	113,258	12.3%	566,602	12.4%	117,780	12.8%	584,275	10.1%
\$49,999 and lower	659,218	71.4%	525,015	11.5%	611,650	66.3%	495,206	8.7%
Total	923,431	100.0%	\$ 4,558,111	100.0%	922,350	100.0%	\$ 5,769,528	100.0%

\* At the time of the preparation of the 2019 New Mexico State CAFR, the 2019 and 2018 information was not available.

Source: United States Department of the Treasury, Internal Revenue Service, Tax Year 2017: 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	
2019	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
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

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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				
	2019	2018 as Restated	2017 as Restated	2016 as Restated	2015 as Restated
<b>Governmental Activities</b>					
General Obligation	\$ 350,925	\$ 411,525	\$ 260,760	\$ 389,270	\$ 311,270
Enhanced E-911 Revenue Bonds	-	-	-	-	-
Severance Tax Bonds	814,370	943,670	876,115	641,415	760,080
Revenue Bonds	1,221,323	1,276,703	1,367,542	1,558,689	1,520,839
Bond Premium, Discount, Net *	257,988	200,994	237,638	257,935	-
<b>Total Government</b>	<b>2,644,606</b>	<b>2,832,892</b>	<b>2,742,055</b>	<b>2,847,309</b>	<b>2,592,189</b>
<b>Business-type Activities*</b>					
Revenue Bonds	865,272	899,736	869,404	763,824	808,463
Capital Leases	938	690	1,054	1,502	1,919
<b>Total Primary Government</b>	<b>866,210</b>	<b>900,426</b>	<b>870,458</b>	<b>765,326</b>	<b>810,382</b>
<b>Total Debt</b>	<b>\$ 3,510,816</b>	<b>\$ 3,733,318</b>	<b>\$ 3,612,513</b>	<b>\$ 3,612,635</b>	<b>\$ 3,402,571</b>
New Mexico Personal Income	\$ 86,328,400	\$ 86,328,400	\$ 81,483,543	\$ 79,104,093	\$ 76,449,091
Debt as a Percentage of Personal Income	4.1%	4.3%	4.4%	4.6%	4.5%
New Mexico Population	2,095	2,095	2,088	2,080	2,083
General Obligation Debt Per Capita	\$ 167	\$ 196	\$ 125	\$ 187	\$ 149
Total Long-Term Debt Per Capita	\$ 1,675	\$ 1,782	\$ 1,730	\$ 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				
	2014	2013	2012	2011 as Restated	2010 as Restated
<b>Governmental Activities</b>					
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 *	-	-	-	-	-
<b>Total Government</b>	<b>2,618,215</b>	<b>2,818,691</b>	<b>3,122,951</b>	<b>3,147,885</b>	<b>2,788,441</b>
<b>Business-type Activities*</b>					
Revenue Bonds	827,812	840,831	832,306	866,692	802,924
Capital Leases	1,060	1,292	919	248	2,025
<b>Total Primary Government</b>	<b>828,872</b>	<b>842,123</b>	<b>833,225</b>	<b>866,940</b>	<b>804,949</b>
<b>Total Debt</b>	<b>\$ 3,447,087</b>	<b>\$ 3,660,814</b>	<b>\$ 3,956,176</b>	<b>\$ 4,014,825</b>	<b>\$ 3,593,390</b>
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				
	2019	2018 As Restated	2017	2016	2015 As Restated
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 350,925	\$ 260,760	\$ 326,755	\$ 429,764	\$ 311,270
Severance Tax Bonds	814,370	876,115	955,045	641,415	760,080
Revenue Bonds	1,221,323	1,367,542	1,281,950	1,423,069	1,520,839
Bond Premium, Discount, Net *	257,988	200,994	279,305	217,441	252,771
Notes Payable	1,250	-	14,000	5,755	1,581
Deferred Loss on Refunding, Net *	-	-	-	100,167	96,042
Claims and Judgments	166,593	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 **	69,706	60,850	62,100	287,910	-
Contingent Liabilities	29,516	3,678	20,051	-	-
Compensated Absences	68,795	63,982	64,051	58,112	62,339
Pollution Remediation Obligation	27,457	42,651	44,278	287,910	47,129
Net Pension Liability	3,341,570	3,264,743	2,299,659	1,843,467	-
Net OPEB Liability	1,035,068	-	-	-	-
Capital Leases	-	51,690	53,045	53,199	-
Reserve for Losses	-	-	-	-	100,000
Other Liabilities	451,647	-	-	52,307	212,200
<b>Total Governmental Activities</b>	<b>7,836,207</b>	<b>6,457,243</b>	<b>5,714,725</b>	<b>5,601,144</b>	<b>3,720,148</b>
<b>Business-type Activities</b>					
Revenue Bonds	\$ 865,272	\$ 899,736	\$ 653,372	\$ 695,552	\$ 808,463
Bond Premium, Discount, Net *	41,791	43,960	42,649	31,519	15,429
Compensated Absences	87,588	86,356	84,906	20,853	80,180
Reserve for Losses	98,169	89,501	87,453	-	69,988
Notes Payable	11,285	12,985	14,051	-	-
Capital Leases	938	1,054	1,308	1,023	1,919
Net OPEB Obligation	432,298	67,969	61,333	-	-
Derivative Instruments - Interest Rate Swaps	7,186	8,604	13,350	-	-
Student Loans	15,060	15,726	18,592	-	-
Environmental Cleanup	5,434	5,434	5,434	-	-
Net Pension Liability	3,485,718	2,125,341	1,913,152	-	-
Other Liabilities	56,714	11,076	-	56,579	184,094
<b>Total Business-type Activities</b>	<b>5,107,455</b>	<b>3,367,742</b>	<b>2,895,600</b>	<b>805,526</b>	<b>1,160,073</b>
<b>Total Primary Government Long-term Liabilities</b>	<b>\$ 12,943,662</b>	<b>\$ 9,824,984</b>	<b>\$ 8,610,325</b>	<b>\$ 6,406,670</b>	<b>\$ 4,880,221</b>

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				
	2014	2013 As Restated	2012 As Restated	2011 As Restated	2010
<b>Governmental Activities</b>					
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>
<b>Business-type Activities</b>					
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				
	2019	2018	2017 As Restated	2016	2015
Net Taxable Value of Property Subject to Taxation	\$ 66,919,238	\$ 60,698,949	\$ 57,451,756	\$ 56,625,171	\$ 58,412,965
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	669,192	606,989	574,518	566,232	584,130
General Obligation Bonds	350,925	260,760	326,755	389,270	311,270
Total General Debt Outstanding	350,925	260,760	326,755	389,270	311,270
Legal Debt Margin	\$ 318,267	\$ 346,229	\$ 247,763	\$ 176,982	\$ 272,860
Legal Debt Margin as a Percentage of the Debt Limit	47.6%	57.0%	43.1%	31.3%	46.7%

**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				
	2014	2013	2012 As Restated	2011	2010
Net Taxable Value of Property Subject to Taxation	\$ 56,473,465	\$ 54,236,936	\$ 54,129,671	\$ 51,040,955	\$ 55,046,209
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	<u>564,735</u>	<u>542,369</u>	<u>541,297</u>	<u>510,410</u>	<u>550,462</u>
General Obligation Bonds	<u>372,700</u>	<u>296,890</u>	<u>355,500</u>	<u>398,580</u>	<u>453,730</u>
Total General Debt Outstanding	<u>372,700</u>	<u>296,890</u>	<u>355,500</u>	<u>398,580</u>	<u>453,730</u>
Legal Debt Margin	<u>\$ 192,035</u>	<u>\$ 245,479</u>	<u>\$ 185,797</u>	<u>\$ 111,830</u>	<u>\$ 96,732</u>
Legal Debt Margin as a Percentage of the Debt Limit	<u>34.0%</u>	<u>45.3%</u>	<u>34.3%</u>	<u>21.9%</u>	<u>17.6%</u>

# STATE OF NEW MEXICO

## STATUTORY DEBT LIMIT SEVERANCE TAX BONDS

## SCHEDULE C-4

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
Annual Deposits into Severance Tax Bonding Fund	\$ 672,441	\$ 511,115	\$ 342,317	\$ 254,966	\$ 426,331
50.0% of Annual Deposits	336,221	255,558	171,159	127,483	213,166
Statutory Debt Limit Amount	<u>336,221</u>	<u>255,558</u>	<u>171,159</u>	<u>127,483</u>	<u>213,166</u>
Senior Bond Servicing Amount *	-	142,160	144,766	16,489	129,042
Statutory Debt Margin Amount	<u>\$ 336,221</u>	<u>\$ 113,398</u>	<u>\$ 26,393</u>	<u>\$ 110,994</u>	<u>\$ 84,124</u>
Statutory Debt Margin as a Percentage of Debt Limit	<u>100.0%</u>	<u>44.4%</u>	<u>15.4%</u>	<u>87.1%</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				
	2014	2013	2012	2011	2010
Annual Deposits into Severance Tax Bonding Fund	\$ 414,956	\$ 426,821	\$ 504,734	\$ 398,576	\$ 374,234
50.0% of Annual Deposits	207,478	213,411	252,367	199,288	187,117
Statutory Debt Limit Amount	<u>207,478</u>	<u>213,411</u>	<u>252,367</u>	<u>199,288</u>	<u>187,117</u>
Senior Bond Servicing Amount *	<u>125,597</u>	<u>127,951</u>	<u>121,367</u>	<u>103,867</u>	<u>96,290</u>
Statutory Debt Margin Amount	<u>\$ 81,881</u>	<u>\$ 85,460</u>	<u>\$ 131,000</u>	<u>\$ 95,421</u>	<u>\$ 90,827</u>
Statutory Debt Margin as a Percentage of Debt Limit	<u>39.5%</u>	<u>40.0%</u>	<u>51.9%</u>	<u>47.9%</u>	<u>48.5%</u>

# STATE OF NEW MEXICO

## PLEGGED REVENUE BOND COVERAGE

## SCHEDULE C-5

Last Ten Fiscal Years  
(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
<b>Severance Tax Bonds (Including Supplemental Subordinate Liens)</b>				
2019	\$ 672,441	\$ 129,300	\$ 37,224	4.0
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
<b>Highway Infrastructure Bonds</b>				
2019	\$ 837,915	\$ 103,290	\$ 51,541	5.4
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
<b>Energy and Minerals Bonds</b>				
2019	\$ 1,077	\$ 439	\$ 96	2.0
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

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	
<b>Cultural Affairs Bonds and Loan</b>				
2019	\$ 916	\$ 568	\$ 60	1.5
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
<b>Miners' Colfax Medical Center Bonds</b>				
2019	\$ 2,954	\$ 1,008	\$ 252	2.3
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
<b>State Fair (EXPO) Bonds</b>				
2019	\$ -	\$ -	\$ -	0.0
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
<b>Spaceport Authority Bonds</b>				
2019	\$ 4,216	\$ 3,280	\$ 2,367	0.7
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
Debt not issued in prior years.				
<b>Bernalillo County Metropolitan Court</b>				
2019	\$ 3,587	\$ 2,780	\$ 1,159	0.9
2018	3,651	2,600	1,266	0.9
2017	3,756	2,480	1,390	1.0
Reported on NMFA in Prior Years				
<b>Educational Insititutions</b>				
2019	\$ 1,014,174	\$ 862,509	\$ 356,788	0.8
2018	867,000	42,764	38,347	10.7
2017	999,407	38,223	31,684	14.3
Reported on NMFA in Prior Years				
<b>University of New Mexico Health Sciences</b>				
2019	\$ 3,740	\$ 2,763	\$ 977	1.0
2018	4,297	3,044	1,253	1.0
2017	3,500	2,029	1,117	1.1
Reported on UNM in Prior Years				
<b>General Services Department</b>				
2019	\$ 14,200	\$ 10,279	\$ 3,921	1.0
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
2019 <sup>Ⓞ</sup>	2,095,428	\$ 86,328,400,000	\$ 41,198	37.3	85.0	335,829
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

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

Ⓞ Information was not available as of 2/24/2020 - Next release: March 24, 2020

# STATE OF NEW MEXICO

## PRINCIPAL EMPLOYERS

## SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2019			Calendar Year 2010		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
Federal Government	21,874	1	2.4%	N/A	N/A	N/A
State of New Mexico (total offices, departments, ...)	18,359	2	2.0%	21,832	1	2.5%
Walmart Corporate	14,532	3	1.6%	15,116	3	1.7%
UNM (Campuses, Hospital, Medical Group, Etc.)	13,555	4	1.5%	20,042	2	2.3%
Los Alamos National Laboratories	11,738	5	1.3%	7,949	8	0.9%
Sandia National Laboratories	11,400	6	1.3%	10,560	6	1.2%
Presbyterian Healthcare	11,178	7	1.2%	9,500	7	1.1%
Albuquerque Public Schools	10,007	8	1.1%	11,500	5	1.3%
City of Albuquerque	5,800	9	0.6%	6,940	9	0.8%
Blake's Lotaburger	4,000	10	0.4%	N/A	N/A	N/A
<b>Total Employees of Principal Employers</b>	<b>122,443</b>		<b>13.5%</b>	<b>103,439</b>		<b>11.9%</b>

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.  
 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				
	2019	2018	2017	2016 as Restated	2015 as Restated
<b>Nonagricultural Jobs</b>					
Government	190,300	183,600	186,500	188,900	189,300
Mining	26,300	20,300	20,800	19,800	25,600
Construction	52,200	46,900	45,700	43,400	43,500
Manufacturing	27,700	26,900	26,400	26,900	27,800
Trade, Transportation and Utilities	140,900	136,300	136,600	138,700	139,600
Information	11,300	11,100	12,300	13,000	12,700
Financial Activity	36,000	34,700	34,000	33,500	33,300
Professional and Business Services	109,900	103,200	104,300	101,300	99,700
Education and Health Services	144,000	140,200	139,000	138,200	133,300
Leisure and Hospitality	99,800	94,700	96,400	95,500	93,100
Other Services	27,900	27,600	28,600	28,500	28,500
<b>Total Nonagricultural Jobs</b>	<b>866,300</b>	<b>825,500</b>	<b>830,600</b>	<b>827,700</b>	<b>826,400</b>
Civilian Labor Force	966,624	949,047	929,567	928,732	927,999
Total Employed	920,787	904,196	872,382	866,704	867,387
Unemployed	45,837	44,851	57,185	62,028	60,612
Unemployment Rate	4.7%	4.8%	6.2%	6.7%	6.5%
Seasonally Adjusted Rate	4.7%	4.7%	6.4%	6.7%	6.6%

Source New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics

# STATE OF NEW MEXICO

## SCHEDULE D-3 (CONTINUED)

	Calendar Year				
	2014 as Restated	2013 as Restated	2012 as Restated	2011 as Restated	2010 as Restated
<b>Nonagricultural Jobs</b>					
Government	194,700	188,300	182,297	195,100	192,746
Mining	28,400	26,800	23,959	21,300	17,834
Construction	43,300	40,600	41,116	43,400	43,509
Manufacturing	28,300	27,300	29,672	29,400	28,693
Trade, Transportation and Utilities	142,700	136,800	134,061	133,300	130,652
Information	12,700	12,300	13,523	14,400	14,720
Financial Activity	33,600	34,100	35,547	32,500	21,813
Professional and Business Services	100,300	96,800	92,746	100,500	109,360
Education and Health Services	131,900	123,200	114,233	121,700	108,458
Leisure and Hospitality	89,000	85,000	86,269	86,300	83,079
Other Services	28,300	27,200	20,970	28,600	20,810
<b>Total Nonagricultural Jobs</b>	<b>833,200</b>	<b>798,400</b>	<b>774,393</b>	<b>806,500</b>	<b>771,674</b>
Civilian Labor Force	927,142	923,899	927,795	930,356	936,088
Total Employed	865,229	859,804	861,617	860,305	860,154
Unemployed	61,913	64,095	66,178	70,051	75,934
Unemployment Rate	6.7%	6.9%	7.1%	7.5%	7.0%
Seasonally Adjusted Rate	6.7%	7.0%	7.1%	7.5%	8.1%

# STATE OF NEW MEXICO

## PUBLIC HIGHER EDUCATION ENROLLMENT

## SCHEDULE D-4

Last Ten Academic Years

	Academic Year				
	2018-19	2017-18	2016-17	2015-16	2014-15
Eastern New Mexico University	4,791	5,573	5,891	5,936	6,327
New Mexico Highlands University	2,350	2,348	2,438	2,653	2,626
New Mexico Institute of Mining and Technology	1,614	1,612	1,666	1,817	1,805
New Mexico State University	18,592	18,398	19,324	19,876	20,630
Northern New Mexico College	804	799	786	707	870
University of New Mexico	22,812	23,430	25,483	28,489	28,277
Western New Mexico University	1,990	2,072	2,045	2,169	2,222
<b>Total All Four-Year Institutions</b>	<b>52,953</b>	<b>54,232</b>	<b>57,633</b>	<b>61,647</b>	<b>62,757</b>
Central New Mexico Community College <sup>1</sup>	12,000	12,156	12,716	13,684	14,653
Clovis Community College	1,509	1,477	1,495	1,500	1,548
Luna Community College	513	505	614	709	757
Mesalands Community College	413	388	404	469	428
New Mexico Junior College	1,464	1,696	1,593	1,651	1,698
New Mexico Military Institute	487	487	492	511	550
Northern New Mexico College	N/A	N/A	N/A	N/A	N/A
San Juan College	3,873	3,672	3,538	4,409	4,619
Santa Fe Community College	2,229	2,252	2,391	2,648	2,899
<b>Total All Two-Year Institutions</b>	<b>22,488</b>	<b>22,633</b>	<b>23,243</b>	<b>25,581</b>	<b>27,152</b>
<b>Total All Institutions</b>	<b>75,441</b>	<b>76,865</b>	<b>80,876</b>	<b>87,228</b>	<b>89,909</b>

<sup>1</sup> Albuquerque Technical Vocational Institute's name changed to Central New Mexico Community College

Source: Information can be found at <http://hed.state.nm.us/data-reports/data-reports-1/annual-projects>  
2019 Annual Report

These numbers are by total FTE not head counts. Branches must be included in totals.

# STATE OF NEW MEXICO

## SCHEDULE D-4

	Academic Year				
	2013-14	2012-13	2011-12	2010-11	2009-2010
Eastern New Mexico University	6,489	6,862	6,874	6,587	6,245
New Mexico Highlands University	2,742	2,758	2,778	2,747	2,698
New Mexico Institute of Mining and Technology	1,766	1,694	1,598	1,552	1,500
New Mexico State University	21,752	22,756	23,418	23,632	22,723
Northern New Mexico College	1,061	1,186	1,254	1,352	1,277
University of New Mexico	28,586	28,557	28,542	28,337	26,710
Western New Mexico University	2,223	2,153	2,180	2,236	2,201
<b>Total All Four-Year Institutions</b>	<b>64,619</b>	<b>65,966</b>	<b>66,644</b>	<b>66,443</b>	<b>63,354</b>
Central New Mexico Community College <sup>1</sup>	15,920	15,818	16,384	16,687	15,437
Clovis Community College	1,589	1,684	1,760	1,828	1,831
Luna Community College	856	925	1,013	1,048	912
Mesalands Community College	423	652	597	639	718
New Mexico Junior College	1,651	1,626	1,966	1,923	1,880
New Mexico Military Institute	588	613	579	593	513
Northern New Mexico College	N/A	N/A	N/A	N/A	N/A
San Juan College	4,901	4,948	5,027	4,799	4,790
Santa Fe Community College	3,003	2,883	2,890	2,847	2,609
<b>Total All Two-Year Institutions</b>	<b>28,931</b>	<b>29,149</b>	<b>30,216</b>	<b>30,364</b>	<b>28,690</b>
<b>Total All Institutions</b>	<b>93,550</b>	<b>95,115</b>	<b>96,860</b>	<b>96,807</b>	<b>92,044</b>

# STATE OF NEW MEXICO

## FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION SCHEDULE E-1

Last Ten Fiscal Years

	Fiscal Year				
	2019	2018 As Restated	2017	2016	2015
<b>General Government</b>					
Government Operations	1,336.5	1,334.0 <sup>1</sup>	1,355.0	1,190.0	1,203.5
Taxation and Revenue	1,066.8	1,078.0	1,088.0	1,096.0	1,109.0
<b>Human Services and Youth Corrections</b>	4,105.8	3,909.0	4,320.0	4,540.0	4,384.1
Adult Corrections	2,453.0	2,443.0	2,409.0	2,447.0	2,453.0
Public Safety	1,547.3	1,535.0	1,545.0	1,499.7	1,452.7
State Courts	3,473.4 <sup>2</sup>	3,389.0	3,375.0	3,587.4	3,471.0
<b>Health and Environment</b>					
Department of Health	3,551.5 <sup>4</sup>	3,536.0	3,792.0	3,780.0	3,791.0
Department of Environment	635.5	638.0	637.0	660.5	660.5
Miners Colfax Community Hospital	260.0	258.0	224.0	224.0	224.0
Employment and Family Services	1,418.3 <sup>4</sup>	1,643.0	1,435.0	623.5	618.5
Natural Resources	1,375.5	1,366.0	1,389.0	1,005.8	967.8
Cultural Affairs	487.9	494.0	509.0	508.8	507.8
Business, Labor and Agriculture	864.4 <sup>3</sup>	860.0	900.0	1,809.5	1,813.6
Education	384.2	378.0	397.0	348.3	350.3
Transportation	2,506.5	2,503.0	2,488.0	2,487.5	2,489.5
<b>Total Full-Time Equivalent State Employees</b>	<u>25,466.6</u>	<u>25,364.0</u>	<u>25,863.0</u>	<u>25,808.0</u>	<u>25,496.3</u>
Change	<u>0.4%</u>	<u>-2.0%</u>	<u>0.2%</u>	<u>1.2%</u>	<u>0.0%</u>

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

Report to the Legislative Finance Committee to the Fifty-Fourth Legislature, Second Session January 2020 for the 2021 Fiscal Year, Vol. 2, Pg. 1-348

<sup>1</sup> Total FTE Positions for Attorney General included in Government Operations for 2017 is based on 2016 as 2017 was not available

<sup>2</sup> 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

<sup>3</sup> Total FTE Positions for Gaming Control Board included in Business, Labor and Agriculture for 2018 is based on 2017 as 2018 was not available

<sup>4</sup> 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				
	2014	2013	2012	2011	2010
<b>General Government</b>					
Government Operations	1,203.5	1,228.5	1,215.0	1,255.3	1,314.3
Taxation and Revenue	1,109.0	1,136.0	1,136.0	1,150.5	1,280.0
<b>Human Services and Youth Corrections</b>	4,384.1	4,225.1	4,357.1	4,323.1	4,404.6
Adult Corrections	2,453.0	2,453.5	2,490.5	2,490.5	2,538.5
Public Safety	1,452.7	1,456.7	1,467.7	1,474.5	1,578.5
State Courts	3,471.0	3,497.8	3,490.1	3,503.1	3,502.5
<b>Health and Environment</b>					
Department of Health	3,791.0	3,946.0	3,941.0	4,098.0	4,182.0
Department of Environment	660.5	671.5	673.0	685.0	720.5
Miners Colfax Community Hospital	224.0	224.0	225.0	225.0	225.0
Employment and Family Services	618.5	626.5	624.5	652.5	698.5
Natural Resources	967.8	1,018.8	1,012.3	962.3	1,001.3
Cultural Affairs	507.8	505.5	536.7	534.2	572.0
Business, Labor and Agriculture	1,813.6	1,734.7	1,799.4	1,845.7	1,910.7
Education	350.3	364.8	418.8	412.2	435.2
Transportation	2,489.5	2,502.5	2,502.2	2,504.5	2,756.5
<b>Total Full-Time Equivalent State Employees</b>	<u>25,496.3</u>	<u>25,591.9</u>	<u>25,889.3</u>	<u>26,116.4</u>	<u>27,120.1</u>
Change	<u>-0.4%</u>	<u>-1.2%</u>	<u>-0.9%</u>	<u>-3.8%</u>	<u>-0.8%</u>

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2019	2018, as Restated	Fiscal Year 2017, as Restated	2016, as Restated	2015, as Restated
<b>General Government</b>					
<b>Operations</b>					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) <sup>8 11 24 39 43</sup>	39 <sup>th</sup>	39 <sup>th</sup>	39 <sup>th</sup>	30 <sup>th</sup>	36 <sup>th</sup>
<b>Taxation</b>					
% of Electronically Filed Personal Income Tax Returns <sup>0 14 15 19 23 37 44</sup>	88%	80%	86%	85%	92%
% of Motor Vehicle Registrations Issued (with Liability Insurance) <sup>14 15 19 23 37 44</sup>	90%	90%	90%	92%	91%
Amount of Delinquent Property Tax Collected and Distributed to Counties in millions <sup>8 10 14 15 19 23 37 44</sup>	12.9	13.0	11.5	11.6	10.4
<b>Regulation</b>					
# of Vehicular Port Traffic at New Mexico Ports <sup>10 14 15 18 26 38 45</sup>	1,548,500	1,597,023	1,571,366	1,589,396	1,463,046
Nursing Licenses Issued <sup>10 15 18 25, 40 46</sup>	24,711	19,340	16,872	16,251	14,854
Tri-Annual Physician Licenses Issued <sup>10 14 15 18 27 38 45</sup>	4,086	4,059	4,116	3,744	3,841
Biennial Physician Assistant Licenses Issued <sup>10 15 18 27 38 45</sup>	556	487	455	451	476
<b>Public Safety</b>					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau <sup>10 14 15 19 28 41 45</sup>	NA	19,500	16,590	10,408	14,775
# of Traffic Fatalities <sup>9 14 15 18 23 37 44</sup>	407	359	374	366	347
# of Driving While Intoxicated Fatalities <sup>9 14 15 18 23 37 44</sup>	126	118	154	132	155
# of Driving While Intoxicated Arrests <sup>9 14 15 18 23 37 44</sup>	N/A	N/A	N/A	N/A	N/A
<b>Education</b>					
<b>Public</b>					
# of High School Graduates <sup>1 29 42</sup>	NA	26,288	26,587	25,926	25,863
Student Dropout Rate for Grades 9 - 12 <sup>2 30</sup>	NA	5.30%	5.30%	4.4%	4.4%
Public School Capital Outlay Allocation (\$ Millions) <sup>4</sup>	N/A	N/A	N/A	546	895
<b>Higher</b>					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) <sup>8 10 14 15 38 45</sup>	42%	50%	49%	48%	48%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years <sup>8 10 14 15 21</sup>	N/A	N/A	N/A	75%	72%

# STATE OF NEW MEXICO

## SCHEDULE E-2

	Fiscal Year				
	2014, as Restated	2013, as Restated	2012, as Restated	2011, as Restated	2010, as Restated
<b>General Government</b>					
<b>Operations</b>					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) <sup>8 11 24 39 43</sup>	30 <sup>th</sup>	30 <sup>th</sup>	50 <sup>th</sup>	49 <sup>th</sup>	81 <sup>st</sup>
<b>Taxation</b>					
% of Electronically Filed Personal Income Tax Returns <sup>9 14 15 19 23 37 44</sup>	90%	85%	82%	63%	55%
% of Motor Vehicle Registrations Issued (with Liability Insurance) <sup>14 15 19 23 37 44</sup>	91%	91%	92%	91%	91%
Amount of Delinquent Property Tax Collected and Distributed to Counties in millions <sup>8 10 14 15 19 23 37 44</sup>	13.1	12.4	11	7	5
<b>Regulation</b>					
# of Vehicular Port Traffic at New Mexico Ports <sup>10 14 15 18 26 38 45</sup>	1,279,179	824,824	766,671	830,000	434,061
Nursing Licenses Issued <sup>10 15 18 25, 40 46</sup>	14,551	15,081	14,500	13,576	NA
Tri-Annual Physician Licenses Issued <sup>10 14 15 18 27 38 45</sup>	3,945	3,661	3,000	2,707	2,403
Biennial Physician Assistant Licenses Issued <sup>10 15 18 27 38 45</sup>	436	398	225	262	230
<b>Public Safety</b>					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau <sup>10 14 15 19 28 41 45</sup>	18,202	11,564	37,919	39,334	36,211
# of Traffic Fatalities <sup>9 14 15 18 23 37 44</sup>	343	304	395	306	351
# of Driving While Intoxicated Fatalities <sup>9 14 15 18 23 37 44</sup>	137	120	169	89	147
# of Driving While Intoxicated Arrests <sup>9 14 15 18 23 37 44</sup>	N/A	N/A	2,479	3,309	4,311
<b>Education</b>					
<b>Public</b>					
# of High School Graduates <sup>1 29 42</sup>	25,170	25,903	20,594	NA	NA
Student Dropout Rate for Grades 9 - 12 <sup>2 30</sup>	4.7%	4.7%	4.6%	NA	NA
Public School Capital Outlay Allocation (\$ Millions) <sup>4</sup>	457	483	136	NA	NA
<b>Higher</b>					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) <sup>8 10 14 15 38 45</sup>	48%	43%	40%	43%	NA
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years <sup>8 10 14 15 21</sup>	73%	72%	73%	71%	NA



# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	2019	Fiscal Year			
		2018 as Restated	2017, as Restated	2016, as Restated	2015, as Restated
<b>Health and Human Services</b>					
% of Children Receiving Services in Medicaid Managed Care <sup>10 14 15 23 38 44</sup>	86%	84%	85%	85%	86%
% of Child Support Collected of Support Owed <sup>9 14 15 18 23 38 45</sup>	58%	57%	56%	56%	56%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) <sup>8 10 14 15 21 31</sup>	N/A	N/A	503	491	360
% of Children Adopted within 24 Months of Entry into Foster Care <sup>8 10 14 15 23 37 44</sup>	27%	28%	25%	23%	32%
% of Abused Children with Repeat Maltreatment <sup>9 14 15 23 38 45</sup>	16%	15%	15%	12%	11%
% of Preschoolers Fully Immunized <sup>9 14 15 18 45</sup>	64%	61%	72%	NA	76%
# of Operating School-Based Health Centers <sup>13 14 15 32 45</sup>	73	73	70	72	80
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) <sup>18 21 26 45</sup>	5	5	5	3	3
<b>Corrections</b>					
<b>Juvenile</b>					
% Juveniles Earning Education Credits While Incarcerated <sup>8</sup>	NA	NA	NA	NA	NA
% of Juveniles Who Complete Formal Probation <sup>23 37 38 44</sup>	86%	86%	83%	85%	83%
% of Juveniles Recommitted to a Youth Detention Facility <sup>9 14 15 17 23 37 45</sup>	20%	20%	7%	10%	8%
<b>Adult</b>					
Turnover Rate of Correctional Officers <sup>9 14 15 18 23 38 45</sup>	25%	28%	2%	10%	13%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) <sup>9 14 15 23 37 45</sup>	28%	21%	25%	46%	47%
% of Prisoners Reincarcerated within 36 Months After Release <sup>10 14 15 17 23 37 44 45</sup>	54%	49%	50%	46%	23%
<b>Culture and Recreation</b>					
# of Visits to Visitor Information Centers (Millions) <sup>8</sup>	N/A	N/A	N/A	N/A	N/A
# of Unique Website Visitor Sessions (Millions) <sup>8 23</sup>	NA	0.4	0.4	0.6	0.8
Circulation Rate for New Mexico Magazine <sup>8 9 14 15 18 33 38 44</sup>	70,000	70,000	70,000	75,000	92,148
Attendance to Museum Exhibitions, Performances, Films, Programs <sup>8 10 14 15 34 38 45</sup>	826,969	855,789	779,810	745,101	823,450
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters <sup>8 10 14 15 18 36 38 45</sup>	84%	84%	84%	84%	84%
Fish Output from Hatchery System (in Pounds) <sup>5 7 8 10 14 15 35 38 45</sup>	670,851	646,175	681,103	638,594	637,200
# of Visitors to State Parks (Millions) <sup>8 9 14 15 23 44</sup>	5	5	5	5	4
<b>Natural Resources, Environment</b>					
# of Inspections of Oil and Gas Wells and Associated Facilities <sup>8 14 15 23 37 4</sup>	31,043	42,880	37,648	49,624	47,539
% of Required Mine Inspection Conducted <sup>8 14 15 23 37 45</sup>	88%	95%	97%	97%	97%
% of Abandoned Uranium Mines with Current Site Assessments <sup>8</sup>	N/A	N/A	N/A	N/A	N/A
% of Landfills Meeting Groundwater Monitoring Requirements <sup>14 15 23 37 44</sup>	93%	96%	97%	100%	95%
# of Wildlife Habitat Acres Conserved or Enhanced <sup>8 20 35</sup>	192,000	192,000	192,000	NA	NA
# of Threatened/Endangered Species Monitored/Involved in Recovery Process changed to % of Endangered Species in 2017 <sup>8 10 14 15 38 45</sup>	48%	41%	52%	N/A	35

STATE OF NEW MEXICO

SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2014,	2013,	2012,	2011,	2010,
	as Restated	as Restated	as Restated	as Restated	as Restated
<b>Health and Human Services</b>					
% of Children Receiving Services in Medicaid Managed Care <sup>10 14 15 23 33 44</sup>	80%	70%	70%	60%	60%
% of Child Support Collected of Support Owed <sup>9 14 15 18 23 33 45</sup>	56%	56%	57%	57%	58%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) <sup>3 10 14 15 21 31</sup>	360	132	173	300	190
% of Children Adopted within 24 Months of Entry into Foster Care <sup>8 10 14 15 23 37 44</sup>	32%	31%	35%	28	23%
% of Abused Children with Repeat Maltreatment <sup>9 14 15 23 33 45</sup>	11%	9%	8%	9%	9%
% of Preschoolers Fully Immunized <sup>9 14 15 18 45</sup>	72%	72%	76%	65%	70%
# of Operating School-Based Health Centers <sup>13 14 15 32 45</sup>	80	80	82	84	84
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) <sup>18 21 26 45</sup>	3	3	4	4	4
<b>Corrections</b>					
<b>Juvenile</b>					
% Juveniles Earning Education Credits While Incarcerated <sup>8</sup>	NA	NA	55%	47%	60%
% of Juveniles Who Complete Formal Probation <sup>23 37 38 44</sup>	NA	NA	90%	92%	90%
% of Juveniles Recommitted to a Youth Detention Facility <sup>9 14 15 17 23 37 45</sup>	10%	9%	12%	11%	80%
<b>Adult</b>					
Turnover Rate of Correctional Officers <sup>9 14 15 18 23 33 45</sup>	10%	8%	11%	13%	15%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) <sup>9 14 15 23 37 45</sup>	36%	28%	37%	35%	32%
% of Prisoners Reincarcerated within 36 Months After Release <sup>10 14 15 17 23 37 44 45</sup>	47%	47%	40%	40%	44%
<b>Culture and Recreation</b>					
# of Visits to Visitor Information Centers (Millions) <sup>8</sup>	NA	N/A	1.3	1	1
# of Unique Website Visitor Sessions (Millions) <sup>8 23</sup>	NA	NA	2	3	2
Circulation Rate for New Mexico Magazine <sup>8 9 14 15 18 33 38 44</sup>	89,556	91,197	94,221	90,000	85,264
Attendance to Museum Exhibitions, Performances, Films, Programs <sup>8 10 14 15 34 38 45</sup>	851,101	826,912	830,000	845,000	827,281
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters <sup>8 10 14 15 18 36 38 45</sup>	87%	86%	80%	80%	87%
Fish Output from Hatchery System (in Pounds) <sup>3 7 8 10 14 15 33 38 45</sup>	634,779	621,721	592,247	455,000	485,375
# of Visitors to State Parks (Millions) <sup>8 9 14 15 23 44</sup>	4	3.8	4	4	5
<b>Natural Resources, Environment</b>					
# of Inspections of Oil and Gas Wells and Associated Facilities <sup>8 14 15 23 37 4</sup>	38,920	37,707	35,147	27,816	38,352
% of Required Mine Inspection Conducted <sup>8 14 15 23 37 45</sup>	94%	100%	100%	100%	100%
% of Abandoned Uranium Mines with Current Site Assessments <sup>8</sup>	N/A	N/A	50%	50%	70%
% of Landfills Meeting Groundwater Monitoring Requirements <sup>14 15 23 37 44</sup>	96%	100%	95%	97%	NA
# of Wildlife Habitat Acres Conserved or Enhanced <sup>8 20 35</sup>	NA	NA	100,000	180,331	106,138
# of Threatened/Endangered Species Monitored/Involved in Recovery Process changed to % of Endangered Species in 2017 <sup>8 10 14 15 38 45</sup>	35	39	35	35	46

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	2019	2018	Fiscal Year 2017, as Restated	2016, as Restated	2015, as Restated
<b>Business, Labor, and Agriculture</b>					
% of Adults Who Entered Employment in 1 <sup>st</sup> Quarter of Receiving Training Services (Changed in 2013 to Percent of Individuals Who Have Received Employment Services Retaining Employment After Six Months) <sup>9 14 15 17 19 23 37 45</sup>	79%	79%	78%	80%	80%
# of Rural Jobs Created <sup>9 14 15 23 37 45</sup>	1,376	2,414	775	641	726
# of Media Industry Worker Days <sup>9 14 15 18 37 45</sup>	319,814	259,961	448,304	260,307	298,398
Changed to "Direct Spending by Industry productions (\$ Millions) <sup>14 23 37 4</sup>	525	234	505	387	286
Economic Impact of Media Industry Productions (\$ Millions) <sup>5 6 9 15 23</sup>	NA	NA	NA	NA	NA
<b>Highways and Transportation</b>					
# of System wide Miles in Deficient Condition <sup>9 14 15 23 37 45</sup>	3,783	4,675	4,675	4,515	4,250
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled <sup>5 7 8 12</sup>	1.3	1.16	1.16	1.18	1.09
# of Statewide Improved Pavement Surface Miles <sup>5 6 9 14 15 23 37</sup>	3,143	2,854	3,668	2,457	2,611

	2014, as Restated	2013, as Restated	Fiscal Year 2012, as Restated	2011, as Restated	2010, as Restated
<b>Business, Labor, and Agriculture</b>					
% of Adults Who Entered Employment in 1 <sup>st</sup> Quarter of Receiving Training Services (Changed in 2013 to Percent of Individuals Who Have Received Employment Services Retaining Employment After Six Months) <sup>9 14 15 17 19 23 37 45</sup>	75%	74%	72%	86%	69%
# of Rural Jobs Created <sup>9 14 15 23 37 45</sup>	1,562	1,440	1,542	958	1,446
# of Media Industry Worker Days <sup>9 14 15 18 37 45</sup>	189,782	216,461	143,046	181,366	142,524
Changed to "Direct Spending by Industry productions (\$ Millions) <sup>14 23 37 4</sup>	162	641	674	697	559
Economic Impact of Media Industry Productions (\$ Millions) <sup>5 6 9 15 23</sup>	NA	NA	NA	NA	NA
<b>Highways and Transportation</b>					
# of System wide Miles in Deficient Condition <sup>9 14 15 23 37 45</sup>	3,896	8,287	3,837	3,407	3,171
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled <sup>5 7 8 12</sup>	1.51	1.21	1.43	1.38	1
# of Statewide Improved Pavement Surface Miles <sup>5 6 9 14 15 23 37</sup>	2,889	3,139	2,750	4,000	2,393

Sources: Various departments of the State of New Mexico

- <sup>1</sup> New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates
- <sup>2</sup> New Mexico Dropout Report published by New Mexico Public Education Department
- <sup>4</sup> New Mexico Public Schools Finance Authority
- <sup>8</sup> Report of the Legislative Finance Committee to the 50th Legislature Second Session, January 2012, Vol. II, Pg. 92, 93, 95, 99, 100, 101, 102, 103, 104, 105, 106, 108, 112, 113, 114, 122, 123, 172, 178, 187, 188, 194, 262, 287, 291, 303, 322, 323, 336, 338
- <sup>9</sup> Report of the Legislative Finance Committee to the 51th Legislature Second Session, January 2014, Vol. I, Pg. 89, 98, 99, 100, 101, 105, 108, 112, 115, 116, 124, 125, 132, 133
- <sup>10</sup> Report of the Legislative Finance Committee to the 51th Legislature Second Session, January 2014, Vol. II, Pg. 41, 59, 121, 150, 157, 159, 185, 230, 276, 278, 283, 330, 332
- <sup>11</sup> Pension fund rankings by state-Crain's Chicago Bs, <http://www.chicagobusiness.com/article/20130110/NEWS07/130109847/pension-fund-rankings-by-state-were-no-50>
- <sup>12</sup> New Mexico Transportation By The Numbers:
- <sup>13</sup> New Mexico Alliance for School-Based Health Care (NMASBHC): <http://www.nmasbhc.org/index.html>
- <sup>14</sup> Report of the Legislative Finance Committee to the 52th Legislature Second Session, January 2015, Vol. I, Pg. 88, 90, 98, 99, 100, 101, 105, 108, 112, 113, 116, 117, 121, 122, 123, 129, 130; Vol II pg. 126, 134, 136, 149, 156, 158, 176, 184, 226, 285, 307, 324, 342, 344
- <sup>15</sup> Report of the Legislative Finance Committee to the 52th Legislature Second Session, January 2016, Vol. II, Pg. 152, 327, 343, 356, 505
- <sup>17</sup> Report of the Legislative Finance Committee to the 53rd Legislature First Session, January 2017, Vol. I, Pg. 91, 103, 116
- <sup>18</sup> Report of the Legislative Finance Committee to the 53rd Legislature First Session, January 2017, Vol. II, Pg. 115, 143, 145, 215, 237, 243, 264, 277, 283,
- <sup>19</sup> Report of the Legislative Finance Committee to the 50th Legislature First Session, January 2011, Vol. II, Pg. 157, 243
- <sup>21</sup> Report of the Legislative Finance Committee to the 52nd Legislature First Session, January 2015, Vol. II, Pg. 261, 285, 343
- <sup>22</sup> Mercatus Center - George Mason University, [www.mercatus.org/statefiscalrankings](http://www.mercatus.org/statefiscalrankings)
- <sup>23</sup> Report of the Legislative Finance Committee to the 54rd Legislature First Session, January 2018, Vol. I, Pg. 36, 94-98, 100-101, 103-104, 114, 119-120, 122-124, 131-132
- <sup>24</sup> Pension Fund Programs Worsen in 43 States, by Laurie Meisler, [www.bloomberg.com/graphics/2017-state-pension-funding](http://www.bloomberg.com/graphics/2017-state-pension-funding)
- <sup>25</sup> New Mexico Board of Nursing - Annual Governor's Report FY 2017, Pg 12
- <sup>26</sup> Report of the Legislative Finance Committee to the 54rd Legislature First Session, January 2018, Vol. II, Pg. 121, 240
- <sup>27</sup> New Mexico Medical Board - E-mailed
- <sup>28</sup> New Mexico Public Regulation Commission - Annual Report FY 2017, Pg. 14, 16
- <sup>29</sup> New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates \$ Year Graduation Rate Cohort 2017
- <sup>30</sup> New Mexico Public Education E-Mail - CFO
- <sup>31</sup> New Mexico Veterans' Services Department Performance Measures Summary, Pg. 1
- <sup>32</sup> New Mexico Alliance for School Based Health Care, [www.nmasbhc.org/SBHC Locator](http://www.nmasbhc.org/SBHC Locator)
- <sup>33</sup> New Mexico Magazine - E-Mail Circulation Manager
- <sup>34</sup> New Mexico Department of Cultural Affairs - E-mail
- <sup>35</sup> New Mexico Department of Game and Fish Annual Report, Pg. 6, 9
- <sup>36</sup> New Mexico Department of Game & Fish - Website, [www.wildlife.state.nm.us/hunting/applications-and-draws-information](http://www.wildlife.state.nm.us/hunting/applications-and-draws-information)
- <sup>37</sup> 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
- <sup>38</sup> 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
- <sup>39</sup> Pension Fund Outlook Brightens in 41 States, by Danielle Moran, [www.bloomberg.com/graphics/2018-state-pension-funding](http://www.bloomberg.com/graphics/2018-state-pension-funding)
- <sup>40</sup> New Mexico Board of Nursing - Annual Report FY 2018, Pg 4
- <sup>41</sup> New Mexico Public Regulation Commission - Annual Report FY 2018, Pg. 22+F45
- <sup>42</sup> New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates \$ Year Graduation Rate Cohort 2018
- <sup>43</sup> Money - Is your money safe? These states are getting hit hardest by pension crisis, 10/15/2019.
- <sup>44</sup> Report of the Legislative Finance Committee to the 54th Legislature Second Session, January 2020, Vol. I, Pg. 109-110, 121-122, 127, 134, 143, 148-149, 156-158
- <sup>45</sup> Report of the Legislative Finance Committee to the 54th Legislature Second Session, January 2020, Vol. II, Pg. 122-123, 125, 129-130, 132, 144, 174, 182, 190, 238, 243, 261, 290-291, 302-303, 324-
- <sup>46</sup> New Mexico Board of Nursing - Annual Report FY 2019, Pg 45-

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 <sup>1</sup> Measure deleted in FY09 or a 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				
	2019	2018	2017	2016	2015
<b>General Government</b>					
Buildings	110	110	110	110	110
Vehicles	351	N/A	N/A	N/A	N/A
<b>Public Safety</b>					
Buildings (not inc. POE'S)	29	29	29	29	29
Vehicles	1,275	1,256	900	921	921
Ports of Entry	8	8	8	6	6
<b>Health and Human Services</b>					
Buildings - General Administrative	302	34	34	4	4
Buildings - Program					
Juvenile Reintegration Center	4	4	4	3	3
Medical Center/Hospital	54	57	58	53	53
Rehabilitation Facility	5	5	5	7	7
Veterans' Center	16	16	16	1	1
Vehicles	871	871	400	426	426
<b>Corrections</b>					
Buildings	406	330	330	330	330
Vehicles	439	347	320	355	355
<b>Culture and Recreation</b>					
Vehicles	55	54	40	45	45
Museums	13	9	9	4	4
Monuments	8	7	7	6	6
<b>Natural Resources, Environment</b>					
Vehicles	261	280	340	380	380
State Parks	35	35	35	35	35
Wildlife Management Areas (Acres)	192,000	192,000	192,000	171,241	171,241
Fish Hatcheries	6	6	6	6	6
<b>Education Vehicles</b>					
Vehicles	26	N/A	N/A	N/A	N/A
<b>Highways and Transportation</b>					
Highway Lane Miles	12,272	12,272	12,272	26,598	26,598
Vehicles/Heavy Equipment	6,500	6,500	6,500	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 54th Legislature Second Session, Vol. I, January 2019.

[en.wikipedia.org/wiki/List\\_of\\_hospitals\\_in\\_New\\_Mexico](http://en.wikipedia.org/wiki/List_of_hospitals_in_New_Mexico)

[en.wikipedia.org/wiki/List\\_of\\_New\\_Mexico\\_state\\_parks](http://en.wikipedia.org/wiki/List_of_New_Mexico_state_parks)

[www.newmexicoculture.org/nmdvs.org/field-offices](http://www.newmexicoculture.org/nmdvs.org/field-offices)

[www.sp.nm.gov/port-of-entry](http://www.sp.nm.gov/port-of-entry)

Number of Juvenile Centers in New Mexico (Bing)

Number of rehabilitation facility in New Mexico (Bing)

<http://www.nmhistoricsites.org/>

<http://www.emnrd.state.nm.us/SPD/FindaPark.html>

# STATE OF NEW MEXICO

## SCHEDULE E-3

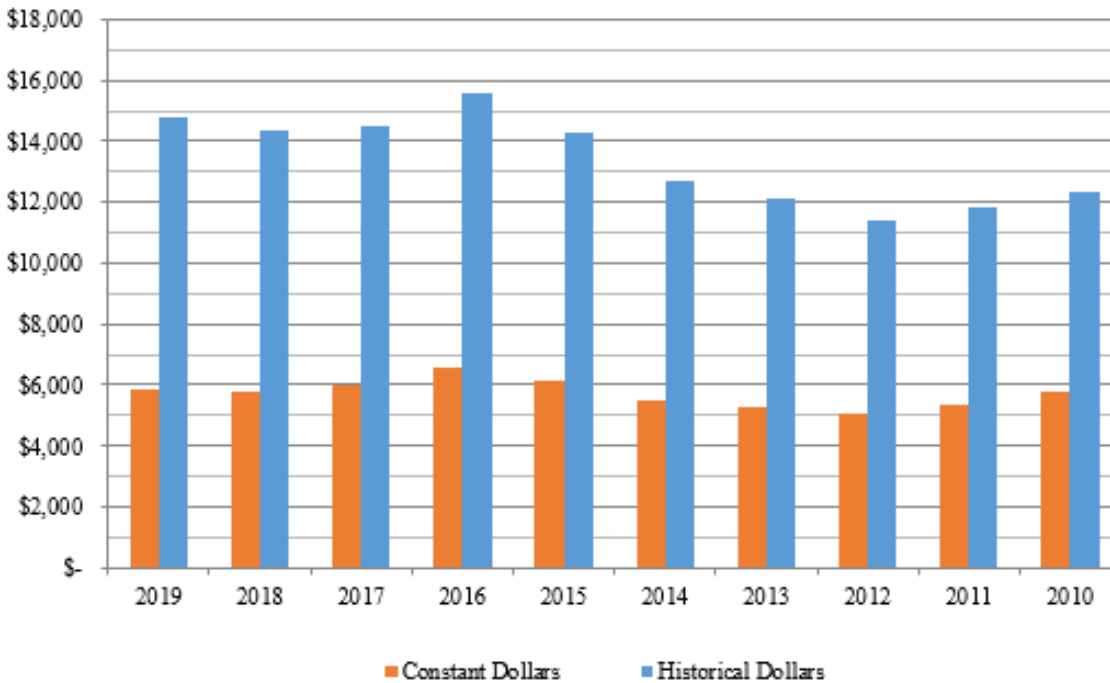
	Fiscal Year				
	2014	2013 as Restated	2012 as Restated	2011 as Restated	2010
<b>General Government</b>					
Buildings	110	110	110	110	110
Vehicles	N/A	N/A	N/A	N/A	N/A
<b>Public Safety</b>					
Buildings (not inc. POE'S)	29	29	29	29	9
Vehicles	921	921	921	935	935
Ports of Entry	6	16	16	16	14
<b>Health and Human Services</b>					
Buildings - General Administrative	4	34	34	34	34
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	53	253	253	253	253
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	1	11	11	11	11
Vehicles	426	426	426	440	440
<b>Corrections</b>					
Buildings	330	330	330	330	330
Vehicles	355	355	355	369	369
<b>Culture and Recreation</b>					
Vehicles	45	45	45	48	59
Museums	4	4	4	8	8
Monuments	6	6	6	8	6
<b>Natural Resources, Environment</b>					
Vehicles	380	380	380	383	383
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
<b>Education Vehicles</b>					
Vehicles	N/A	N/A	N/A	N/A	N/A
<b>Highways and Transportation</b>					
Highway Lane Miles	26,598	26,598	26,598	26,598	26,598
Vehicles/Heavy Equipment	6,417	6,417	6,417	6,417	6,469

# STATE OF NEW MEXICO

## EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

SCHEDULE F-1

Last Ten Fiscal Years



### Expenditures

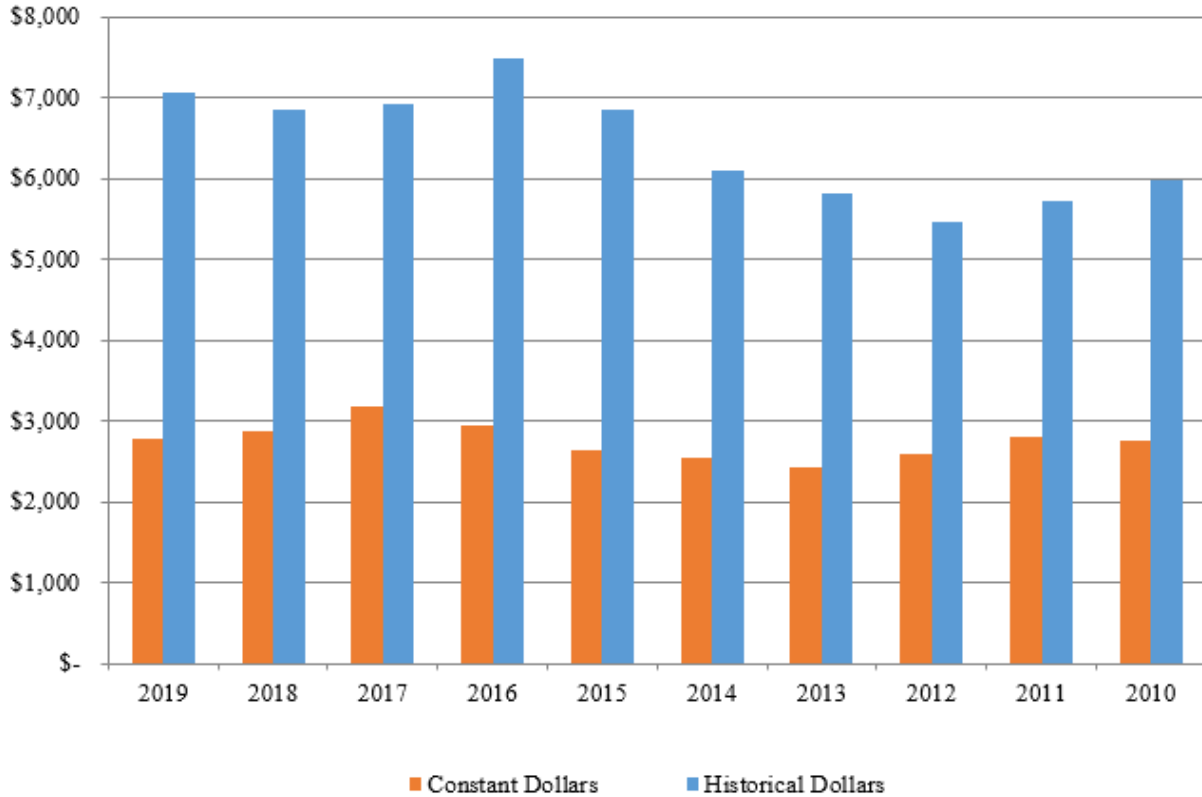
Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2019	\$ 14,770	3.1%	\$ 5,877	1.1%
2018	14,329	-0.9%	5,815	-3.3%
2017	14,464	-7.0%	6,013	-8.9%
2016	15,550	9.0%	6,602	7.6%
2015	14,268	12.1%	6,134	12.0%
2014	12,728	5.1%	5,479	3.5%
2013	12,114	6.4%	5,296	4.8%
2012	11,390	-3.7%	5,055	-5.6%
2011	11,825	-4.0%	5,357	-6.9%
2010	12,316	3.3%	5,757	-0.7%

2017 is Restated

# STATE OF NEW MEXICO

## PER CAPITA EXPENDITURES HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES Last Ten Fiscal Years

SCHEDULE F-2



### Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Thousand)	Change	(in Thousands)	Change
2019	\$ 7,049	3.1%	\$ 2,775	-3.6%
2018	6,838	-1.3%	2,880	-9.2%
2017	6,927	-7.3%	3,173	7.6%
2016	7,472	8.9%	2,949	12.3%
2015	6,859	12.4%	2,627	3.4%
2014	6,102	5.0%	2,541	4.8%
2013	5,809	6.4%	2,424	-6.5%
2012	5,462	-4.6%	2,593	-7.3%
2011	5,724	-4.3%	2,796	1.4%
2010	5,981	9.4%	2,758	7.2%

2017 is Restated



## OTHER REPORTS



## **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,  
Ms. Donna M. Trujillo, 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, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated March 31, 2020. 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 a qualified opinion on the governmental activities opinion unit because of the matters described in the "Basis for Qualified Opinion on Governmental Activities" paragraph in our report starting on page 2.

### **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,  
Ms. Donna M. Trujillo, 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 2019-001, 2019-002, and 2019-003 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 2019-004.

### **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  
March 31, 2020

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2019

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### Summary of Auditors' Results

#### Financial Statements

Type of auditor's report issued:

Unmodified; Modified Governmental Activities

Internal control over financial reporting:

- Material weakness(es) identified? Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes            None reported   X

Noncompliance material to financial statements noted?

Yes            No   X

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2019

### Financial Statement Findings

#### 2019-001 (Original Finding # 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 and issue separate stand-alone financial statements. The following represent some of the more significant issues identified at the component level that have an impact on state-wide reporting:

- During FY19, the State established a loan with NMFA, a component unit of the State in the amount of \$11,500,000 related to GSD project. State accounting policy requires certain state agencies to report the various components of debt with NMFA in their stand-alone financial statements, however, it was identified by the State CAFR unit and recorded only in the CAFR.
- The State was unable to provide a final trial balance reconciliation to audited financial statements for the Public Schools Facilities Authority, a significant component of the State’s financial statements, until March 5, 2020.
- As reported in the separate audit of the Office of Superintendent of Insurance, a non-significant component of the State, management of the agency recognizes plan participant surcharges on the cash basis of accounting in the Patient’s Compensation Fund (a component of the private-purpose trust fund of the State).
- As reported in the separate audit of the General Services Department, a significant component of the State, management of the agency has identified the records of land owned by the State are incomplete and don’t agree with the reported amounts in the financial statements. In addition, management of the agency is uncertain as to the accuracy of the dates in service for CIP projects determined to have been completed in prior years.
- The Educational Institutions Fund is reported as a proprietary fund in the State’s financial statements and is comprised of 10 educational institutions. Various state agencies transfer more than \$840 million to these various institutions, which primarily consist of state appropriations (including capital related appropriations), land grant permanent fund distributions, and lottery fund distributions. The reporting of these various sources lacks consistency among the various stand-alone reports for the educational institutions. In some instances the specific amounts are either obscure or aggregated with other streams of non-operating revenue, which causes difficulties in reconciling the activity among these institutions and other components of the State.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2019

### Financial Statement Findings (Continued)

#### 2019-001 (Original Finding # 2018-002) - Component Financial Reporting (Material Weakness) (Continued)

##### Condition (Continued):

- 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 are inconsistencies among agencies in using the accounts designated for component units of the State versus the educational institutions. In addition, there is inconsistent use of the established accounts that relate to reciprocal vs non-reciprocal transactions.

Across the various state agencies (SHARE entities), we identified approximately \$73M (excluding appropriations from the General Fund and Board of Finance) was disbursed to Educational Institutions using the following accounts:

- 547400-Grants to Local Governments
- 547410-Grants to Public Schools – University
- 547420-Higher Ed Institutions
- 547430-Grants to Native American Indians
- 547440-Grants to Other Entities
- 555200-Other Financing Uses – Higher Ed Institutions

The inconsistent and inaccurate use of the accounts as noted above doesn't allow the State to properly account and report on activity among the Educational Institutions.

*Management's Progress for Repeat Finding: The State has made many modifications to its system of accounting of information related to this finding. These improvements include creating new account numbers and issuing guidance regarding the use of the accounts. Ongoing communication and monitoring occurs.*

**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:** These issues can be attributed to the complexity of the State's reporting entity combined with the quantity of separate components and their related control environments/processes that comprise the State's financial statements. Additionally, there is a lack of adequate resources within the State's CAFR unit to focus on addressing these issues throughout the year and during the financial reporting process. Overall, the State lacks an effective control environment over the financial reporting of the State as a whole to facilitate the production of timely and accurate financial statements of the State.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2019

### Financial Statement Findings (Continued)

#### 2019-001 (Original Finding # 2018-002) - Component Financial Reporting (Material Weakness) (Continued)

**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:** To improve statewide reporting impacted by component level reporting, we recommend the following:

- 1) For issues caused by inconsistent reporting among the educational institutions, we recommend the CAFR Unit identify those specific issues and provide specific guidance to these entities and their Independent Public Accountants (IPAs) on the required reporting format and related disclosures to facilitate efficiencies and consistencies in statewide reporting. The State should also consider a standardized form/template to be completed by these entities to further facilitate the efficiency and consistency of the financial reporting information derived from these reporting entities outside of SHARE.
- 2) For those significant components that are identified by the State as being at risk of an untimely submission of the audited financial statements, the state should evaluate a process/program to facilitate providing assistance to the component to avoid untimely audits. In addition, the State should also evaluate any necessary assistance that can be provided to those significant components that have received modified opinions to avoid future impacts on the State's financial statements.
- 3) For those components that report under SHARE, the State should provide additional training to those entities that are not properly using the established accounts for activity among component units and educational institutions, as necessary. The State should evaluate the established accounts and ensure all agencies know which accounts to utilize, depending on the nature of the transaction.

#### **Management's Response:**

*Management is in agreement with the finding. Given the number of agencies and external components of the State that are reported in the CAFR, there may be situations whereby effects of reporting are not in the direct control of the Department of Finance and Administration (Department). Efforts are ongoing to address these concerns.*

*Specifically, the State has issued policy in regard to the ongoing issue of recording loans that occur between the state and the New Mexico Finance Authority, a major component unit. Department accounting policy states that the agency that holds the related assets will also record the associated debt. A new loan that occurred during 2019 was inadvertently omitted in the financial statements of the General Services Department; it was recognized at the CAFR level. In the future, the Department of Finance and Administration will work with the New Mexico Finance Authority to ensure that the state controller is apprised of all loan activity related to the primary government as it occurs.*

*The state recognizes that there are instances whereby an agency may not have the personnel required to prepare financial statements for a timely audit. The Department of Finance and Administration has included, in its budget for fiscal year 2021, funds to implement a CFO loan program. This program will provide agencies with assistance when needed onsite and will also review processes, reconciliations, and reports for the agencies deemed high risk while assisting these agencies in implementing processes to become in compliance with GAAP accounting bases.*

*In regard to inter fund activity, the state created and implemented the use of account numbers for activity specific to components of the CAFR that do not use SHARE, the statewide ERP. Significant progress was made in identifying activities for the purpose of preparing appropriate elimination activity for the CAFR. Improved communication, guidance, and monitoring, will be performed so that use of the accounts is correct and consistent.*

*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, 2019

### Financial Statement Findings (Continued)

#### 2019-002 (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:

- The State prepared an analysis of capital appropriations reported by the Educational Institutions to the capital appropriations per State agency records. However, the State only considered appropriations from the Board of Finance, but neglected to include in its analysis appropriations from the General Fund. Because the State's analysis only considered those from the Board of Finance, its analysis inaccurately revealed an approximate \$53M variance, which the State incorrectly reclassified \$53M in capital appropriations (interfund transfers) to "Endowment Contributions", which required an adjustment to remove this entry.
- The State incorrectly classified \$44M in transfers of lottery funds to the Educational Institutions as expenditures instead of transfers (other financing uses), which required a reclassification entry.
- 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. Proposed audit adjustments were necessary to eliminate grossed up activity as a result of the consolidations.
- The statement of net position reports governmental activities due from higher educational institutions of \$200K and due to higher educational institutions of \$14.4M. These balances should be classified as internal balances if they are balances among those institutions that comprise the primary government of the State, however, the business type activities lack any offsetting balances.
- 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: The State has made many modifications to its system of accounting of information related to this finding. These improvements include creating new account numbers and issuing guidance regarding the use of the accounts. Ongoing communication and monitoring occurs.*

**Criteria:** Per Section 6-5-2 NMSA 1978, the (Financial Control) Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.



# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2019

### Financial Statement Findings (Continued)

#### 2019-002 (Original Finding # 2013-002) - Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) – Repeated (Continued)

##### **Criteria (Continued):**

Per NCGAS 1 Governmental Accounting and Financial Reporting Principles

- Transfers should be recognized in the accounting period in which the interfund receivable and payable arise and requires that a government accrue a governmental fund liability and expenditure for most expenditures and transfers in the period in which the government incurs the liability. Furthermore, transfers of financial resources among funds should be recognized in all funds affected in the period in which the interfund receivable(s) and payable(s) arise.

Per GASB 34 Para 112

- Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. It includes: (1) Interfund transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. This category includes payments in lieu of taxes that are not payments for, and are not reasonably equivalent in value to, services provided. In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers should be reported after non-operating revenues and expenses.

Per GASB 34 Para 58

- Amounts of receivables and payables between the primary government and fiduciary funds are reported as receivable from and payable to external parties.

Per GASB 34 Para 57

- Paragraph 57 States “In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds should be eliminated or reclassified.” This same approach should be applied at the fund financial statement level.

Per GASB 34 Para 61

- Resource flows (except those that affect the balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units should be reported as if they were external transactions—that is, as revenues and expenses. However, amounts payable and receivable between the primary government and its discretely presented component units or between those components should be reported on a separate line.

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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.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2019

### Financial Statement Findings (Continued)

#### 2019-002 (Original Finding # 2013-002) - Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) – Repeated (Continued)

##### **Criteria (Continued):**

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:** These issues can be attributed to the complexity of the State's reporting entity and the quantity of separate components and their related control environments/processes that comprise the State's financial statements. Additionally, there is a lack of adequate resources within the State's CAFR unit to focus on addressing these issues throughout the year and during the financial reporting process. Overall, the State lacks an effective control environment over the financial reporting of the State as a whole to facilitate the production of timely and accurate financial statements of the State.

**Effect:** The State is unable to properly reconcile this activity to assist with the preparation of timely financial statements in accordance with generally accepted accounting principles.

**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 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 will 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, which would be reconciling items between the State's financial statements and the component level financial statements.

##### **Management's Response:**

*As noted, these issues can be attributed to the complexity of the State's reporting entity and the quantity of separate components and their related control environments/processes that comprise the State's financial statements. To mitigate this, beginning in fiscal year 2021, the Department was allocated funds for two additional CAFR staff. The Department will utilize these positions to increase ongoing monitoring especially for agencies that are deemed high risk. In addition monthly reconciliation of all inter-fund activity will be performed. The inter-fund activity processes have improved since implementation of required use of fund affiliate in the state's accounting system. Processes will be further implemented to include monthly reconciliation of the interfund activity for those entities utilizing SHARE.*

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2019

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### Financial Statement Findings (Continued)

#### 2019-002 (Original Finding # 2013-002) - Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) – Repeated (Continued)

##### **Management's Response (Continued):**

*For those entities that are not in SHARE, guidance will be issued to require identification and reporting for all activity that occurs with the primary government. Transactions include appropriations, grants, contracts, and other transactions which may be reciprocal or nonreciprocal. Efforts will be made to identify each type of activity and determine the correct treatment. This information will be used to issue guidance that applies to all entities so that recording is accurate and consistent. In addition, the Department was granted Information Technology funds for a project to create an online form to obtain intercompany activity related to the higher education institutions. Once completed, the form will require certain reconciled data to be entered online in a form that will feed into the Department's financial statement preparation system.*

*In addition, the higher education entities are using accounting guidance that is outdated and misaligned with state policy. Efforts will be made to coordinate with the Department of Higher Education to update accounting and reporting policies for the higher education entities. During this process, the Department of Finance and Administration will identify activity that must be addressed and create policy to ensure that those items are correctly eliminated in the CAFR preparation process.*

*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. 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, 2019

### 2019-003 (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 detail 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.

As a result of our audit procedures we identified the following errors and misstatements reflected in the initial draft of the financial statements of the State as prepared by management. All of these errors were subsequently corrected by management in the final version of the financial statements.

- The State requires the STB/GO bond debt to be recorded on the separate financial statements of Department of Finance and Administration (DFA), however, the debt service fund in which the severance taxes and property tax levies are recognized and accumulated for debt service are reported in the separate financial statements of the State Treasurer’s Office (STO). Because of the separate reporting and the State lacking a process to identify and recognize the necessary consolidation/reclassification entries required, an approximate \$483M reclassification between restricted and unrestricted net position was required.
- The State reported all non-major enterprise fund balances under the “Restricted-Other” fund balance classification instead of classifying under the specific restricted purpose for those significant balances (i.e. Unemployment, Loans, etc.), which required a reclassification.
- The combining statement of changes in fiduciary net position for the private purpose funds incorrectly classified investment earnings of \$142M as member contributions, which required a reclassification.
- The State incorrectly classified approximately \$85M of investments as cash, which required a reclassification.
- The State incorrectly classified \$29M of expendable assets as nonexpendable for the non-major component units, which required a reclassification.
- The State lacks a process to distinguish between operating grants and capital grants for purpose of the proper classification of these program revenues on the statement of activities, which required a reclassification of \$377M from operating grants to capital grants for governmental activities.
- During our review of the initial draft, we noted reported unassigned fund balances (deficits) as follows: Debt Service Fund \$237M, Capital Projects Fund (\$713M), Severance Tax Permanent Fund (\$14M), and the Land Grant Permanent fund \$711M. These were unexpected for these funds, which were caused by inappropriate journal entries created by the State in an effort to eliminate grossed up interfund balances/activity. The fund balances were subsequently corrected/revised to properly report these balances.
- As of June 30, 2018, the State accrued a contingent liability that approximated \$179M related to estimated film tax credits. As of June 30, 2019, the remaining liability was \$29M, however, the State eliminated the entire liability, which required an adjustment to properly reflect the estimated unpaid amount.
- The State lacks an effective process to properly identify the necessary adjustments on the statement of activities related to the elimination of the internal service funds activity among state agencies. Total expenses eliminated were understated by approximately \$31M and the entire amount was only eliminated from the “General Control” function. In addition, the charges for services elimination of \$232M was incorrectly eliminated from miscellaneous revenue under general revenues.
- The effect of changes in the net OPEB liability and related deferred amounts totaling approximately \$21M were incorrectly classified as miscellaneous revenues in the statement of activities.
- The effect of changes in the net pension liability and related deferred amounts totaling approximately \$226M was classified in the General Control function instead of being allocating among the various functions.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2019

### Financial Statement Findings (Continued)

#### 2019-003 (Original Finding #2013-005) Internal Control over Financial Reporting (Material Weakness) – Repeated (Continued)

##### Condition (Continued):

As a result of our audit procedures we identified the following errors and misstatements reflected in the initial draft of the financial statements of the State as prepared by management. Management opted **not to correct** these items and are reflected as uncorrected errors in the State's financial statements. These errors and misstatements are not considered material individually or in the aggregate.

- The net activity related to capital asset activity as reported on the reconciliation of the statement of revenues, expenditures, and changes in fund balances – governmental funds to the statement of activities reflects an approximate \$28M variance when compared to the capital asset note disclosure. In addition, the notes report an approximate \$44M loss on the disposal of capital assets of which the State is uncertain as to how separate agencies reported in SHARE and the accuracy.
- The financial statements reflect a restatement in the amount of \$79M to the beginning net position of the governmental activities, which is identified as an adjustment related to the correction of errors. However, management is unable substantiate the actual errors that relate to this correction, and the entry was necessary to roll the net position from prior year. Overall, the State lacks an effective process around the assessment and identification of appropriate restatements at the State level and those that are a result of component level financial statements which may not be necessary to report as restatements at the State level.
- The reconciliations between the fund statements and the government-wide statements contain unreconciled variances in the amounts of \$4.4M and \$1.4M. Additionally, the reconciliations between the fund and the government-wide statements does not accurately capture activity related to capital gains resulting from a terminated capital lease, resulting in a \$1.8M unreconciled variance. The State lacks a comprehensive process to accurately track and reconcile activity from the fund level financial statements and footnotes to the government-wide financial statements
- The budgetary schedule of the general fund in the initial draft provided to us contained several variances when compared to the separately issued stand-alone reports. These were subsequently corrected by management, however, the budgeted operating transfers in compared to budget has a variance of \$4.7B. From a budgetary perspective it is apparent that either the budgeted amount or the actual amount is inaccurate.
- During our review of the State's financial statements, various inconsistencies and/or misclassifications, and rounding issues were identified and remain uncorrected.

*Management's Progress for Repeat Finding: The State has made many modifications to its system of accounting of information related to this finding. These improvements include creating new account numbers and issuing guidance regarding the use of the accounts. Ongoing communication and monitoring, and improvement will occur.*

**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, 2019

### Financial Statement Findings (Continued)

#### 2019-003 (Original Finding #2013-005) Internal Control over Financial Reporting (Material Weakness) – Repeated (Continued)

**Cause:** These issues can be attributed to the complexity of the State’s reporting entity and the quantity of separate components and their related control environments/processes that comprise the State’s financial statements. Additionally, there is a lack of adequate resources within the State’s CAFR unit to focus on addressing these issues throughout the year and during the financial reporting process. Overall, the State lacks an effective control environment over the financial reporting of the State as a whole to facilitate the production of timely and accurate financial statements of the State.

**Effect:** The State of New Mexico is unable to properly prepare financial statements in accordance with generally accepted accounting principles in a timely manner.

**Recommendation:** We recommend the State evaluate the entire approach of producing the State’s financial statements and the related processes and methodology to determine which processes could be improved upon to facilitate the State’s ability to produce a more timely and accurate report. Specifically, the State should evaluate each of the identified errors and issues outlined in the condition of this finding to determine the root of the issue to facilitate an appropriate corrective action. The State should evaluate whether the previous implementation of “Hyperion”, the software utilized to prepare the State’s financial statements, is a contributing factor to the State’s ability to produce a more timely and accurate report. 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 with this finding. To strengthen internal control over financial reporting, the State has initiated numerous accounting policy and procedural changes. As noted above issues can be attributed to the complexity of the State’s reporting entity and the quantity of separate components and their related control environments/processes that comprise the State’s financial statements as well as the lack of resources within the State’s CAFR unit to focus on addressing these issues throughout the year and during the financial reporting process.*

*The Department of Finance and Administration was awarded funding in its 2021 budget for two additional CAFR accountants. This funding will provide capacity to more closely monitor the activity and policies of agencies, particularly the agencies deemed high risk. The additional staff will also add capacity during the actual preparation of the CAFR at year end. Having additional staff will allow for a more thorough review of the draft report prior to sending to the auditors.*

*During FY18, the Department of Finance and Administration issued additional statewide clarifying accounting policies taking policy control back from the agencies. Recent enterprise system upgrades have included enhancements to automated transaction validation. All of this has improved the quality of the CAFR, however there remains a number of misaligned transactions at the agency level. Additional process reengineering, documentation, training and oversight is planned to fully address this issue. The State Controller 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, 2019

### Compliance and Other Matters

#### **2019-004 (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, 2019 was not submitted by Regulatory due date of December 31, 2019.

*Management's Progress for Repeat Finding: The State has made many modifications to its system of accounting of information related to this finding. These improvements include creating new account numbers and issuing guidance regarding the use of the accounts. Ongoing communication and monitoring, and improvement is occurring.*

**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 State lacks an adequate financial reporting process and adequate resources to achieve the established deadline of December 31.

**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 evaluate the entire approach of producing the State's financial statements and the related processes and methodology to determine which processes could be improved to facilitate the State's ability produce a more timely and accurate report. 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.*

# STATE OF NEW MEXICO

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## STATUS OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2019

### Financial Statement Findings

**2018-001 - Financial Accounting and Reporting of the Internal Service Funds Activity in the Government-Wide Financial Statements (Material Weakness) – Resolved**

**2018-002 - Component Financial Reporting (Material Weakness) - Repeated as finding #2019-001**

**2018-003 (Original Finding #2013-002) Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) Repeated as finding #2019-002**

**2018-004 (Original Finding #2013-005) Internal Control over Financial Reporting (Material Weakness) – Repeated as finding # 2019-003**

**2018-005 (Original Finding # 2015-001) Late Submission of Audit Report (Compliance and Other Matters) - Repeated as finding #2019-004**



# STATE OF NEW MEXICO

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## EXIT CONFERENCE YEAR ENDED JUNE 30, 2019

An exit conference was held with the State on March 31, 2020. 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  
Donna Trujillo, State Controller  
Rena Herndon-Lopez, CAFR Unit Supervisor  
Andrew Baranowski, DFA General Counsel

### CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA  
Laura Beltran-Schmitz, CPA, CGFM, CFE, CICA

### OFFICE OF THE STATE AUDITOR

Brian Colón, State Auditor  
Natalie Cordova, Deputy State Auditor  
Kusum Adhikari, Audit Supervisor

## 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



**APPENDIX B**

**FORM OF ATTORNEY GENERAL'S NO LITIGATION LETTER**

\_\_\_\_\_, 2021

State Board of Finance  
State of New Mexico  
Bataan Memorial Building, Ste. 181  
Santa Fe, NM 87501

Sherman & Howard LLC  
500 Marquette Ave. NW #1203  
Albuquerque, NM 87102-5340

Rodey, Dickason, Sloan, Akin & Robb, P.A.  
201 3rd St. NW, Ste. 2200  
Albuquerque, NM 87102

Kutak Rock LLP  
1801 California Street, Ste. 3000  
Denver, CO 80202

Gilmore & Bell, P.C.  
Gateway Towers West  
15 West South Temple, Suite 1450  
Salt Lake City, UT 84101

Re: State of New Mexico Capital Projects General Obligation Bonds, Series 2021 \$ \_\_\_\_\_

Ladies and Gentlemen:

This letter will serve as our certificate of litigation concerning the State of New Mexico Capital Projects General Obligation Bonds, Series 2021, in the aggregate principal amount of \$\_\_\_\_\_.

Litigation Directly Affecting Issuance of the Bonds

To the best of our knowledge, and except as set forth below, there is no pending or threatened action, suit or proceeding at law or in equity before or by any judicial or administrative agency against or affecting the State wherein an unfavorable decision, ruling, or finding would materially and adversely affect: (i) any officers of the State in their respective capacities as such or the existence, organization or power of the State, insofar as these matters relate to these bonds; (ii) the sale, award, issuance and delivery of these bonds; (iii) the effectiveness of the legislation authorizing the issuance of these bonds; (iv) the transactions authorized by the State Board of Finance in its resolutions of April 20, 2021 (the "Bond Resolution") relating to the sale, award, issuance and delivery of these bonds; or (v) the validity or enforceability of the bonds or the Bond Resolution.

### Property Tax Litigation

The New Mexico Department of Taxation and Revenue has informed this office that currently there is no pending or threatened action, suit or proceeding in law or in equity that contests the validity of the State's imposition of property taxes.

The State is a party to suits in which the taxpayers contest the assessed value of their properties, but do not contest the validity of the State's imposition of the tax itself. Such proceedings are not reasonably expected to have a material adverse effect on these bonds, the security for these bonds, or any improvements financed by these bonds.

### Other Litigation

The State is a party to various legal and administrative proceedings seeking damages or injunctive relief and generally incidental to its operations, which proceedings are unrelated to these bonds, the security therefor, or any improvements to be financed with these bonds.

We have reviewed the Decision and Order filed on December 29, 2020 in the Eleventh Judicial District Court (McKinley County) in cause No. D-1113-CV-9800014, *The Zuni Pub. School Dist., et al, v. The State of New Mexico, et al.* We have been apprised of the litigation by the Litigation Division of the Office of the Attorney General, which represents the State defendants in said matter. The December 29, 2020 order is a final, appealable judgment. It provides declaratory relief in the form of a finding that the State's Public School Capital Outlay Act, NMSA 1978, Sections 22-21-1 to -12 (1975, as amended through 2020) and Public School Capital Improvements Act, NMSA 1978, Sections 22-25-1 to -11 (1975, as amended through 2020) are unconstitutional; and enjoins the legislature to create and implement a statutory scheme consistent with Article XII, Section 1 of the New Mexico Constitution. Notably, the decision does not expressly or indirectly reference the State's Severance Tax Bonding Act, NMSA 1978, Sections 7-27-1 to -27 (1961, as amended through 2020). On January 28, 2021 the State defendants filed a Motion for Post-Judgment Relief to Amend and Reconsider Final Judgment, for Clarification of Order, and for Stay. The Court has not ruled on this motion as of the date of this letter. Moreover, on February 11, 2021, the State defendants filed an Unopposed Expedited Motion for Limited Stay. The motion was granted the next day, February 12, 2021, when the Court issued an Order Staying Judgment expressly staying the Final Decision and Order for the purpose of permitting bonding activity and the release of proceeds to proceed uninterrupted. We express no opinion on the effects of the McKinley County Ruling.

Sincerely,

Marah deMeule  
Assistant Attorney General

**APPENDIX C**

**FORMS OF OPINIONS OF CO-BOND COUNSEL AND TAX COUNSEL**

**FORM OF CO-BOND COUNSEL OPINION**

\_\_\_\_\_, 2021

State Board of Finance  
State of New Mexico

\$ \_\_\_\_\_  
State of New Mexico  
Capital Projects General Obligation Bonds  
Series 2021

Ladies and Gentlemen:

We have acted as co-bond counsel to the State Board of Finance (the “Board”) of the State of New Mexico (the “State”) in connection with the issuance of the State of New Mexico Capital Projects General Obligation Bonds, Series 2021, in the aggregate principal amount of \$ \_\_\_\_\_ (the “Bonds”) on May \_\_, 2021, and being a series of bonds in registered form maturing on March 1, 2022 and serially thereafter on March 1 of each year through 203\_\_.

In such capacity, we have examined the transcript of proceedings (the “Transcript”) relating to the Bonds and have also examined the provisions of the Constitution and laws of the State including the 2020 Capital Projects General Obligation Bond Act, Chapter 84 of New Mexico Laws of 2020, under authority of which the Bonds were issued, the resolutions authorizing the issuance and sale of the Bonds (the “Bond Legislation”) adopted by the Board on April 20, 2021, an executed Bond of the first maturity. We have also made such further inquiries and investigations and have examined such law of the United States of America and such further documents and matters as we have considered necessary in rendering this opinion.

Regarding questions of fact material to our opinions, we have relied upon the State’s and Board’s respective certified proceedings relating to the Bonds and upon other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Certain agreements, requirements and procedures contained or referred to in the Bond Legislation and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon with respect to any such change or action taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. Furthermore, we have assumed the continued accuracy of the representations and the continuing compliance with the covenants and agreements contained in the Bond Legislation. We call attention to the fact that the rights and obligations of the Board pursuant to the Bonds, the Bond Legislation and their enforceability may be

subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State of New Mexico. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds and express herein no opinion relating thereto.

Based on our examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Bonds constitute valid and binding general obligations of the State and the principal of and interest on the Bonds, unless paid from other sources, are payable from the proceeds of the levy of ad valorem taxes on all property in the State, subject to property taxation for State purposes, without limit as to rate and in an amount sufficient to pay the principal and interest on the Bonds when due.

2. The Bond Legislation is valid and binding on the Board and is enforceable in accordance with its terms.

We express no opinion regarding any federal or state income tax consequences arising from the receipt or accrual of interest on or ownership or disposition of the Bonds.

Very truly yours,

## FORM OF OPINION OF TAX COUNSEL

*Upon the issuance of the Series 2021 Bonds, Gilmore & Bell, P.C., Tax Counsel to the State, plans to issue its approving opinion in substantially the following form:*

We have acted as tax counsel to the State of New Mexico (the “State”) in connection with the issuance of its Capital Projects General Obligation Bonds, Series 2021 in the aggregate principal amount of \$171,760,000\* (the “Series 2021 Bonds”). The Series 2021 Bonds are being issued for the purpose of making capital expenditures for senior citizen facility improvements and acquisitions, for library acquisitions, and for capital improvements and acquisitions at institutions of higher education, state special schools and tribal schools as described in the 2020 Capital Projects General Obligation Bond Act (the “Act”).

The Series 2021 Bonds are being issued under authority of the Act and pursuant to a Resolution Authorizing General Obligation Bonds and Delegating Responsibility for Determining the Final Terms of Such Bonds adopted by the State Board of Finance on April 20, 2021, including by a Final Terms Certificate approved in accordance with the terms of such resolution (collectively, the “Bond Resolution”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution.

We have reviewed the Bond Resolution, the opinions of Co-Bond Counsel as to the validity of the Series 2021 Bonds, the Federal Tax Certificate of the State, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the opinions of Co-Bond Counsel as to the validity of the Series 2021 Bonds and certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The interest on the Series 2021 Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series 2021 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The State has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Series 2021 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2021 Bonds.

2. The interest on the Series 2021 Bonds is exempt from income taxation by the State of New Mexico.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2021 Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

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\* Preliminary; subject to change.



(b) we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2021 Bonds; and

(c) except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds.

Respectfully submitted,

## **APPENDIX D**

### **FORM OF CONTINUING DISCLOSURE UNDERTAKING**

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the State Board of Finance (the “Board”) of the State of New Mexico (the “State”) on behalf of the State in connection with the issuance by the State of its Capital Projects General Obligation Bonds, Series 2021 (the “Bonds”). The Bonds are being issued pursuant to the Bond Resolution adopted by the Board on \_\_\_\_\_, 2021 and \_\_\_\_\_, 2021 (collectively, the “Bond Resolution”).

#### **BACKGROUND**

1. The Bonds are being issued to provide funds for the payment of the costs of certain Projects. The Bonds are authorized pursuant to the authority of the 2020 Capital Projects General Obligation Bond Act (the “Act”) duly promulgated by the Legislature of the State of New Mexico (the “State”) as Chapter 84, Laws 2020.

2. In order to allow the underwriter of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, 240.15c2-12, as amended to the date hereof), the State is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds.

3. This Disclosure Undertaking is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

#### **STATE COVENANTS AND AGREEMENTS**

##### **Section 1. Definitions.**

(a) “Annual Financial Information” means the financial information or operating data with respect to the State, delivered at least annually pursuant to Section 2(a) and 2(b) hereof, of the type set forth in the sections of the final Official Statement identified on Exhibit A hereto. Annual Financial Information includes Audited Financial Statements.

(b) “Audited Financial Statements” means the annual financial statements for the State, prepared in accordance with generally accepted accounting principles, as in effect from time to time, audited by a firm of certified public accountants.

(c) “Event Information” means the information delivered pursuant to Section 2(d) hereof.

(d) “MSRB” means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1300 I Street NW, Suite 1000, Washington, DC 20005, phone (202) 838-1500, fax (202) 898-1500.

(e) “National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) for purposes of the Rule. Currently, the following is the only National Repository:

Electronic Municipal Market Access (“EMMA”)  
c/o Municipal Securities Rulemaking Board  
1300 I Street NW, Suite 1000  
Washington, DC 20005  
[www.emma.msrb.org](http://www.emma.msrb.org)  
(202) 838-1500

(f) “Official Statement” means the Official Statement dated \_\_\_\_, 2021 delivered in connection with the original issue and sale of the Bonds.

(g) “Repository” means (i) EMMA and (ii) any SID.

(h) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, 240.15c2-12, as the same may be amended to the date hereof).

(i) “SEC” means the Securities and Exchange Commission.

(j) “SID” means any State Information Depository operated or designated by the State that receives information from all issuers within the State. As of the date of this Disclosure Undertaking, no SID exists for the State.

**Section 2. Provision of Annual Information and Reporting of Event Information.**

(a) Commencing with the Fiscal Year ending June 30, 2021 and annually while the Bonds remain outstanding, the State agrees to provide or cause to be provided the Annual Financial Information to each Repository annually.

(b) Such Annual Financial Information shall be provided not later than two hundred ten (210) days after the end of each fiscal year for the State (i.e., each June 30). If the Audited Financial Statements are not available by the time the other Annual Financial Information must be provided, unaudited financial statements shall be provided as part of the Annual Financial Information. If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The State may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the State, which have been submitted to each Repository; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) At any time the Bonds are outstanding, the State shall provide, in a timely manner, to the MSRB and any SID notice of any of the following events with respect to the Bonds (provided, that any event under clauses (ii), (vii), (viii), (x), (xiv) and (xv) will be provided only if deemed to be material):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Forms 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds;
- (vii) Modifications to rights of bond holders;
- (viii) Bond calls, other than mandatory sinking fund redemption, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of any property securing repayment of the securities;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar proceedings;
- (xiii) Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated person or their termination;
- (xiv) Appointment of successor or additional trustee or the change of name of a trustee;
- (xv) Incurrence of a financial obligation of the Board or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Board or obligated person, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Board or obligated person, any of which reflect financial difficulties.

(e) At any time the Bonds are outstanding, the State shall provide, in a timely manner, to the MSRB and any SID notice of any failure of the State to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

**Section 3. Method of Transmission.** Subject to technical and economic feasibility, the State shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law.

**Section 4. Enforcement.** The obligations of the State hereunder shall be for the benefit of the owners (including the beneficial owners) of the Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the State to comply with its obligations under this Disclosure Undertaking, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Bonds. Any such action shall be brought only in the First Judicial District Court in Santa Fe, County, New Mexico. Breach of the obligations of the State hereunder shall not constitute an event of default under the Bond Resolution and none of the rights and remedies provided by the Bond Resolution shall be available to the owners (including the beneficial owners) of the Bonds.

**Section 5. Additional Information.** Nothing in this Disclosure Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not Event Information, in addition to that which is required by this Disclosure Undertaking; provided that the State shall not be required to do so. If the State chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the State shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual filing or Event Information filing.

**Section 6. Term.** This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Bonds shall have been paid or legally defeased pursuant to the terms of the Bond Resolution; (ii) the date that the State shall no longer constitute an “obligated person” with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

**Section 7. Amendments and Waivers.** Notwithstanding any other provision of this Disclosure Undertaking, the State may amend this Disclosure Undertaking from time to time, and any provision of this Disclosure Undertaking may be waived, without the consent of the owners or beneficial owners of the Bonds upon the State’s receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with the Rule. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The State shall provide notice of any such amendment or waiver to each Repository.

**Section 8. Beneficiaries.** This Disclosure Undertaking shall inure solely to the benefit of the State and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 9. Governing Law.** This Disclosure Undertaking shall be governed by the laws of the State and applicable federal law, including the Rule.

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Undertaking as of \_\_\_\_\_, 2021.

NEW MEXICO STATE BOARD OF FINANCE

By \_\_\_\_\_

**EXHIBIT A**

**Portions of the Official Statement  
Containing the Type of Information  
To Be Included as Annual Financial Information**

1. OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS  
All
2. THE STATE OF NEW MEXICO  
All
3. PROPERTY VALUATION AND TAXATION  
All
4. FINANCIAL OVERVIEW OF THE STATE  
All
5. STATE OF NEW MEXICO FINANCIAL STATEMENTS (Audited)  
All