

**STATE OF NEW MEXICO**  
**COMPREHENSIVE**  
**ANNUAL FINANCIAL**  
**REPORT**

**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2014**



**SUSANA MARTINEZ, GOVERNOR**

THOMAS E. CLIFFORD, PH.D.  
CABINET SECRETARY

RONALD C. SPILMAN  
STATE CONTROLLER

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### TABLE OF CONTENTS

#### INTRODUCTORY SECTION

Letter of Transmittal.....	vii
State of New Mexico Selected State Officials.....	xi
State of New Mexico Organizational Chart.....	xii

#### FINANCIAL SECTION

Independent Auditors' Report .....	2
Management's Discussion and Analysis .....	8

#### Basic Financial Statements

##### Government-Wide Financial Statements:

Statement of Net Position.....	26
Statement of Activities .....	28

##### Fund Financial Statements:

Balance Sheet – Governmental Funds.....	32
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	40
Statement of Net Position – Proprietary Funds .....	42
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	44
Statement of Cash Flows – Proprietary Funds .....	46
Statement of Fiduciary Net Position – Fiduciary Funds.....	50
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	51
Combining Statement of Net Position – Component Units.....	54
Combining Statement of Activities – Component Units .....	56

Index to Notes to the Financial Statements .....	58
Notes to the Financial Statements .....	59

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### TABLE OF CONTENTS

#### Required Supplementary Information

Budgetary Comparison Schedule – General Fund.....	170
Notes to Budgetary Reporting .....	177
Schedules of Changes in Net Pension Liability	
Public Employees Retirement System.....	179
Judicial Retirement System .....	180
Magistrate Retirement System .....	181
Volunteer Firefighters Retirement System.....	182
Educational Employees Retirement System.....	183
Schedules of Net Pension Liability	
Public Employees Retirement System.....	184
Judicial Retirement System .....	185
Magistrate Retirement System .....	186
Volunteer Firefighters Retirement System.....	187
Educational Employees Retirement System.....	188
Schedules of Employer Contributions	
Public Employees Retirement System.....	190
Judicial Retirement System .....	192
Magistrate Retirement System .....	194
Volunteer Firefighters Retirement System.....	196
Educational Employees Retirement System.....	198
Schedules of Investment Returns	
Public Employees Retirement Association – All Retirement Systems .....	200
Educational Employees Retirement System.....	201
Schedule of Actuarial Methods and Assumptions – All Retirement Systems .....	202
Schedule of Funding Progress of the Retiree Health Care Authority .....	203

#### Other Supplementary Information

Combining Statements and Individual Fund Statements and Schedules:

##### Proprietary Funds

##### Nonmajor Enterprise Funds

Combining Statement of Net Position.....	210
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position.....	214
Combining Statement of Cash Flows.....	216

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### TABLE OF CONTENTS

#### Other Supplementary Information (Continued)

##### Combining Statements and Individual Fund Statements and Schedules (Continued)

###### Internal Service Funds

Combining Statement of Net Position.....	222
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position.....	224
Combining Statement of Cash Flows.....	226

###### Fiduciary Funds

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

Combining Statement of Fiduciary Net Position .....	230
Combining Statement of Changes in Fiduciary Net Position.....	231

###### External Investment Trust Funds

Combining Statement of Fiduciary Net Position .....	234
Combining Statement of Changes in Fiduciary Net Position.....	235

###### Private Purpose Trust Funds

Combining Statement of Fiduciary Net Position .....	238
Combining Statement of Changes in Fiduciary Net Position.....	240

###### Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities .....	244
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### STATISTICAL SECTION

Index to Statistical Section .....	246
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#### Financial Trends Information

Schedule A-1	Net Position by Component .....	248
Schedule A-2	Changes in Net Position.....	250
Schedule A-3	Fund Balances, Governmental Funds .....	256
Schedule A-4	Changes in Fund Balances, Governmental Funds.....	258

#### Revenue Capacity Information

Schedule B-1	Schedule of Revenues, State General Fund .....	260
Schedule B-2	Revenue Base.....	266
Schedule B-3	Revenue Payers by Industry – Taxable Sales, Services, and Use Tax Purchases .....	268
Schedule B-4	Revenue Payers – Personal Income Tax .....	269
Schedule B-5	Personal Income Tax Rates.....	270

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### TABLE OF CONTENTS

#### Debt Capacity Information

Schedule C-1	Ratios of Outstanding Debt by Type.....	272
Schedule C-2	Long-Term Liabilities.....	274
Schedule C-3	Legal Debt Margin.....	276
Schedule C-4	Statutory Debt Limit – Severance Tax Bonds.....	278
Schedule C-5	Pledged Revenue Bond Coverage.....	280

#### Demographics and Economic Information

Schedule D-1	Demographic and Economic Indicators.....	282
Schedule D-2	Principal Employers.....	283
Schedule D-3	Composition of Labor Force.....	284
Schedule D-4	Public Higher Education Enrollment.....	286

#### Operating Information

Schedule E-1	Full-Time Equivalent State Employees by Function.....	288
Schedule E-2	Operating Indicators by Function.....	290
Schedule E-3	Capital Assets Statistics by Function.....	296

#### Other Information

Schedule F-1	Expenditures – Historical and Constant Dollars.....	298
Schedule F-2	Per Capita Expenditures – Historical and Constant Dollars.....	299

### 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 <i>Government Auditing Standards</i> .....	301
Schedule of Findings and Responses.....	303
Status of Prior Year Audit Findings.....	313
Exit Conference.....	314

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# INTRODUCTORY SECTION



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**DEPARTMENT OF FINANCE AND ADMINISTRATION  
FINANCIAL CONTROL DIVISION  
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*Susana Martinez*  
Governor

*Thomas E. Clifford, PhD*  
Cabinet Secretary

*Ronald C. Spilman*  
State Controller

Governor Susana Martinez  
Members of the State Legislature  
New Mexico Citizens

In accordance with the provisions of Chapter 6-5-4.1 of the New Mexico Statutes Annotated 1978 (NMSA 1978), we transmit the State of New Mexico's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The Statewide Financial Reporting and Accountability Bureau, within the Financial Control Division of the Department of Finance and Administration, prepared this report.

The CAFR presents the financial position and operating results of the State under generally accepted accounting principles (GAAP) applicable to State and local governments, as established by the Governmental Accounting Standards Board (GASB). In addition to providing traditional fund financial statements, the objective of this reporting model is to provide a single, unified, transparent picture of the State's fiscal health; the CAFR displays all of the State's revenues, expenditures, assets and liabilities. The report also includes a Management's Discussion and Analysis section (MD&A), to provide users with an objective and easy-to-read analysis of New Mexico's financial performance for the fiscal year ended June 30, 2014.

Section 12-6-3(A), NMSA 1978, in part, requires that, "The comprehensive annual financial report for the state shall be thoroughly examined and audited each year...". While this sentence was added to the referenced section in 2003, FY2013 was the first year that the State's CAFR was audited.

The basic financial statements contained in this report have been audited by CliftonLarsonAllen LLP, an independent accounting firm. Their audit was conducted in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. 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, 2014 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 the purpose of expressing an opinion on the effectiveness of the State's internal controls over financial reporting. Accordingly, the independent auditor expressed no opinion with respect to internal controls over financial reporting.

After many years of not preparing an audited CAFR, the State of New Mexico has made significant improvement in statewide controls over the last two years. These improvements include but are not limited to reconciling cash transactions since February of 2013 and preparing the first audited CAFR in the State's history in fiscal year 2013. Given the historical lack of coordination of the State's financial practices, it is not surprising that the State's first audited CAFR for fiscal year 2013 received a disclaimed opinion. Similarly, issues remained in the fiscal year 2014 CAFR as described in the "Bases for Disclaimer of Opinion" on Government Wide Financials Statements, and specified fund-level statements that precluded the independent auditor from providing an opinion on these statements. However, the auditor was able to express an opinion on numerous individual fund level statements for the fiscal year ended June 30, 2014. These are the first non-disclaimed opinions received by the State of New Mexico on an audited CAFR.



Since last year's report, two control findings related to fund classification and budgeting have been rectified. Additionally, the ongoing reconciliation of bank transactions to the general ledger, which has been in place since February of 2013, should enable us to resolve another long-standing issue. As outlined in the Management Response to the Financial Statement Findings, the state has undertaken many other major accounting and control initiatives to improve financial reporting practices throughout state government. In particular, the State has procured specialized software to automate CAFR preparation, and is significantly expanding staffing in the State Financial Reporting and Accountability Bureau (SFRAB). These efforts affect over a hundred state entities and will take time to fully implement. This report and the ongoing efforts to remediate the issues identified represent important steps in the process of improving financial reporting by the State of New Mexico.

This transmittal letter is intended to complement the MD&A and should be read in conjunction with it. The State of New Mexico's MD&A can be found immediately following the Independent Auditor's Report.

## PROFILE OF STATE OF NEW MEXICO

New Mexico became the forty-seventh state of the United States of America when it was admitted to the union in 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. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, mining and services. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. The State of New Mexico's estimated population is 2,085,572 as of July 2014.

**Structure** – The State Constitution divides the powers of government among three independent branches: Legislative, Executive, and Judicial, shown in the organizational chart on page xii. 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. In accordance with the requirements of GASB Statement No. 14, *The Financial Reporting Entity (as amended)*, this CAFR for the fiscal year ended June 30, 2014 includes the primary government (i.e., legislative agencies, executive 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.

**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; 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** – Annually, the Governor is required to submit a balanced budget by fund, function and activity to the Legislature. The Legislature authorizes expenditures in the annual *General Appropriations Act* by source, which is then signed into law by the Governor. 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 that program goals of the Agencies are achieved by the end of the Fiscal Year. Expenditures are controlled at the program level. The budget is adopted on a budgetary basis that is not consistent with GAAP.

**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 have adequate internal controls in place. 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 regularly evaluated by internal reviews performed by the Department of Finance and Administration, Financial Control Division and external audits.



## ECONOMIC CONDITIONS AND OUTLOOK

New Mexico's economy rebounded in Fiscal Year 2014 as real gross state product increased 1.9 percent. Total General Fund revenues grew 5.8 percent in Fiscal Year 2014 after declining 1.3 percent in the prior Fiscal Year, due to the negative impact of the federal spending sequestration.

New Mexico general sales tax revenue, which includes gross receipts tax and compensating tax, grew 5.2 percent in Fiscal Year 2014, driven by growth in extractive industries, manufacturing and professional services. Selective sales taxes, including insurance premium tax and motor vehicle excise tax, rose 3.5 percent. Oil and natural gas related revenues grew by 24.6 percent in Fiscal Year 2014, driven by strong energy prices and increased production. Oil production increased in Fiscal Year 2014 to double the level seen in Fiscal Year 2009.

While income tax revenues fell by 3.7 percent in Fiscal Year 2014, much of the decline was anticipated due to an acceleration of payments in Fiscal Year 2013 in response to federal tax law changes. Growth of corporate income tax receipts were adversely impacted by changes in the timing of payments and refund claims which pushed some fourth quarter payments into Fiscal Year 2015.

Employment growth experienced during the first half of Fiscal Year 2015 was the strongest since prior to the recession, and total Fiscal Year 2015 job growth is expected to be up 1.8 percent, just below the long-term average. Moreover, employment gains appear to be widespread and across most industries. Wage growth is expected to accelerate both nationally and in New Mexico as the job market improves.

A headwind for the New Mexico economy in Fiscal Year 2015 is the sharp decline in energy prices. As a consequence of the price decline, employment and taxable gross receipts in the oil drilling industry have begun to decline: however, a slowdown in production growth provides upside price potential.

Although General Fund recurring revenue is forecast to grow at 1.2 percent, revenue tracking models indicate an increase of 3.7 percent in Fiscal Year 2015. This year-to-date variance is driven by oil and gas related revenues, which benefited from stronger prices and production early in the fiscal year, and broad-based income and sales receipts. Total taxable gross receipts have increased by 8.7 percent in the first half of Fiscal Year 2015 with growth across most sectors. Retail receipts increased by 4.4 percent from the prior year, while construction revenue grew by 10.2 percent.

A more detailed review of New Mexico economic conditions and outlook is presented in the Management's Discussion and Analysis section.

## LONG-TERM FINANCING PLANNING

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

## ACKNOWLEDGMENTS

The Department of Finance and Administration's executive management would like to express our gratitude to the many dedicated professionals in the State Financial Reporting and Accountability Bureau, whose work made possible the preparation of this report. We believe their combined efforts 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,



Thomas E. Clifford, PhD  
Cabinet Secretary



Ronald C. Spilman  
State Controller

# STATE OF NEW MEXICO

## SELECTED STATE OFFICIALS

June 30, 2014

### Executive

**Susana Martinez, Governor**

**John A. Sanchez, Lieutenant Governor**

<b>Dianna J. Duran</b> Secretary of State	<b>Hector H. Balderas</b> State Auditor	<b>James B. Lewis</b> State Treasurer	<b>Gary K. King</b> Attorney General	<b>Ray Powell</b> Commissioner of Public Lands
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- **Karen L. Montoya**, Public Regulation Commission • **Patrick H. Lyons**, Public Regulation Commission • **Valerie Espinoza**, Public Regulation Commission • **Theresa Becenti-Aguilar**, Public Regulation Commission • **Ben L. Hall**, Public Regulation Commission

### Judicial

<b>Barbara J. Vigil</b> Chief Justice of the Supreme Court	<b>Petra Jimenez Maes</b> Justice of the Supreme Court	<b>Charles W. Daniels</b> Justice of the Supreme Court	<b>Richard C. Bosson</b> Justice of the Supreme Court	<b>Edward L. Chavez</b> Justice of the Supreme Court
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- **Roderick T. Kennedy**, Chief Judge of the Court of Appeals • **Cynthia A. Fry**, Judge of the Court of Appeals • **James J. Wechsler**, Judge of the Court of Appeals • **Timothy L. Garcia**, Judge of the Court of Appeals • **Linda M. Vanzi**, Judge of the Court of Appeals • **Michael D. Bustamante**, Judge of the Court of Appeals • **J. Miles Hanisee**, Judge of the Court of Appeals • **Michael E. Vigil**, Judge of the Court of Appeals • **Jonathan B. Sutin**, Judge of the Court of Appeals • **M. Monica Zamora**, Judge of the Court of Appeals

### Legislative - Senate

<b>Mary Kay Papan</b> President Pro Tempore	<b>Michael S. Sanchez</b> Majority Floor Leader	<b>Stuart Ingle</b> Minority Floor Leader	<b>Timothy M. Keller</b> Majority Whip
<b>William H. Payne</b> Minority Whip	<b>Jacob R. Candelaria</b> Majority Caucus Chair	<b>Steven P. Neville</b> Minority Caucus Chair	

### Legislative – House of Representatives

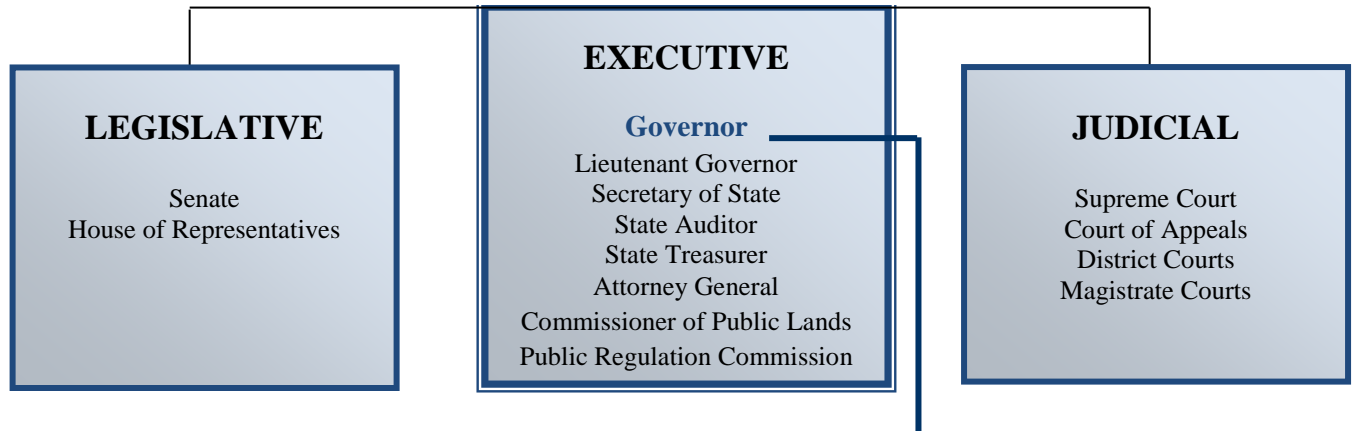
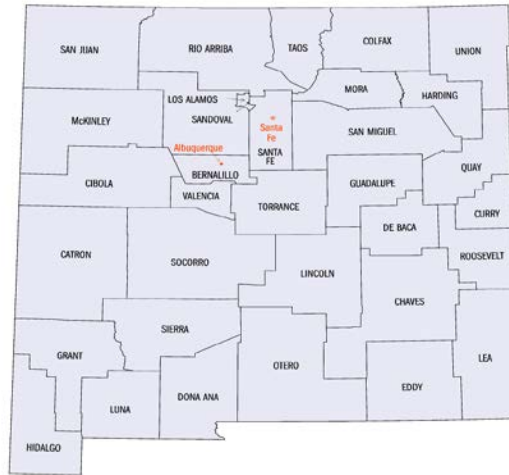
<b>W. Ken Martinez</b> Speaker of the House	<b>Rick Miera</b> Majority Floor Leader	<b>Donald E. Bratton</b> Minority Floor Leader	<b>Antonio “Moe” Maestas</b> Majority Whip
<b>Nate Gentry</b> Minority Whip	<b>Patricia A. Lundstrom</b> Majority Caucus Chair	<b>Alonzo Baldonado</b> Minority Caucus Chair	

# STATE OF NEW MEXICO

## ORGANIZATIONAL CHART

June 30, 2014

### Citizens of New Mexico



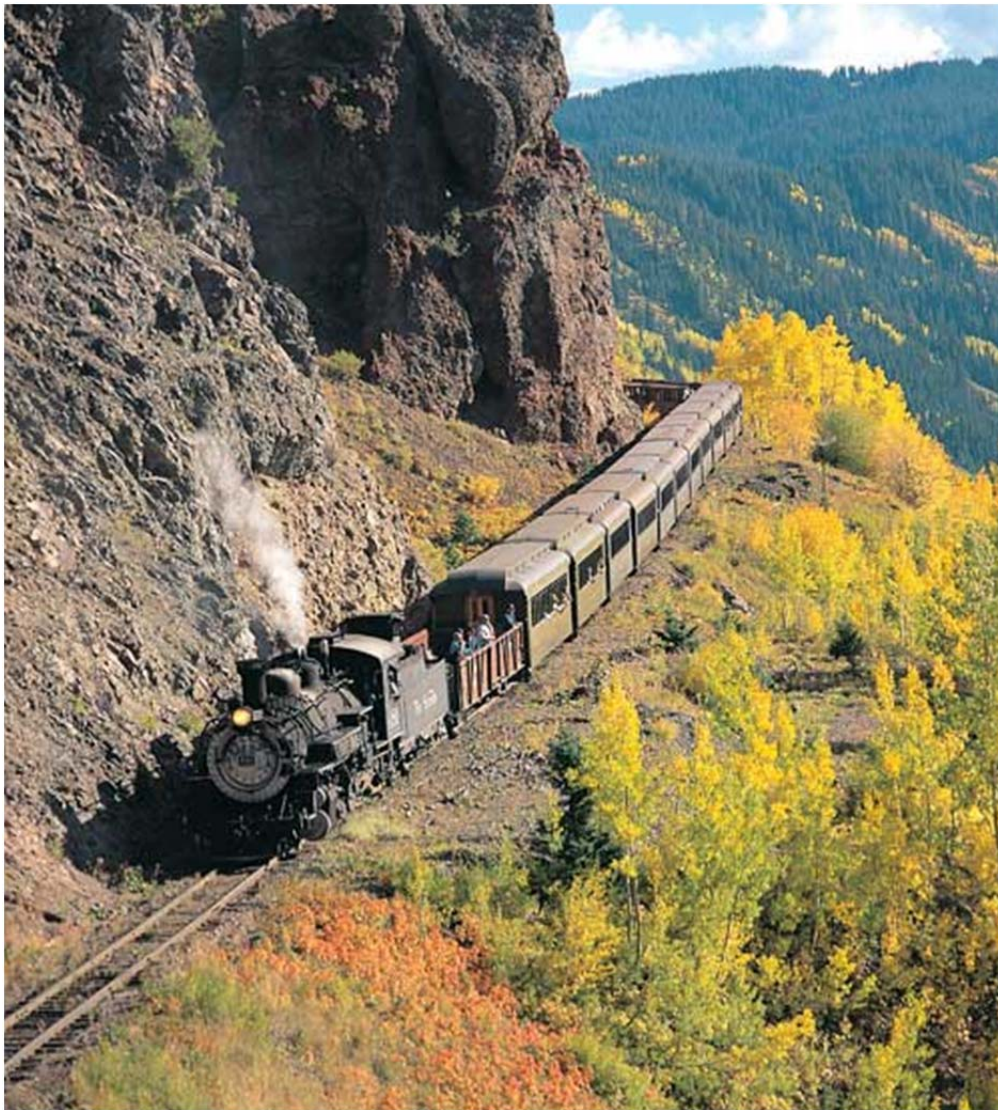
<b>GOVERNOR'S CABINET</b>	
African American Affairs Office	Aging and Long-Term Services Department
Department of Agriculture	Children, Youth and Families Department
Corrections Department	Cultural Affairs Department
Economic Development Department	Energy, Minerals and Natural Resources Department
Office 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, 2014

# FINANCIAL SECTION



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## INDEPENDENT AUDITORS' REPORT

The Honorable Susana Martinez, Governor of the State of New Mexico  
Mr. Thomas Clifford, Ph.D., Secretary of the New Mexico Department of  
Finance and Administration,  
Mr. Ronald C. Spilman, State Controller of the New Mexico Department  
of Finance and Administration  
and  
Mr. Timothy Keller, New Mexico State Auditor

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the State's non-major enterprise funds, internal service funds, and each fiduciary fund type presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

**Percentage Audited by Other Auditors**

**Government-Wide**

	<b><u>Total Assets</u></b>	<b><u>Total Revenues</u></b>
Governmental activities	49%	49%
Business-type activities	92%	91%
Discretely presented component units	100%	100%

**Fund Statements**

Major governmental fund - General Fund	54%	54%
Major governmental fund - Debt Service Fund	1%	<1%
Major governmental fund - Capital Project Fund	4%	<1%
Major enterprise fund - Educational Institutions	100%	100%
Aggregate Remaining Fund Information	68%	69%
Nonmajor enterprise fund - Industries for the Blind	100%	100%
Nonmajor enterprise fund - Corrections Industries Revolving Fund	100%	100%
Nonmajor enterprise fund - NM Public Schools Insurance Authority	100%	100%
Nonmajor enterprise fund - Department of Cultural Affairs	100%	100%
Internal Service Fund - Communications Services	100%	100%
Internal Service Fund - Information Processing	100%	100%
Pension and Other Employee Benefits Trust Funds	100%	100%
Private Purpose Trust Funds	16%	30%
Agency Funds	32%	n/a

Except as explained in the bases for disclaimer of opinions paragraph, 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 audit opinions.



**Summary of Opinions**

**Modified Opinion Section**

<u><b>Opinion Unit</b></u>	<u><b>Type of Opinion/Disclaimer</b></u>	<u><b>Bases for Disclaimer</b></u>
Governmental Activities	Disclaimer	D1, D2, D3, D5
Business-Type Activities	Disclaimer	D2, D3, D5
Aggregate Discretely Presented Component Units	Disclaimer	D2, D3, D4
Major governmental fund - General Fund	Disclaimer	D1, D2, D3, D5
Major governmental fund - Debt Service Fund	Disclaimer	D2, D5
Major governmental fund - Capital Projects Fund	Disclaimer	D2, D3, D5
Major governmental fund - Severance Tax Permanent Fund	Disclaimer	D2, D5
Major governmental fund - Land Grant Permanent Fund	Disclaimer	D2, D5
Major enterprise fund - Educational Institutions Fund	Disclaimer	D2, D5
Aggregate Remaining Fund Information	Disclaimer	D2, D3, D5
Nonmajor enterprise fund - Miners' Colfax Medical Center	Disclaimer	D3
Nonmajor enterprise fund - State Fair Commission	Disclaimer	D3
Each Internal Service Fund	Disclaimer	D2, D5
Private Purpose Trust Funds	Qualified	n/a
Agency Funds	Disclaimer	D2, D3, D5

**Unmodified Opinion Section**

<u><b>Opinion Unit</b></u>	<u><b>Type of Opinion</b></u>
Nonmajor enterprise fund - Industries for the Blind	Unmodified
Nonmajor enterprise fund - Corrections Industries Revolving Fund	Unmodified
Nonmajor enterprise fund - Environment Department	Unmodified
Nonmajor enterprise fund - New Mexico Magazine	Unmodified
Nonmajor enterprise fund - NM Public Schools Insurance Authority	Unmodified
Nonmajor enterprise fund - State Infrastructure Bank	Unmodified
Nonmajor enterprise fund - Unemployment Insurance Fund	Unmodified
Nonmajor enterprise fund - Department of Cultural Affairs	Unmodified
Pension and Other Employee Benefits Trust Funds	Unmodified
External Investment Trust Funds	Unmodified

**Bases for Disclaimer of Opinions**

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

- D1.** The State has not completely reconciled actual State General Fund Investment Pool balances (resources) to the participant claims on that pool to determine the adequacy of the established \$100M loss contingency and the extent additional adjustments may be required. As a result, management is unable to provide sufficient appropriate audit evidence to support the SGFIP balances reported for the General Fund or the related opening fund balance or net position. (see finding 2013-001 in the schedule of findings and responses for additional details)

- D2.** The State is unable to provide sufficient appropriate audit evidence to support the accuracy, classification, completeness, existence and occurrence of all the State's interfund, internal, intra-entity activity and balances. *(see findings 2013-002 and 2014-001 in the schedule of findings and responses for additional details)*
- D3.** The financial statements of certain agencies and component units have not been audited, and we were not engaged to audit these certain agencies and component units as part of our audit of the State. Furthermore, the discretely presented component unit – Charter Schools, nonmajor enterprise fund – State Fair Commission, and nonmajor enterprise fund – Miners' Colfax Medical Center report the activities and balances as of and for the year ended June 30, 2013.
- D4.** The State is unable to provide sufficient appropriate audit evidence that all component units of the State have been identified and reported in the State's financial statements. The State is aware of at least one component unit of the State that has been excluded from the State's financial statements. *(see finding 2013-005 in the schedule of findings and responses for additional details)*
- D5.** The State lacks adequate controls and processes to properly consolidate all of the financial information of the various agencies and component units of the State. The State has not considered or posted all necessary consolidation/elimination entries in the State's financials. Numerous inconsistencies/inaccuracies were identified in the classifications of certain balances/activities within the various opinion units of the State. *(see findings 2013-002, 2013-005 and 2014-001 in the schedule of findings and responses for additional details)*

As a result of these matters, we were unable to determine the extent of additional adjustments and reclassifications, which would be necessary to the financial statements.

### **Disclaimer of Opinions**

Because of the significance of the matters described in the “Bases for Disclaimer of Opinions” paragraph we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on the financial statements identified with a disclaimer of opinion in the “Modified Opinion Section” schedule in the “Summary of Opinions” paragraph.

### ***Basis for Qualification of Private Purpose Trust Funds***

#### ***Private Purpose Trust Funds***

The State lacks adequate controls and processes to properly consolidate all of the financial information of the various agencies and component units of the State. The State has not considered or posted all necessary consolidation/elimination entries in the State's financials. Numerous inconsistencies and errors were identified in the State's allocation and classification of the activities/balances of the Land Grant Permanent Fund, as a result management was unable to provide sufficient appropriate audit evidence regarding the balances/activities of the Land Grant Private Purpose Trust Fund, which is reported as a fund within the Private Purpose Trust Fund.

### **Qualified Opinion**

In our opinion, except for the matter described in the “*Basis for Qualification of Private Purpose Trust Funds*” paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Private Purpose Trust Funds of the State, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the opinion units identified in the “Unmodified Opinion Section” schedule in the “Summary of Opinions” of the State, as of June 30, 2014, 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 Matter**

### *Change in Accounting Principles*

As discussed in Note 9 to the financial statements the State restated beginning balances resulting from the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

### *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 that 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 8-23), Budgetary Comparison Schedule – General Fund and Notes to Budgetary Reporting (pages 170-178), Schedules of Changes in Net Pension Liability (pages 179-183), Schedules of Net Pension Liability (pages 184-188), Schedules of Employer Contributions (pages 190-199), Schedules of Investment Returns (pages 200-201), Schedule of Actuarial Methods and Assumptions – All Retirement Systems (page 202), Schedule of Funding Progress – Retiree Health Care Authority (page 203) 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 Schedules of Changes in Net Pension Liability, Schedules of Net Pension Liability, Schedules of Employer Contributions, Schedules of Investment Returns, Schedule of Actuarial Methods and Assumptions – All Retirement Systems, and Schedule of Funding Progress – Retiree Health Care 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.

We were unable to apply certain limited procedures to the Management’s Discussion and Analysis, Budgetary Comparison Schedule – General Fund and Notes to Budgetary Reporting in accordance with auditing standards generally accepted in the United States of America because of the matters described in the “Bases for Disclaimer of Opinions” paragraph. We do not express an opinion or provide any assurance on the information.

Management has omitted certain required supplementary information as required by *GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

#### *Supplementary and Other Information*

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2015 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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the State's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
June 25, 2015



# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

### INTRODUCTION

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Management's discussion and analysis (MD&A) provides a discussion and analysis of the State of New Mexico's financial performance and position, and also provides an overview of the State's activities for the fiscal year ended June 30, 2014. 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 MD&A has the following components: a) government-wide financial statements, (b) fund financial statements, (c) notes to the financial statements and (d) required supplementary information. 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

- ✚ The assets and deferred outflows of resources of the State of New Mexico exceeded its liabilities and deferred inflows of resources by \$18.1 billion as of June 30, 2014, an increase of \$1.03 billion, or 6.1 percent, from the previous year. The majority of the increase is primarily due to an increase of \$911 million in investments due to positive investment activity.
- ✚ The net position is comprised of \$6.7 billion in capital assets, net of related debt, \$9.8 billion in restricted, and \$1.6 billion in unrestricted.
- ✚ As a result of operations, the primary government's total net position increased by \$1.03 billion, or 6.1 percent, in fiscal year 2014 when compared to the previous year's ending net position, as restated. The net position of governmental activities increased \$760 million, or 5.9 percent, from the previous year, while the net position of the business-type activities increased by \$267 million, or 6.2 percent, from the previous year.

##### Long-term Debt

- ✚ The State's long-term bonded debt decreased a net of \$29 million, or 1.0 percent, primarily because of the payment on the prior year bonds exceeded the issuance of new bonds. During the year, the State issued bonds totaling \$387.4 million \$371.4 million for governmental activities and \$16 million for business activities. 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).

#### Fund Level

##### Governmental Funds

- ✚ As of June 30, 2014, the State's governmental funds reported a combined ending fund balance of \$9 billion, an increase of \$995 million, or 12.5 percent, from fiscal year 2013, primarily due to an increase in tax revenues and investment income. The State reported a positive unassigned fund balance of \$630.8 million in fiscal year 2014.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

### Proprietary Funds

- ✚ The proprietary funds reported a net position of \$4.6 billion as of June 30, 2014, an increase of \$267.3 million, or 6.2 percent, from fiscal year 2013, primarily due to an increase in operating revenue of \$70.9 million and a decrease in operating expenses of \$11.3 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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The focus of this 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.

### 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 current year's revenues and expenses are included, regardless of when cash is received or paid, 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 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 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.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

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 seventy-five (75) discretely presented component units. Financial information for these entities is presented separately in the supplemental statements and in the notes.

## 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 types, 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

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

capital outlay fund, severance tax permanent fund and land grant permanent 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 component 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.

### **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 inflows 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



# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

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 governmental, nonmajor proprietary, and fiduciary funds. This section also includes schedules which compare budgeted expenditures to actual results at the legal level of control, which is generally the program level of the General Appropriation Acts.

## ADJUSTMENTS TO BEGINNING NET POSITION AND FUND BALANCES

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As discussed in Note 9.D.3, the State has restated certain July 1, 2013 Net Position and fund balances. Governmental activities net position and governmental fund balances were increased by \$64.1 million to correct errors in certain previously reported revenue and expenditure accruals.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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### **Net Position**

Total assets of the State as of June 30, 2014, were \$24.5 billion, an increase of \$1.4 billion, or 6.1 percent. Total liabilities as of June 30, 2014 were \$6.5 billion, an increase of \$408.4 million, or 6.7 percent. Net position was affected by a number of factors. Current investments decreased by \$978.8 million and noncurrent investments increased by \$1.9 billion. Current liabilities increased by \$78.3 million, while noncurrent liabilities increased by \$330.1 million. The State's bonded indebtedness increased by \$387.4 million due the State issuing new bonds. The state's total net position increased \$1.03 billion, or 6.1 percent, in fiscal year 2014, in comparison to the prior year, as restated. Of the State's net position, \$6.7 billion was invested in capital assets, net of related debt, while \$9.8 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 \$1.6 billion. The majority of the net position increase is primarily due to an increase of \$2.3 billion in restricted funds.

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 10,546,340	\$ 9,303,611	\$ 3,687,593	\$ 3,383,248	\$ 14,233,933	\$ 12,686,859
Capital Assets	7,902,191	8,072,991	2,342,613	2,341,117	10,244,804	10,414,108
Total Assets	18,448,531	17,376,602	6,030,206	5,724,365	24,478,737	23,100,967
Deferred Outflow of Resources	134,952	58,445	13,103	11,089	148,055	69,534
Current Liabilities	1,617,112	1,579,098	462,683	422,387	2,079,795	2,001,485
Long-term Liabilities	3,402,127	3,111,401	1,003,970	964,567	4,406,097	4,075,968
Total Liabilities	5,019,239	4,690,499	1,466,653	1,386,954	6,485,892	6,077,453
Deferred Inflows of Resources	9,505	-	464	-	9,969	-
Net Position:						
Net Investment in Capital Assets	5,164,435	5,552,572	1,517,364	1,507,921	6,681,799	7,060,493
Restricted	6,921,331	4,774,368	2,919,494	2,143,068	9,840,825	6,917,436
Unrestricted	1,468,973	2,417,608	139,334	697,511	1,608,307	3,115,119
<b>Total Net Position</b>	<b>\$ 13,554,739</b>	<b>\$ 12,744,548</b>	<b>\$ 4,576,192</b>	<b>\$ 4,348,500</b>	<b>\$ 18,130,931</b>	<b>\$ 17,093,048</b>
Percentage change in total net position from prior year	6.4 %		5.2 %		6.1 %	

### Changes in Net Position

The State's net position as of June 30, 2014, was \$18.1 billion which was an increase by \$1.03 billion. The State earned program revenues of \$9.8 billion and general revenues of \$7.7 billion, for total revenues of \$17.5 billion, an increase of \$1.11 billion, or 6.8 percent, from fiscal year 2013. The major components of the increase were tax revenues increased by \$380.7 million and investment income increased by \$150.9 million. The expenses of the State were \$16.4 billion, an increase of \$462.5 million from fiscal year 2013. Further analysis of results of changes in the State's financial condition follows in the analysis of the State's funds. Net program expenses exceeded net program revenues by \$6.6 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 2014:

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

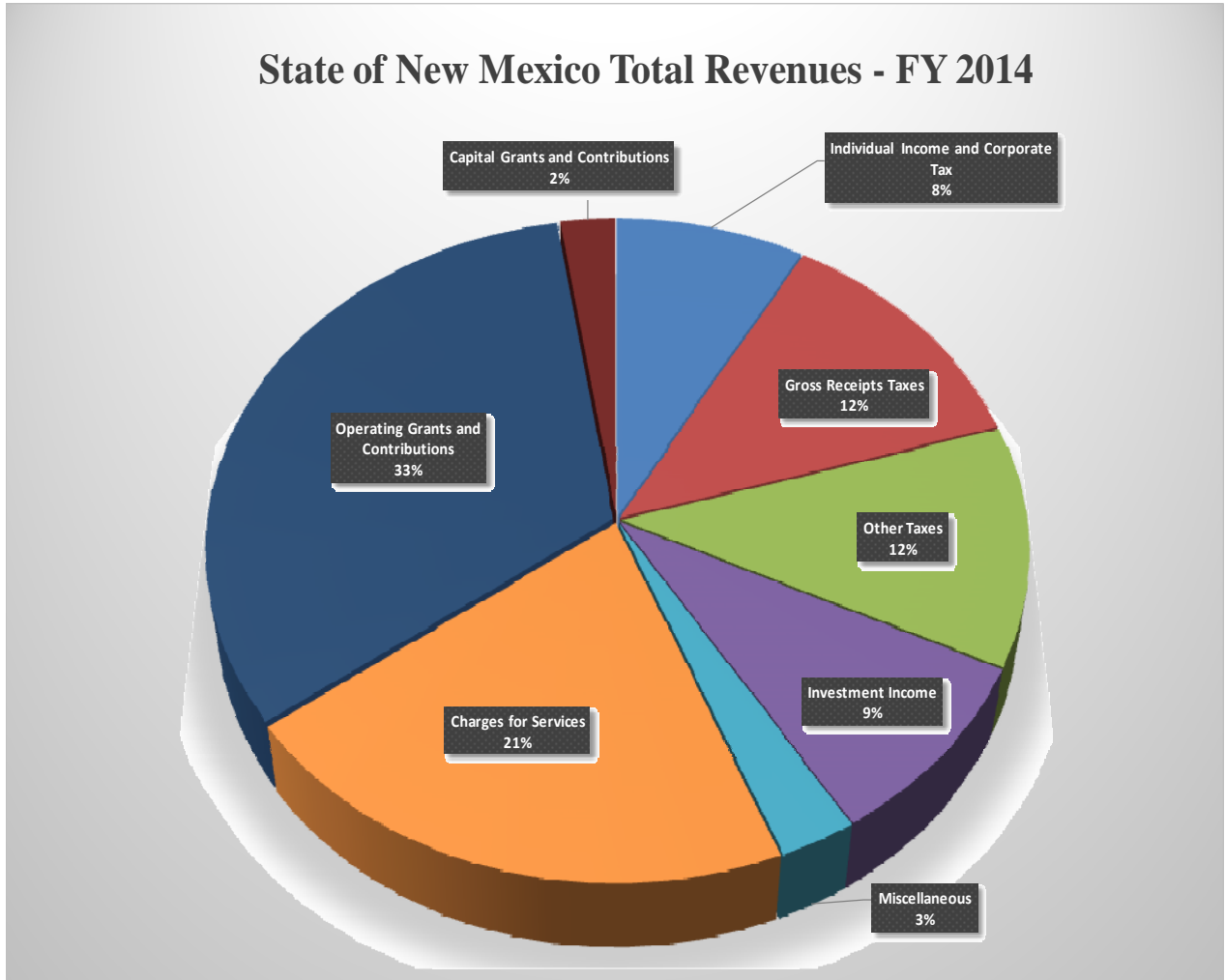
State of New Mexico  
Changes in Net Position  
for the Fiscal Year Ended June 30,  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2013 to 2014
	2014	2013	2014	2013	2014	2013	
<b>Revenues</b>							
General Revenues:							
Taxes	\$ 5,615,920	\$ 5,235,265	\$ -	\$ -	\$ 5,615,920	\$ 5,235,265	7.3 %
Other General Revenues	1,706,384	1,479,560	361,148	353,464	2,067,532	1,833,024	12.8 %
Program Revenues:							
Charges for Services	1,671,767	1,636,256	1,990,251	1,953,192	3,662,018	3,589,448	2.0 %
Operating Grants and Contributions	4,932,895	4,777,647	771,706	751,861	5,704,601	5,529,508	3.2 %
Capital Grants and Contributions	400,212	210,500	25,541	8,392	425,753	218,892	94.5 %
<b>Total Revenues</b>	<b>14,327,178</b>	<b>13,339,228</b>	<b>3,148,646</b>	<b>3,066,909</b>	<b>17,475,824</b>	<b>16,406,137</b>	
<b>Expenses</b>							
General Control	918,870	1,254,250	-	-	918,870	1,254,250	(26.7) %
Culture, Recreation, and Natural Resources	228,000	187,209	-	-	228,000	187,209	21.8 %
Highway and Transportation	1,230,707	1,023,696	-	-	1,230,707	1,023,696	20.2 %
Judicial	242,449	235,363	-	-	242,449	235,363	3.0 %
Legislative	23,751	25,774	-	-	23,751	25,774	(7.8) %
Public Safety	457,119	469,359	-	-	457,119	469,359	(2.6) %
Regulation and Licensing	112,770	104,919	-	-	112,770	104,919	7.5 %
Health and Human Services	6,284,737	5,777,302	-	-	6,284,737	5,777,302	8.8 %
Education	3,223,837	3,215,643	-	-	3,223,837	3,215,643	0.3 %
Unemployment Benefits	-	-	-	-	-	-	- %
Indirect Interest on Long-term Debt	127,001	110,413	-	-	127,001	110,413	15.0 %
Provision for Potential Loss - State General Fund Investment Pool	30,000	-	-	-	30,000	-	- %
Educational Institutions	-	-	2,901,959	2,845,355	2,901,959	2,845,355	2.0 %
Public Schools Insurance	-	-	349,589	331,783	349,589	331,783	5.4 %
Environmental Loans	-	-	294	673	294	673	100.0 %
Miners' Colfax Medical Center	-	-	29,650	23,229	29,650	23,229	27.6 %
Unemployment Insurance	-	-	261,763	356,558	261,763	356,558	(26.6) %
State Fair	-	-	14,671	14,613	14,671	14,613	0.4 %
Other Business-type Activities	-	-	11,409	9,934	11,409	9,934	14.8 %
<b>Total Expenses</b>	<b>12,879,241</b>	<b>12,403,928</b>	<b>3,569,335</b>	<b>3,582,145</b>	<b>16,448,576</b>	<b>15,986,073</b>	
Excess Before Transfers	1,447,937	935,300	(420,689)	(515,236)	1,027,248	420,064	
Transfers	(687,979)	(647,222)	687,979	647,222	-	-	
Change in Net Position	<b>759,958</b>	<b>288,078</b>	<b>267,290</b>	<b>131,986</b>	<b>1,027,248</b>	<b>420,064</b>	
Net Position - Beginning, as Restated	12,794,781	12,456,470	4,308,902	4,216,514	17,103,683	16,672,984	
<b>Net Position - Ending</b>	<b>\$ 13,554,739</b>	<b>\$ 12,744,548</b>	<b>\$ 4,576,192</b>	<b>\$ 4,348,500</b>	<b>\$ 18,130,931</b>	<b>\$ 17,093,048</b>	6.1 %

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

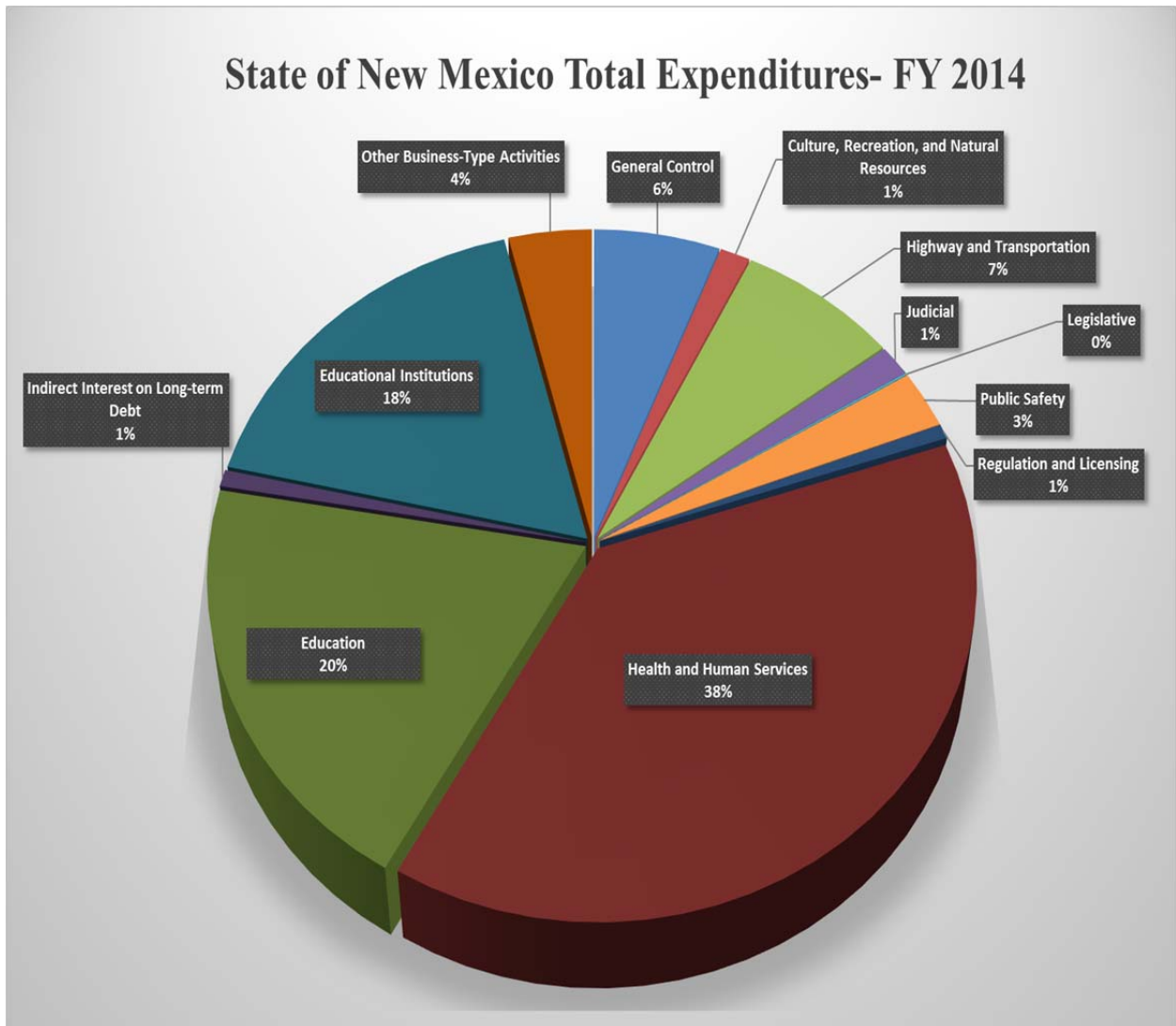
For the Year Ended June 30, 2014



# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014





# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

### Governmental Activities

Governmental activities program revenue was \$7 billion, including charges for services of \$1.7 billion, operating grants and contributions of \$4.9 billion, and capital grants and contributions of \$400 million. The largest changes were a \$35.5 million increase in charges for services, and an increase of \$155.2 million in operating grants and contributions. Governmental activities expenses were \$12.8 billion. All functions of governmental activities in the government-wide statement of activities have a net cost. The health and human services function and education function account for 74 percent of governmental activities expenses and net cost. The operating grants and contributions increased due to additional federal funding for the health and human services function and education 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 2014, state taxes and other general revenues covered 45.5 percent of expenses. The remaining \$7 billion, or 54.5 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,**  
*(Expressed in Thousands)*

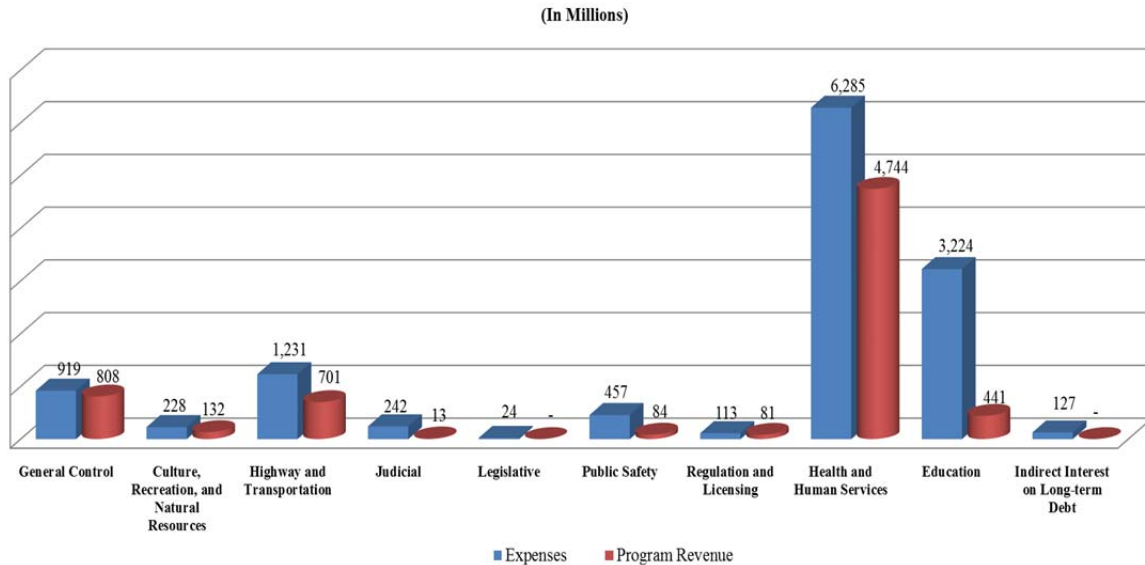
	<b>Program Expenses</b>	<b>Less Program Revenues</b>	<b>Net Program Costs</b>		<b>Program Revenues as a Percentage of Program Expenses</b>	
			<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Control	\$ 918,870	\$ (808,399)	\$ 110,471	\$ 423,293	88.0 %	66.3 %
Culture, Recreation, and Natural Resources	228,000	(131,809)	96,191	53,167	57.8 %	71.6 %
Highway and Transportation	1,230,707	(701,338)	529,369	391,886	57.0 %	61.7 %
Judicial	242,449	(13,134)	229,315	114,042	5.4 %	51.5 %
Legislative	23,751	-	23,751	25,774	- %	- %
Public Safety	457,119	(83,835)	373,284	159,637	18.3 %	66.0 %
Regulation and Licensing	112,770	(81,197)	31,573	34,592	72.0 %	67.0 %
Health and Human Services	6,284,737	(4,744,278)	1,540,459	1,713,759	75.5 %	70.3 %
Education	3,223,837	(440,884)	2,782,953	2,752,962	13.7 %	14.4 %
Indirect Interest on Long-term Debt	127,001	-	127,001	110,413	- %	- %
	<b>\$ 12,849,241</b>	<b>\$ (7,004,874)</b>	<b>\$ 5,844,367</b>	<b>\$ 5,779,525</b>	<b>54.5 %</b>	<b>53.4 %</b>

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

### STATE OF NEW MEXICO EXPENSES AND PROGRAM REVENUES: GOVERNMENTAL ACTIVITIES For the Fiscal Year Ended June 30, 2014



### Business-type Activities

Business-type activities generated program revenues of \$2.8 billion, including charges for services of \$2 billion, operating grants and contributions of \$771 million, and capital grants and contributions of \$25 million. The total expenses for business-type activities were \$3.6 billion. The largest changes occurred in the education function with a \$57 million increase of expenditures for colleges and universities, and there was a decrease in expenditures of \$95 million in unemployment benefit payments as a result of the state revising its benefit calculations. There was a total net expense before general revenues from the government's business-type activities of \$781.8 million in comparison to the prior year's net expense before general revenues of \$868.7 million.

## FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

### Fund Balances

At June 30, 2014, the State's governmental funds reported combined ending fund balances of \$9 billion. The State reported \$5.7 billion, or 64 percent, as non-spendable, including \$5.7 billion related to the Severance Tax and Land Grant Permanent funds. The remaining non-spendable balance consisted of pre-pays and inventories. The amount classified as restricted, committed and assigned, \$2.6 billion, or 29 percent, was for specific programs established by state law or by external constraints. Unspent bond proceeds, balances of restricted accounts, and agencies' non-lapsing balances are also included in either restricted or committed, depending on the legality of the restriction. Note 1.G.14 contains more details about the fund balance classifications at June 30, 2014. The remaining \$630.8 million, or 7 percent, of fund balance was available for appropriation for the general purpose of the funds.

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

**State of New Mexico**  
**Fund Balances as of June 30, 2014**  
*(Expressed in Thousands)*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Severance Tax Permanent</u>	<u>Land Grant Permanent</u>	<u>Totals Governmental Funds</u>
Nonspendable	\$ 50,330	\$ -	\$ -	\$ 4,768,257	\$ 919,577	\$ 5,738,164
Restricted	864,359	266,986	51,822	-	-	1,183,167
Committed	220,535	-	1,190,318	-	-	1,410,853
Assigned	9,881	-	-	-	-	9,881
Unassigned	630,796	-	-	-	-	630,796
<b>Total</b>	<b>\$ 1,775,901</b>	<b>\$ 266,986</b>	<b>\$ 1,242,140</b>	<b>\$ 4,768,257</b>	<b>\$ 919,577</b>	<b>\$ 8,972,861</b>

Percent Change from Prior Year

12.5 %

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

### Governmental Funds

#### General Fund

General Fund balance at June 30, 2014 totaled \$1.8 billion. Due to presentational changes in the fund financial statements, obtaining the percentage change for the individual General Fund cannot be calculated for fiscal year 2014. The General Fund ended the fiscal year 2014 with unassigned fund balance of \$630.8 million. Miscellaneous changes resulting from the Restricted/Committed type balances accounted for the remaining change in fund balance.

#### Budgetary Highlights – General Fund

The Legislature adopted the initial fiscal year 2014 budget during the 2013 General Session. The General Fund original budgeted revenues for fiscal year 2014 were .01 percent more than the fiscal year 2014 final budget basis revenues. During the year, federal revenue was \$416 million less than the final approved budget. After budget amendments, the actual expenditures in the General Fund were \$995 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.

#### Appropriated Bond Proceeds Capital Outlay Fund

The fund balance at June 30, 2014, totaled \$1.2 billion, an increase of \$223.7 million, or 22 percent. The increase was due to transfers made to the Fund and the spending down of older bond issue proceeds.

#### Severance Tax Permanent Fund

Fund balance at June 30, 2014, totaled \$4.8 billion, an increase of \$601.3 million, or 14.4 percent. The increase related to gains made on investments.

#### Debt Service Fund

The Debt service fund consists of approximately 100 funds across various agencies of the State. Each one of these funds were audited separately at the respective agency and received unmodified opinions. However, the consolidated debt service fund of the State received a disclaimer of opinion. This was a result of not properly identifying all consolidating/eliminating journal entries and not recording all of the tax intercept revenue and related debt service payment activity. These issues have no impact on the debt held by the public, nor the State's ability to service such debt.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

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

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The State's proprietary funds reported Net Position of \$4.6 billion, an increase of \$267 million from the prior year. The above Net Position excludes the Internal Service Funds, which are reported with Governmental Activities.

#### **Educational Institutions**









Net Position at June 30, 2014, totaled \$4 billion. Current period activity increased the Net Position of the State's educational institutions by \$249 million, or 6.7 percent. For the fiscal year 2014, the State transferred \$687 million to the State's educational institutions, an increase of \$44 million, or 6.8 percent, from fiscal year 2013.

### DISCRETE COMPONENT UNITS

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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
-  New Mexico Lottery Authority
-  UNM-Sandoval Regional Medical Center
-  University of New Mexico Foundation, Inc.
-  University of New Mexico Medical Group
-  New Mexico State University Foundation, Inc.
-  Charter Schools and Charter School Foundations

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.

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

### CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

#### Capital Asset Activity

At June 30, 2014, the State reported \$7.9 billion in capital assets net of accumulated depreciation for governmental activities and \$2.3 billion in capital assets net of accumulated depreciation for business-type activities. This investment in capital assets includes 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 decrease of 2.1 percent for governmental activities and approximately no change for business-type activities.

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. Another allowable methodology is to use the modified approach to record infrastructure. The State elected to use the depreciation method as it determined that it could not meet the condition to maintain the infrastructure (as required by the modified approach) at a predetermined condition level due to anticipated lack of future funding for maintenance.

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 high bond rating from Moody's Investors Services (Moody's) and Standard & Poor's Corporation (S&P) on all State bonds.

The State had the following bond ratings at June 30, 2014:

#### State of New Mexico Bond Ratings at June 30, 2014

<u>Bonds</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
General Obligation Bonds	Aaa	AA+
Severance Tax Bonds	Aa1	AA
Supplemental Severance Tax Bonds	Aa2	AA-
State Transportation Revenue Bonds Senior Lien	Aa1	AAA
State Transportation Revenue Bonds Subordinate Lien	Aa2	AA
Approved State Lease Appropriation Bonds	Aa1	AA-

The State issued two Severance Tax Bonds during 2014 of \$301.3 million. The State did not issue General Obligation Bonds during fiscal year 2014.



# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

**State of New Mexico**  
**Net Outstanding Bonded Debt as of June 30,**  
*(Expressed in Thousands)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change 2013 to 2014</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
General Obligation Bonds, Net \$	311,270	\$ 372,700	\$ -	\$ -	\$ 311,270	\$ 372,700	(16.5) %
Severance Tax Bonds, Net	760,080	683,275	-	-	760,080	683,275	11.2 %
Revenue Bonds, Net	1,520,839	1,562,240	808,463	827,812	2,329,302	2,390,052	(2.5) %
Bond Premium, Discount, Net	252,771	234,954	15,429	17,571	268,200	252,525	6.2
<b>Total Bonds Payable</b>	<b>\$ 2,844,960</b>	<b>\$ 2,853,169</b>	<b>\$ 823,892</b>	<b>\$ 845,383</b>	<b>\$ 3,668,852</b>	<b>\$ 3,698,552</b>	<b>(0.8) %</b>

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

## ECONOMIC CONDITIONS AND OUTLOOK

### Fiscal Year 2014 Economic Recovery Takes Hold

New Mexico's economy rebounded in Fiscal Year 2014, following a year of minimal growth. Real gross state product increased 1.9 percent in Fiscal Year 2014, after experiencing growth of 0.1 percent in Fiscal Year 2013. Total General Fund revenues grew 5.8 percent after falling by 1.3 percent in the prior fiscal year. Part of the rebound in Fiscal Year 2014 is due to the fact that New Mexico's economy was hit hard in Fiscal year 2013 by the federal spending sequestration.

New Mexico general sales tax revenue, which includes gross receipts tax and compensating tax, grew 5.2 percent in Fiscal Year 2014, driven by growth in extractive industries, manufacturing and professional services. Taxable gross receipts (TGR), a broad-based measure of economic activity and the base for one-third of New Mexico's state budget, grew at 1.9 percent in Fiscal Year 2014. Gross receipts tax revenues grew faster than the underlying tax base in Fiscal Year 2014 due to a reduction in tax credit claims.

Selective sales taxes, which include insurance premiums tax and motor vehicle excise tax, increased by 3.5 percent as the effects of the Affordable Care Act and Medicaid expansion pushed up coverage rates and annual premiums. Low interest rates encouraged vehicle purchases, which boosted motor vehicle excise tax revenues.

Oil and natural gas related revenues grew by 24.6 percent in Fiscal Year 2014, driven by strong energy prices and large increases in production. Stable oil prices and new technologies increased oil production in Fiscal Year 2014 to double the level seen in Fiscal Year 2009. Production growth provides a strong foundation for future General Fund revenues and a counterweight to price volatility.

Although income tax revenues fell by 3.7 percent in Fiscal Year 2014, much of this decline was anticipated due to an acceleration of payments in Fiscal Year 2013 in response to federal tax law changes. Growth of Corporate income tax receipts were negatively impacted by changes in the timing of payments and refund claims, which pushed some fourth quarter payments into Fiscal Year 2015.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

### **Broad-Based Economic Growth in Fiscal Year 2015**

Employment growth in the first half of Fiscal Year 2015 is the strongest growth seen since before the recession, and total Fiscal Year 2015 job growth is expected to be 1.8 percent, just below the long-term average. Moreover, employment gains appear to be widespread across most industries. According to Moody's Analytics, New Mexico is projected to regain all jobs lost during the recession by the end of Fiscal Year 2016.

Steady job growth, record stock gains, and business investments have increased growth expectations for the national economy. Moody's Analytics expects the U.S. economic expansion to continue at an annual rate of 3.2 percent in Fiscal Year 2015 and 3.7 percent in Fiscal Year 2016. Low interest rates and falling gasoline prices will allow New Mexico households to pay down debt or increase consumer spending. Wage growth is expected to accelerate both nationally and in New Mexico as the job market improves. However, housing market demand remains muted as household formation stalls and credit restrictions limit lending.

A headwind for the New Mexico economy in Fiscal Year 2015 is the sharp decline in energy prices. Nationally, increased oil production combined with other market factors has caused a 50 percent decrease in oil prices over the last six months. As a consequence, employment and taxable gross receipts in the oil drilling industry have begun to decline. Recent oil price stabilization could indicate that prices have reached a floor, while a slowdown in production growth provides upside price risk.

Total taxable gross receipts have increased by 8.7 percent in the first half of Fiscal Year 2015 with growth across most industries. Retail receipts increased by 4.4 percent from the prior year, boosted in part by employment gains and income growth. As an upside to lower oil prices, decreases in gasoline price encourage consumer spending. Construction revenue grew by 10.2 percent growth, which could indicate improvements in the housing market.

General Fund revenue accruals have also mirrored the employment growth in the New Mexican economy. Although General Fund recurring revenue is forecast to grow at 1.2 percent, revenue tracking models indicate an increase of 3.7 percent in Fiscal Year 2015. This year-to-date variance is driven by oil and gas related revenues, which benefited from stronger energy prices and production at the start of the fiscal year but are expected to weaken in the latter half of the fiscal year. Employment gains appear to be driving growth in broad-based income and sales receipts.

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

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Questions about this report or requests for additional financial information may be addressed to:

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

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STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

# FINANCIAL SECTION

## BASIC FINANCIAL STATEMENTS



RIO GRANDE GORGE BRIDGE - TAOS, NM  
SOURCE - FINEARTAMERICA.COM

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION

June 30, 2014

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 329,947	\$ 350,623	\$ 680,570	\$ 166,237
Cash and Cash Equivalents - Restricted	-	19,683	19,683	118,029
Investment in State General Fund Investment Pool	2,361,824	167,542	2,529,366	-
Investment in Local Government Investment Pool	-	64,938	64,938	-
Internal Balances	(419)	419	-	-
Due From Component Units	3,056	56,027	59,083	-
Due From Primary Government	-	-	-	7,184
Receivables, Net	766,252	384,626	1,150,878	76,968
Due From Other Parties	1,334,881	-	1,334,881	-
Loans Receivable, Net	-	-	-	93,384
Investments	-	333,780	333,780	12,963
Prepaid Expenses	21,466	-	21,466	3,174
Inventories	33,604	23,459	57,063	3,753
Other Current Assets	-	15,712	15,712	-
Total Current Assets	<u>4,850,611</u>	<u>1,416,809</u>	<u>6,267,420</u>	<u>481,692</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	-	142,269	142,269	28,443
Restricted Investments	-	-	-	1,151,588
Loans Receivable, Net	-	195,196	195,196	1,266,145
Receivables, Net	44,215	-	44,215	-
Due From Component Units	-	32,074	32,074	-
Investments	5,651,444	1,888,183	7,539,627	300,393
Derivative Instruments - Interest Rate Swaps	-	1,906	1,906	-
Other Noncurrent Assets	70	11,156	11,226	168,943
Nondepreciable Capital Assets	1,059,719	182,542	1,242,261	9,605
Other Capital Assets, Net	6,842,472	2,160,071	9,002,543	229,140
Total Noncurrent Assets	<u>13,597,920</u>	<u>4,613,397</u>	<u>18,211,317</u>	<u>3,154,257</u>
Total Assets	<u>18,448,531</u>	<u>6,030,206</u>	<u>24,478,737</u>	<u>3,635,949</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Interest Rate Swaps	56,678	10,582	67,260	-
Deferred Charge on Refunding	78,274	2,521	80,795	2,492
Total Deferred Outflows of Resources	<u>134,952</u>	<u>13,103</u>	<u>148,055</u>	<u>2,492</u>



	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 608,743	\$ 176,320	\$ 785,063	\$ 13,868
Accrued Liabilities	547,499	45,017	592,516	19,745
Accrued Interest	24,189	-	24,189	-
Unearned Revenue	290	69,340	69,630	7,950
Due to Primary Government	-	-	-	59,083
Due to Component Units	-	7,184	7,184	-
Intergovernmental Payables	43,970	-	43,970	-
Other Obligations	49,087	-	49,087	-
Funds Held for Others	21,355	8,719	30,074	335
Bonds Payable - Current Portion	152,788	35,104	187,892	96,666
Other Liabilities - Current Portion	169,191	120,999	290,190	139,159
Total Current Liabilities	<u>1,617,112</u>	<u>462,683</u>	<u>2,079,795</u>	<u>336,806</u>
Noncurrent Liabilities:				
Bonds Payable, Net of Current Portion	2,692,172	773,359	3,465,531	1,924,786
Due to Primary Government	-	-	-	32,074
Other Liabilities, Net of Current Portion	609,955	230,611	840,566	80,395
Allowance for Potential Loss - State General Fund Investment Pool	100,000	-	100,000	-
Total Noncurrent Liabilities	<u>3,402,127</u>	<u>1,003,970</u>	<u>4,406,097</u>	<u>2,037,255</u>
Total Liabilities	<u>5,019,239</u>	<u>1,466,653</u>	<u>6,485,892</u>	<u>2,374,061</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>9,505</u>	<u>464</u>	<u>9,969</u>	<u>772</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,164,435	1,517,364	6,681,799	48,426
Restricted for:				
Nonexpendable:				
Financial Aid	-	138,054	138,054	-
Permanent Funds	5,687,834	1,349,162	7,036,996	-
Endowment	-	744,001	744,001	-
Other Purposes	54,809	5,700	60,509	298,760
Expendable:				
Highway Construction and Maintenance	114,004	-	114,004	-
Education	22,775	-	22,775	-
Debt Service	266,986	59,840	326,826	155,334
Capital Projects	51,822	40,787	92,609	-
Scholarships	-	17,003	17,003	-
Unemployment and Insurance	-	125,194	125,194	-
Loan Programs	-	43,601	43,601	-
Other Purposes:	727,580	396,152	1,123,732	255,199
Unrestricted Net Position	<u>1,464,494</u>	<u>139,334</u>	<u>1,603,828</u>	<u>505,889</u>
Total Net Position	<u>\$ 13,554,739</u>	<u>\$ 4,576,192</u>	<u>\$ 18,130,931</u>	<u>\$ 1,263,608</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, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Control	\$ 918,870	\$ 796,337	\$ 12,062	\$ -
Culture, Recreation, and Natural Resources	228,000	94,694	37,115	-
Highway and Transportation	1,230,707	301,126	-	400,212
Judicial	242,449	5,040	8,094	-
Legislative	23,751	-	-	-
Public Safety	457,119	26,711	57,124	-
Regulation and Licensing	112,770	75,308	5,889	-
Health and Human Services	6,284,737	365,016	4,379,262	-
Education	3,223,837	7,535	433,349	-
Interest on Long-term Debt	127,001	-	-	-
<b>Total Governmental Activities</b>	<b>12,849,241</b>	<b>1,671,767</b>	<b>4,932,895</b>	<b>400,212</b>
Business-type Activities:				
Educational Institutions	2,901,959	1,380,232	771,382	25,541
Public Schools Insurance	349,589	342,725	-	-
Environmental Loans	294	3,905	-	-
Miners' Colfax Medical Center	29,650	25,025	324	-
Unemployment Insurance	261,763	215,699	-	-
State Fair - EXPO	14,671	12,142	-	-
Other Business-type Activities	11,409	10,523	-	-
<b>Total Business-type Activities</b>	<b>3,569,335</b>	<b>1,990,251</b>	<b>771,706</b>	<b>25,541</b>
<b>Total Primary Government</b>	<b>\$ 16,418,576</b>	<b>\$ 3,662,018</b>	<b>\$ 5,704,601</b>	<b>\$ 425,753</b>
<b>Discretely Presented Component Units</b>				
New Mexico Finance Authority	\$ 117,491	\$ 52,421	\$ 55,225	\$ -
New Mexico Mortgage Finance Authority	45,971	6,787	48,644	-
Other Major Component Units	530,405	358,720	67,040	-
Nonmajor Component Units	28,915	10,521	19,017	-
<b>Total Component Unit Activities</b>	<b>\$ 722,782</b>	<b>\$ 428,449</b>	<b>\$ 189,926</b>	<b>\$ -</b>

General Revenues:

- Taxes:
  - Individual Income
  - Corporate Income
  - Gross Receipts Taxes
  - Other
- Payment From State of New Mexico
- Investment Income
- Miscellaneous
- Special Item* - Provision for Potential Loss on the State General Fund Investment Pool
- Transfers, Net
- Total Net General Revenues and Transfers

**Change in Net Position**

**Net Position - Beginning, as Restated -**

**See Note 9.D.**

**Net Position - Ending**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (110,471)	\$ -	\$ (110,471)	\$ -
(96,191)	-	(96,191)	-
(529,369)	-	(529,369)	-
(229,315)	-	(229,315)	-
(23,751)	-	(23,751)	-
(373,284)	-	(373,284)	-
(31,573)	-	(31,573)	-
(1,540,459)	-	(1,540,459)	-
(2,782,953)	-	(2,782,953)	-
(127,001)	-	(127,001)	-
<u>(5,844,367)</u>	<u>-</u>	<u>(5,844,367)</u>	<u>-</u>
-	(724,804)	(724,804)	-
-	(6,864)	(6,864)	-
-	3,611	3,611	-
-	(4,301)	(4,301)	-
-	(46,064)	(46,064)	-
-	(2,529)	(2,529)	-
-	(886)	(886)	-
-	<u>(781,837)</u>	<u>(781,837)</u>	<u>-</u>
<u>(5,844,367)</u>	<u>(781,837)</u>	<u>(6,626,204)</u>	<u>-</u>
-	-	-	(9,845)
-	-	-	9,460
-	-	-	(104,645)
-	-	-	623
-	-	-	<u>(104,407)</u>
1,236,674	-	1,236,674	-
196,762	-	196,762	-
2,133,540	-	2,133,540	-
2,048,944	-	2,048,944	-
-	-	-	126,436
1,351,182	220,411	1,571,593	16,876
355,202	140,737	495,939	62,398
(30,000)	-	(30,000)	-
<u>(687,979)</u>	<u>687,979</u>	<u>-</u>	<u>-</u>
<u>6,604,325</u>	<u>1,049,127</u>	<u>7,653,452</u>	<u>205,710</u>
759,958	267,290	1,027,248	101,303
12,794,781	4,308,902	17,103,683	1,162,305
<u>\$ 13,554,739</u>	<u>\$ 4,576,192</u>	<u>\$ 18,130,931</u>	<u>\$ 1,263,608</u>

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 Permanent 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 Permanent Fund**

This fund accounts for all of the resources of the Land Grant Permanent Fund, except for those held in a fiduciary capacity for entities not included in the State reporting unit.



# STATE OF NEW MEXICO

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2014  
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax Permanent Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 99,256	\$ 36,271	\$ -	\$ 152,283
Investment in the State General Fund Investment Pool	696,374	60,232	1,339,011	121,742
Prepaid Expenses	21,466	-	-	-
Due From Other Funds	283,291	186,835	62,484	6,718
Due From Component Unit	3,056	-	-	-
Due from Other Parties	1,334,881	-	-	-
Receivables, Net	736,038	7	6,054	44,791
Investments	270,514	-	-	4,508,422
Inventories	33,343	-	-	-
Other Assets	19	-	51	-
<b>Total Assets</b>	<u>\$ 3,478,238</u>	<u>\$ 283,345</u>	<u>\$ 1,407,600</u>	<u>\$ 4,833,956</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 462,150	\$ 626	68,472	\$ 51,493
Accrued Liabilities	539,241	559	6,212	-
Due To Other Funds	416,536	15,174	88,104	14,206
Intergovernmental Payables	41,587	-	2,383	-
Funds Held For Others	21,355	-	-	-
Other Obligations	41,455	-	-	-
Unearned Revenue	20,104	-	289	-
Allowance for Potential Loss - State				
General Fund Investment Pool	100,000	-	-	-
<b>Total Liabilities</b>	<u>1,642,428</u>	<u>16,359</u>	<u>165,460</u>	<u>65,699</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>59,909</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	54,809	-	-	4,768,257
Restricted	864,359	266,986	51,822	-
Committed	220,535	-	1,190,318	-
Assigned	9,881	-	-	-
Unassigned (Deficit)	626,317	-	-	-
<b>Total Fund Balances</b>	<u>1,775,901</u>	<u>266,986</u>	<u>1,242,140</u>	<u>4,768,257</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 3,478,238</u>	<u>\$ 283,345</u>	<u>\$ 1,407,600</u>	<u>\$ 4,833,956</u>

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Land Grant Permanent Fund	Total Governmental Funds
\$ 42,137	\$ 329,947
4,926	2,222,285
-	21,466
825	540,153
-	3,056
-	1,334,881
12,130	799,020
872,508	5,651,444
-	33,343
-	70
<u>\$ 932,526</u>	<u>\$ 10,935,665</u>

\$ -	582,741
-	546,012
6,564	540,584
-	43,970
-	21,355
6,385	47,840
-	20,393
-	100,000
<u>12,949</u>	<u>1,902,895</u>

<u>-</u>	<u>59,909</u>
----------	---------------

919,577	5,742,643
-	1,183,167
-	1,410,853
-	9,881
-	626,317
<u>919,577</u>	<u>8,972,861</u>

<u>\$ 932,526</u>	<u>\$ 10,935,665</u>
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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, 2014  
(In Thousands)

**Total Fund Balances - Governmental Funds** \$ 8,972,861

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 2.D.)

Land and Other Nondepreciable Assets	\$ 1,059,719	
Buildings, Equipment, Infrastructure and Other Depreciable Assets (not including \$39,678 in Internal Service Fund balance)	17,470,551	
Accumulated Depreciation	<u>(10,667,757)</u>	7,862,513

Assets (receivables) not available to provide current resources are offset with deferred inflows of resources in the fund statements. The reduction of the liability and recognition of revenue increases net position in the Statement of Net Position. 70,507

The deferred loss on bond refunding issues is not recognized in the governmental funds, but is recognized in the government-wide statements. 78,274

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. (41,283)

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Accrued Interest Payable	(24,189)	
General Obligation, Severance Tax, Revenue Bonds, and Premiums	(2,844,960)	
Loans and Notes Payable	(148,521)	
Claims and Judgments (not including \$203,484 in ISF balance)	(56,371)	
Capital Leases Payable	(55,545)	
Compensated Absences	(62,339)	
Pollution Remediation Obligation	(47,129)	
Indian Water Rights Liability	(102,356)	
Contingent Liabilities	(7,359)	
Derivatives - Interest Rate Swaps (net of Effective Assets of \$56,678)	<u>(39,364)</u>	<u>(3,388,133)</u>

**Total Net Position - Governmental Activities** \$ 13,554,739

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, 2014

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax Permanent Fund
<b>REVENUES</b>				
Taxes:				
General and Selective Taxes	\$ 3,511,504	\$ 658,189	4,995	\$ -
Income Taxes	1,451,733	-	-	-
Total Taxes	4,963,237	658,189	4,995	-
Other Revenues:				
Federal Revenue	5,334,147	-	3,912	-
Investment Income (Loss)	701,786	8,600	10	647,704
Rentals and Royalties	646,872	-	566	-
Charges for Services	162,757	-	-	-
Licenses, Fees, and Permits	362,493	2,101	-	-
Assessments	27,495	-	-	-
Miscellaneous and Other	267,753	5,921	55,439	6,803
<b>Total Revenues</b>	<b>12,466,540</b>	<b>674,811</b>	<b>64,922</b>	<b>654,507</b>
<b>EXPENDITURES</b>				
Current:				
Culture, Recreation, and Natural Resources	181,585	-	3,732	-
Education	3,171,103	-	49,110	-
General Control	365,140	-	1,768	-
Health and Human Services	6,233,937	-	36,065	-
Highway and Transportation	591,824	-	-	-
Judicial	235,487	-	1,088	-
Legislative	21,810	-	-	-
Public Safety	428,194	-	12,703	-
Regulation and Licensing	108,442	-	-	-
Severance Tax	-	-	-	183,216
Capital Outlay	378,637	-	128,798	-
Debt Service:				
Principal	71,837	334,257	980	-
Interest and Other Charges	66,675	83,917	146	-
<b>Total Expenditures</b>	<b>11,854,671</b>	<b>418,174</b>	<b>234,390</b>	<b>183,216</b>
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>611,869</b>	<b>256,637</b>	<b>(169,468)</b>	<b>471,291</b>



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Land Grant Permanent Fund	Total Governmental Funds
\$ -	\$ 4,174,688
-	1,451,733
-	<u>5,626,421</u>
-	5,338,059
162,922	1,521,022
-	647,438
-	162,757
-	364,594
-	27,495
-	335,916
<u>162,922</u>	<u>14,023,702</u>
-	185,317
-	3,220,213
36,682	403,590
-	6,270,002
-	591,824
-	236,575
-	21,810
-	440,897
-	108,442
-	183,216
-	507,435
-	407,074
-	150,738
<u>36,682</u>	<u>12,727,133</u>
<u>126,240</u>	<u>1,296,569</u>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2014

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax Permanent Fund
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds Issued	\$ 70,110	\$ -	\$ 301,330	\$ -
Bond Premium	10,532	-	39,519	-
Proceeds from the Sale of Capital Assets	1,483	-	570	-
Transfers In	6,004,062	192,196	462,898	129,976
Transfers Out	(6,507,217)	(565,438)	(411,133)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(421,030)</u>	<u>(373,242)</u>	<u>393,184</u>	<u>129,976</u>
<b>SPECIAL ITEM</b>				
Loss Contingency	(30,000)	-	-	-
<b>Net Change in Fund Balances</b>	160,839	(116,605)	223,716	601,267
<b>Fund Balances - Beginning, as Restated - See Note 9.D.</b>	1,615,062	383,591	1,018,424	4,166,990
<b>Fund Balances - Ending</b>	<u>\$ 1,775,901</u>	<u>\$ 266,986</u>	<u>1,242,140</u>	<u>\$ 4,768,257</u>

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Land Grant Permanent Fund	Total Governmental Funds
\$ -	\$ 371,440
-	50,051
-	2,053
-	6,789,132
-	<u>(7,483,788)</u>
<u>-</u>	<u>(271,112)</u>
-	(30,000)
126,240	995,457
<u>793,337</u>	<u>7,977,404</u>
<u>\$ 919,577</u>	<u>\$ 8,972,861</u>

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, 2014

(In Thousands)

**Net Change in Fund Balances - Total Governmental Funds** \$ 995,457

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	\$ 507,435	
Depreciation expense	(743,571)	
Gain on disposal of assets, net	4,745	
Excess of capital outlay over depreciation expense		(231,391)

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. (15,453)

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. 26,868

Bond proceeds, notes, and capital leases provide current financial resources to governmental activities by issuing debt, which increases long-term liabilities in the Statement of Net Position. Repayments of the bond, notes, and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position:

Payment of Bond, Note, and Capital Lease Principal	407,074	
Bond and Note Proceeds, Net	(421,491)	(14,417)

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. 32,234

The deferred loss on refunding bond issues is capitalized and the amortization is reported in the Statement of Activities. (7,377)

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	(1,645)	
Claims and Judgments	(2,867)	
Pollution Remediation Obligation	6,244	
Accrued Interest on Bonds Payable	(1,120)	
Indian Water Rights Liability	(27,142)	
Change in Ineffective Swaps - Derivatives	567	(25,963)

**Change in Net Position of Governmental Activities** \$ 759,958

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.

### **Nonmajor Enterprise Funds**

Nonmajor enterprise funds are presented beginning on page 209.

### **Internal Service Fund**

Internal service funds are presented beginning on page 221.

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2014  
(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	\$ 285,459	\$ 65,164	\$ 350,623	\$ -
Cash and Cash Equivalents - Restricted	19,683	-	19,683	-
Investment in the State General Fund Investment Pool	-	167,542	167,542	139,539
Investment in the Local Government Investment Pool	34,787	30,151	64,938	-
Due From Other Funds	-	781	781	22,945
Due From Component Unit	56,027	-	56,027	-
Receivables, Net	301,197	83,429	384,626	11,447
Investments	333,695	85	333,780	-
Inventories	21,995	1,464	23,459	261
Other Current Assets	15,384	328	15,712	-
<b>Total Current Assets</b>	<b>1,068,227</b>	<b>348,944</b>	<b>1,417,171</b>	<b>174,192</b>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	66,890	75,379	142,269	-
Loans Receivable	29,494	165,702	195,196	-
Investments	1,856,920	31,263	1,888,183	-
Due From Component Units	32,074	-	32,074	-
Derivative Instruments - Interest Rate Swaps	1,906	-	1,906	-
Other Noncurrent Assets	11,156	-	11,156	-
Nondepreciable Capital Assets	180,329	2,213	182,542	-
Capital Assets, Net	2,083,392	76,679	2,160,071	39,678
<b>Total Noncurrent Assets</b>	<b>4,262,161</b>	<b>351,236</b>	<b>4,613,397</b>	<b>39,678</b>
<b>Total Assets</b>	<b>5,330,388</b>	<b>700,180</b>	<b>6,030,568</b>	<b>213,870</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Interest Rate Swaps	10,582	-	10,582	-
Deferred Charge on Refunding	2,521	-	2,521	-
<b>Total Deferred Outflows of Resources</b>	<b>13,103</b>	<b>-</b>	<b>13,103</b>	<b>-</b>



	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 169,424	\$ 6,896	\$ 176,320	\$ 26,002
Accrued Liabilities	38,470	6,547	45,017	1,487
Unearned Revenue	64,066	5,274	69,340	-
Due to Other Funds	-	362	362	22,933
Due to Component Unit	7,184	-	7,184	-
Funds Held for Others	8,567	152	8,719	-
Bonds Payable	33,618	1,486	35,104	-
Other Liabilities	88,886	32,113	120,999	1,247
<b>Total Current Liabilities</b>	<u>410,215</u>	<u>52,830</u>	<u>463,045</u>	<u>51,669</u>
Noncurrent Liabilities:				
Bonds Payable	758,872	14,487	773,359	-
Other Liabilities	184,393	46,218	230,611	203,484
<b>Total Noncurrent Liabilities</b>	<u>943,265</u>	<u>60,705</u>	<u>1,003,970</u>	<u>203,484</u>
<b>Total Liabilities</b>	<u>1,353,480</u>	<u>113,535</u>	<u>1,467,015</u>	<u>255,153</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	464	-	464	-
Total Deferred Inflows of Resources	<u>464</u>	<u>-</u>	<u>464</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,452,622	64,742	1,517,364	39,645
Restricted:				
Nonexpendable:				
Scholarships and Student Loans	138,054	-	138,054	-
Endowment	744,001	-	744,001	-
Land Grant Permanent Fund	1,349,162	-	1,349,162	-
Other Purposes	5,700	-	5,700	-
Expendable:				
Debt Service	57,125	2,715	59,840	-
Capital Projects	39,555	1,232	40,787	-
Scholarships	17,003	-	17,003	-
Unemployment and Insurance	-	125,194	125,194	-
Loans	22,859	20,742	43,601	-
Other Purposes	32,609	363,543	396,152	40,882
Unrestricted (Deficit)	<u>130,857</u>	<u>8,477</u>	<u>139,334</u>	<u>(121,810)</u>
<b>Total Net Position</b>	<u>\$ 3,989,547</u>	<u>\$ 586,645</u>	<u>\$ 4,576,192</u>	<u>\$ (41,283)</u>

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, 2014

(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	\$ 268,663	\$ 390,415	\$ 659,078	\$ 469,483
Unemployment Insurance	-	215,699	215,699	-
Federal Revenue	437,013	324	437,337	-
State, Local, and Private Grants and Contracts	177,217	-	177,217	-
Loans and Other Income	-	3,905	3,905	-
Student Tuition and Fees, Net	255,321	-	255,321	-
Patient Services/Clinical Operations	671,214	-	671,214	-
Other Operating Revenues	71,493	15,233	86,726	54
<b>Total Operating Revenues</b>	<b>1,880,921</b>	<b>625,576</b>	<b>2,506,497</b>	<b>469,537</b>
<b>OPERATING EXPENSES</b>				
Benefits, Claims, and Premiums	-	308,088	308,088	-
Education and General	1,516,044	23,239	1,539,283	449,033
Insurance Losses	-	284,717	284,717	-
Depreciation and Amortization	154,834	4,741	159,575	-
Other Operating Expenses	1,206,123	46,533	1,252,656	12,813
<b>Total Operating Expenses</b>	<b>2,877,001</b>	<b>667,318</b>	<b>3,544,319</b>	<b>461,846</b>
<b>Operating Income (Loss)</b>	<b>(996,080)</b>	<b>(41,742)</b>	<b>(1,037,822)</b>	<b>7,691</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Clinical Operations	113,541	-	113,541	-
Private Grants and Gifts	35,574	-	35,574	10
Government Grants and Contracts	121,578	-	121,578	-
Interest and Investment Income	215,413	4,998	220,411	73
Interest and Other Expenses on Capital				
Asset-related Debt	(24,958)	(58)	(25,016)	-
Gain (Loss) on Sale of Capital Assets	(772)	-	(772)	180
Intergovernmental Grants	-	53,449	53,449	-
Other Revenue (Expense)	72,482	345	72,827	12,237
<b>Total Nonoperating Revenues (Expenses)</b>	<b>532,858</b>	<b>58,734</b>	<b>591,592</b>	<b>12,500</b>
<b>Income (Loss) Before Transfers and Other Revenues (Expenses)</b>	<b>(463,222)</b>	<b>16,992</b>	<b>(446,230)</b>	<b>20,191</b>
<b>CAPITAL CONTRIBUTIONS AND ENDOWMENTS</b>				
Capital Grants and Gifts	12,956	-	12,956	-
Permanent Fund/Endowment Contributions	12,585	-	12,585	-
<b>Total Capital Contributions and Endowments</b>	<b>25,541</b>	<b>-</b>	<b>25,541</b>	<b>-</b>
<b>TRANSFERS</b>				
Transfers In	687,008	7,971	694,979	34,413
Transfers Out	-	(7,000)	(7,000)	(27,736)
<b>Total Transfers</b>	<b>687,008</b>	<b>971</b>	<b>687,979</b>	<b>6,677</b>
<b>Change in Net Position</b>	<b>249,327</b>	<b>17,963</b>	<b>267,290</b>	<b>26,868</b>
<b>Net Position - Beginning, as Restated - See Note 9.D.</b>	<b>3,740,220</b>	<b>568,682</b>	<b>4,308,902</b>	<b>(68,151)</b>
<b>Net Position - Ending</b>	<b>\$ 3,989,547</b>	<b>\$ 586,645</b>	<b>\$ 4,576,192</b>	<b>\$ (41,283)</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

June 30, 2014

(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	\$ 907,023	\$ 379,846	\$ 1,286,869	\$ 472,175
Sale of Products	271,642	7,765	279,407	-
Gifts, Grants, and Contracts	622,438	14,898	637,336	-
Loan and Note Repayments	1,850	218,570	220,420	-
Unemployment Insurance	-	7,622	7,622	-
Other Sources	33,316	-	33,316	57
Cash Payments to or for:				
Suppliers	(797,191)	(68,989)	(866,180)	(423,562)
Employees	(1,783,361)	(19,482)	(1,802,843)	(22,508)
Unemployment Benefits	-	(263,588)	(263,588)	-
Student Loans and Loan Losses	(63,767)	(289,872)	(353,639)	-
Other Payments	(56,784)	(18,638)	(75,422)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(864,834)</b>	<b>(31,868)</b>	<b>(896,702)</b>	<b>26,162</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	646,572	-	646,572	34,413
Transfers Out	-	(7,925)	(7,925)	(27,736)
Gifts for Other Than Capital Purposes	19,045	10	19,055	-
Intergovernmental Receipts	232,106	54,531	286,637	-
Other	23,579	-	23,579	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>921,302</b>	<b>46,616</b>	<b>967,918</b>	<b>6,677</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(146,776)	(2,672)	(149,448)	(5,395)
Capital Gifts, Grants, and Contracts	-	7,775	-	-
Capital Debt Service Payments - Principal	(36,565)	(628)	(37,193)	-
Capital Debt Service Payments - Interest	(34,827)	(71)	(34,898)	-
Capital Contributions and Debt Proceeds	88,474	2,229	96,249	-
Proceeds from Sale of Capital Assets	258	5	2,487	102
Other	4,393	-	4,398	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(125,043)</b>	<b>6,638</b>	<b>(118,405)</b>	<b>(5,293)</b>

	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	\$ 77,516	\$ 215	\$ 77,731	\$ 12
Purchase of Investments	(558,069)	(1)	(558,070)	-
Receipts of Rent	-	4	4	-
Proceeds from Sale and Maturity of Investments	535,955	329	536,284	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>55,402</u>	<u>547</u>	<u>55,949</u>	<u>12</u>
<b>Net Increase (Decrease) in Cash</b>	(13,173)	21,933	8,760	27,558
<b>Cash and Cash Equivalents at Beginning of Year</b>	385,205	316,303	701,508	111,981
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 372,032</u>	<u>\$ 338,236</u>	<u>\$ 710,268</u>	<u>\$ 139,539</u>
<b>Cash and Cash Equivalents</b>				
Unrestricted	\$ 285,459	\$ 65,164	\$ 350,623	\$ -
Restricted	86,573	75,379	161,952	-
Investment in the State General Fund Investment Pool	-	167,542	167,542	139,539
Investment in the Local Government Investment Pool *	-	30,151	30,151	-
<b>Total Cash and Cash Equivalents</b>	<u>\$ 372,032</u>	<u>\$ 338,236</u>	<u>\$ 710,268</u>	<u>\$ 139,539</u>

\* Ed. Institutions do not classify Inv. in LGIP as cash equiv.

**RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH PROVIDED (USED) BY  
OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (996,080)	\$ (41,742)	\$ (1,037,822)	\$ 7,691
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	154,834	4,741	159,575	12,813
Bad Debt Expense	139,465	1,990	141,455	-
Realized (Gain) Loss on Disposal of Assets	246	-	246	-
Unrealized (Gain) Loss on Investments	(556)	-	(556)	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
Short-term Investments	(182)	-	(182)	-
Receivables/Due From Other Funds	(180,796)	(3,551)	(184,347)	367
Notes/Loans	-	(173)	(173)	-
Inventories	392	68	460	(73)
Prepaid Items/Other Assets	(895)	51	(844)	-
Insurance Claims Payable	-	-	-	18,080
Accounts Payable/Accrued Liabilities/Due To Other Funds	21,938	2,256	24,194	(12,716)
Loss Adjustments	-	4,517	4,517	-
Unearned Revenue	(3,200)	(25)	(3,225)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (864,834)</u>	<u>\$ (31,868)</u>	<u>\$ (896,702)</u>	<u>\$ 26,162</u>

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

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# STATE OF NEW MEXICO

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## FIDUCIARY FUND 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 beginning on page 229.

### **External Investment Trust Funds**

These funds account for assets held by the State in a trustee capacity. The funds are held in custody for 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 beginning on page 233.

### **Private Purpose Trust Funds**

These funds account for resources held under trust arrangements and which benefit individuals, organizations, the State of New Mexico, and other governmental units. These funds include the Scholarship Fund, the Land Grant Permanent Fund, the Education Trust Fund, the Water Trust Fund, and the Bartlett Trust Fund. Private purpose trust funds are presented beginning on page 237.

### **Agency Funds**

These funds are used to report resources held by various State agencies in a purely custodial capacity for distribution to other parties. Agency funds are presented beginning on page 243.



# STATE OF NEW MEXICO

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

June 30, 2014

(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	\$ 801,831	\$ 120,686	\$ 567,510	\$ 503,738
Investment in State General Fund Investment Pool	50,494	-	71,644	1,136,041
Investment in Local Government Investment Pool	-	66,754	-	4,979
Investments:				
U.S. Government and Agency Securities	1,667,708	-	-	-
International Securities	6,513,786	-	-	-
Corporate Equity Securities	7,220,534	-	-	-
Corporate and Municipal Bonds	2,540,105	-	-	-
Partnerships and Other Investments	8,002,709	-	-	-
Securities Lending Collateral Investments	400,720	-	-	-
Investment Pools	-	338,883	13,889,240	22,394
Receivables:				
Brokers	353,549	-	140,961	-
Contributions	148,541	-	-	-
Accrued Interest and Other	74,192	-	22,857	-
Participant Loans	7,880	-	-	-
Other Receivables	-	1,189	13,051	1,284,139
Capital Assets, Net	16,584	-	-	-
<b>Total Assets</b>	<u>27,798,633</u>	<u>527,512</u>	<u>14,705,263</u>	<u>\$ 2,951,291</u>
<b>LIABILITIES</b>				
Investment in State General Fund Investment Pool - Deficit	-	-	14,074	\$ -
Accounts Payable	57,376	-	-	1,559
Securities Lending	410,473	-	-	0
Accrued Liabilities	274	-	964	100,316
Due to Other Parties	-	-	-	1,334,881
Due to Beneficiaries	-	-	-	-
Due to Brokers	467,569	-	469	-
Intergovernmental Payables	-	-	-	632,070
Unearned Revenue	2,988	-	-	-
Deposits Held in Trust	703	-	-	882,465
Other Liabilities	20,595	1,549	177,908	-
<b>Total Liabilities</b>	<u>959,978</u>	<u>1,549</u>	<u>193,415</u>	<u>\$ 2,951,291</u>
<b>NET POSITION</b>				
Held in Trust for:				
Pension Benefits	25,963,272	-	-	
Other Postemployment Benefits	388,035	-	-	
Defined Contribution	487,348	-	-	
External Investment Pool Participants	-	525,963	-	
Other Purposes	-	-	14,511,848	
<b>Net Position</b>	<u>\$ 26,838,655</u>	<u>\$ 525,963</u>	<u>\$ 14,511,848</u>	

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

**STATE OF NEW MEXICO**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FIDUCIARY FUNDS**

**For the Year Ended June 30, 2014**

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employee Contributions	\$ 636,123	\$ -	\$ -
Employer Contributions	791,092	-	-
Member Contributions	42,561	-	719,974
Total Contributions	<u>1,469,776</u>	<u>-</u>	<u>719,974</u>
Pool Participant Deposits	<u>-</u>	<u>5,475</u>	<u>-</u>
Investment Income (Loss):			
Net Increase (Decrease) in Fair Value of Investments	3,280,139	(12,906)	1,704,521
Interest and Dividends	472,353	12,271	932,538
	<u>3,752,492</u>	<u>(635)</u>	<u>2,637,059</u>
Less Investment Expense	(45,894)	-	(12,245)
Net Investment Income	<u>3,706,598</u>	<u>(635)</u>	<u>2,624,814</u>
Other Additions			
Other Operating Revenues	70,545	-	135
Total Other Additions	<u>70,545</u>	<u>-</u>	<u>135</u>
<b>Total Additions</b>	<u>5,246,919</u>	<u>4,840</u>	<u>3,344,923</u>
<b>DEDUCTIONS</b>			
Benefits and Claims	2,075,619	-	-
Distributions	-	-	1,218,879
Refunds	86,282	-	-
General and Administrative Expenses	29,812	1,229	-
Other Operating Expenses	1,966	-	31,325
<b>Total Deductions</b>	<u>2,193,679</u>	<u>1,229</u>	<u>1,250,204</u>
<b>Change in Net Position</b>	3,053,240	3,611	2,094,719
<b>Net Position - Beginning</b>	<u>23,785,415</u>	<u>522,352</u>	<u>12,417,129</u>
<b>Net Position - Ending</b>	<u>\$ 26,838,655</u>	<u>\$ 525,963</u>	<u>\$ 14,511,848</u>

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# STATE OF NEW MEXICO

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## COMPONENT UNIT FINANCIAL STATEMENTS

### **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 - Sandoval Regional Medical Center**

Established by the Regents of the University of New Mexico, this medical center serves the City of Rio Rancho, NM.

### **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.

### **University of New Mexico Medical Group**

The Medical Group is a nonprofit corporation organized to advance and support the educational and charitable purposes of the University of New Mexico School of Medicine and the University Health Sciences Center.

### **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.

### **Charter Schools**

There were fifty-two state-authorized Charter Schools at June 30, 2014, financially accountable to the State Public Education Department. Their financial information for fiscal year ended June 30, 2014 was not available. FY13 information has been presented.

### **Nonmajor Component Units**

There were seventeen nonmajor component units at June 30, 2014. Their financial information is presented in total.

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2014  
(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	UNM - Sandoval Regional Medical Center	University of New Mexico Foundation
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 51,835	\$ 34,507	\$ 10,281	\$ 4,590	\$ 2,012
Investment in Local Government Investment Pool	-	-	-	-	-
Restricted Cash and Cash Equivalents	80,306	-	3,432	20,617	8,941
Investments	99	-	-	-	-
Due From Primary Government	-	-	-	2,130	-
Due From Other Components	-	-	-	-	-
Receivables, Net	16,746	4,075	1,326	10,769	833
Loans Receivable, Current	93,384	-	-	-	-
Prepaid Expenses	20	-	108	1,027	1,884
Inventory	-	1,595	123	1,709	-
<b>Total Current Assets</b>	<b>242,390</b>	<b>40,177</b>	<b>15,270</b>	<b>40,842</b>	<b>13,670</b>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	26,470	-	-	-
Restricted Investments	183,693	755,267	-	3,481	209,147
Loans Receivable, Net	1,085,782	180,363	-	-	-
Investments	-	62,316	-	-	-
Other Noncurrent Assets	110,807	621	-	-	6,200
Nondepreciable Capital Assets	-	512	-	397	-
Other Capital Assets, Net	104	622	828	127,694	113
<b>Total Noncurrent Assets</b>	<b>1,380,386</b>	<b>1,026,171</b>	<b>828</b>	<b>131,572</b>	<b>215,460</b>
<b>Total Assets</b>	<b>1,622,776</b>	<b>1,066,348</b>	<b>16,098</b>	<b>172,414</b>	<b>229,130</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Charge on Refunding	1,191	1,301	-	-	-
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	262	5,261	2,146	3,585	128
Accrued Liabilities	365	5,103	14	1,028	1,021
Unearned Revenue	-	-	-	-	-
Due to Primary Government	-	-	3,056	1,419	20,387
Due to Other Component Unit	-	-	-	2,040	-
Funds Held for Others	-	-	-	-	-
Bonds Payable	70,430	14,691	-	11,545	-
Other Liabilities	116,647	356	10,552	4,463	2,359
<b>Total Current Liabilities</b>	<b>187,704</b>	<b>25,411</b>	<b>15,768</b>	<b>24,080</b>	<b>23,895</b>
Noncurrent Liabilities:					
Bonds Payable	977,711	797,870	-	131,880	-
Due to Primary Government	-	-	-	-	4,385
Other Liabilities	-	2,819	63	-	2,503
<b>Total Noncurrent Liabilities</b>	<b>977,711</b>	<b>800,689</b>	<b>63</b>	<b>131,880</b>	<b>6,888</b>
<b>Total Liabilities</b>	<b>1,165,415</b>	<b>826,100</b>	<b>15,831</b>	<b>155,960</b>	<b>30,783</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned Revenue	-	-	-	-	-
<b>NET POSITION</b>					
Net Investment in Capital Assets	104	(681)	828	-	113
Restricted:					
Nonexpendable	-	-	-	-	175,043
Expendable:					
Debt Service	71,462	83,872	-	-	-
Other Purposes	114,074	25,881	-	24,100	20,794
Unrestricted Net Position (Deficit)	272,912	132,477	(561)	(7,646)	2,397
<b>Total Net Position (Deficit)</b>	<b>\$ 458,552</b>	<b>\$ 241,549</b>	<b>\$ 267</b>	<b>\$ 16,454</b>	<b>\$ 198,347</b>

\* FY 14 not available, FY13 balances provided.

University of New Mexico Medical Group	New Mexico State University Foundation	* Charter Schools	Nonmajor Component Units	Component Unit Eliminations	Total
\$ 19,474	\$ 8,167	\$ 21,316	\$ 14,055	\$ -	166,237
-	-	-	-	-	-
-	-	-	4,733	-	118,029
-	2,441	-	10,423	-	12,963
4,199	-	-	855	-	7,184
2,040	-	-	-	(2,040)	-
25,479	5,186	5,993	6,561	-	76,968
-	-	-	-	-	93,384
15	-	-	120	-	3,174
-	-	-	326	-	3,753
<u>51,207</u>	<u>15,794</u>	<u>27,309</u>	<u>37,073</u>	<u>(2,040)</u>	<u>481,692</u>
1,958	-	-	15	-	28,443
-	-	-	-	-	1,151,588
-	-	-	-	-	1,266,145
20,153	116,229	78	101,617	-	300,393
737	47,063	430	3,085	-	168,943
-	-	2,839	5,857	-	9,605
2,564	328	42,563	54,324	-	229,140
<u>25,412</u>	<u>163,620</u>	<u>45,910</u>	<u>164,898</u>	<u>-</u>	<u>3,154,257</u>
<u>76,619</u>	<u>179,414</u>	<u>73,219</u>	<u>201,971</u>	<u>(2,040)</u>	<u>3,635,949</u>
-	-	-	-	-	2,492
-	229	948	1,309	-	13,868
3,895	2,893	4,243	1,183	-	19,745
-	-	1,958	5,992	-	7,950
26,470	2,115	-	5,636	-	59,083
-	-	-	-	(2,040)	-
-	-	70	265	-	335
-	-	-	-	-	96,666
-	626	2,994	1,162	-	139,159
<u>30,365</u>	<u>5,863</u>	<u>10,213</u>	<u>15,547</u>	<u>(2,040)</u>	<u>336,806</u>
-	-	17,325	-	-	1,924,786
-	-	-	27,689	-	32,074
-	45,230	17,589	12,191	-	80,395
<u>-</u>	<u>45,230</u>	<u>34,914</u>	<u>39,880</u>	<u>-</u>	<u>2,037,255</u>
<u>30,365</u>	<u>51,093</u>	<u>45,127</u>	<u>55,427</u>	<u>(2,040)</u>	<u>2,374,061</u>
-	-	-	772	-	772
2,564	-	21,876	23,622	-	48,426
-	78,131	-	45,586	-	298,760
-	-	-	-	-	155,334
-	45,960	2,519	21,871	-	255,199
<u>43,690</u>	<u>4,230</u>	<u>3,697</u>	<u>54,693</u>	<u>-</u>	<u>505,889</u>
<u>\$ 46,254</u>	<u>\$ 128,321</u>	<u>\$ 28,092</u>	<u>\$ 145,772</u>	<u>\$ -</u>	<u>1,263,608</u>

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

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF ACTIVITIES

### COMPONENT UNITS

For the Year Ended June 30, 2014

(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	UNM - Sandoval Regional Medical Center	University of New Mexico Foundation
Expenses	\$ 117,491	\$ 45,971	\$ 135,791	\$ 59,373	\$ 42,590
Program Revenues:					
Charges for Services	52,421	6,787	136,025	54,091	-
Operating Grants and Contributions	55,225	48,644	-	-	31,559
Total Program Revenues	107,646	55,431	136,025	54,091	31,559
Net (Expenses) Revenues	(9,845)	9,460	234	(5,282)	(11,031)
General Revenues:					
Payment from State of New Mexico	43,087	200	-	-	-
Other	-	-	14	2,462	7,731
Investment Income	-	-	19	255	31,649
Total General Revenues	43,087	200	33	2,717	39,380
<b>Change in Net Position</b>	33,242	9,660	267	(2,565)	28,349
<b>Net Position - Beginning, as Restated</b>	425,310	231,889		19,019	169,998
<b>Net Position - Ending (Deficit)</b>	\$ 458,552	\$ 241,549	\$ 267	\$ 16,454	\$ 198,347



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University of New Mexico Medical Group	New Mexico State University Foundation	* Charter Schools	Nonmajor Component Units	Total
\$ 168,055	\$ 15,524	\$ 109,072	\$ 28,915	\$ 722,782
163,813	3,874	917	10,521	428,449
2,484	11,462	21,535	19,017	189,926
166,297	15,336	22,452	29,538	618,375
(1,758)	(188)	(86,620)	623	(104,407)
815	-	81,168	1,166	126,436
-	-	5,147	1,522	16,876
202	14,918	305	15,050	62,398
1,017	14,918	86,620	17,738	205,710
(741)	14,730	-	18,361	101,303
46,995	113,591	28,092	127,411	1,162,305
\$ 46,254	\$ 128,321	\$ 28,092	\$ 145,772	\$ 1,263,608

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### INDEX TO NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:	
A. Description of Government-wide Financial Statements.....	59
B. Reporting Entity .....	59
C. Basis of Presentation – Government wide Financial Statements .....	62
D. Basis of Presentation – Fund Financial Statements.....	62
E. Measurement Focus and Basis of Accounting .....	64
F. Budgetary Information .....	65
G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, Net Position/Fund Balance.....	66
H. Revenues and Expenditures/Expenses .....	73
I. Use of Estimates.....	75
J. New Accounting Standards .....	75
K. Future Accounting Standards .....	76
L. State Auditor Rule Disclosure .....	76
2. Cash.....	77
3. Investments.....	79
4. Receivables.....	101
5. Interfund and Interagency Receivables, Payables, and Transfers.....	104
6. Capital Assets .....	105
7. Deferred Outflows of Resources .....	109
8. Long-term Liabilities .....	110
9. Net Position and Fund Equity.....	135
10. Leases .....	141
11. Risk Management.....	143
12. Pension Plans.....	145
13. Post-Employment Benefits Other Than Pensions.....	155
14. Deferred Compensation Plan.....	159
15. Arbitrage on Tax-Exempt Bonds.....	160
16. Segment Information .....	161
17. Allowance for Potential Loss – State General Fund Investment Pool.....	164
18. Commitments and Contingencies .....	165
19. Subsequent Events.....	167

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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, the educational institutions created by the *Constitution of the State of New Mexico*, Article XII, Section 11). The annual financial report does not include the financial statements of the community colleges or public schools.

The GASB has set forth criteria to be considered in determining financial accountability as defined in GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB No. 39 and No. 61). 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.

##### Discrete 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### 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 87505.

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

The Laws of 1975, Chapter 303, as amended, created the NMMFA. The purpose of the NMMFA act is to create a separate public body apart from the State, to facilitate programs to assist in the financing of housing for persons of low and moderate income within the State. The NMMFA is considered a component unit of the State because the Governor appoints a majority of its Board. The NMMFA is composed of seven members, at which a majority of those members serve at the pleasure of the Governor. NMMFA fiscal year end is September 30. This year-end differs for all other state entities, which have a June 30 fiscal year-end. New Mexico Mortgage Finance Authority, 344 Fourth St. 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 of providing revenues for public purposes of providing tuition assistance to resident undergraduates at New Mexico post-secondary educational institutions. 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 component units (with the exception of the Public Education - Charter Schools) 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.

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

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 of the Medical Center can be located at 3001 Broadmoor Blvd. NE, Rio Rancho, NM 87144.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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

UNM Foundation is a nonprofit corporation, organized to solicit, receive, hold, invest, and transfer 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 Blvd., Suite 108, Albuquerque, NM 87131.

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

The Laws of 1989, Chapter 264, as amended created University Research Park and Economic Development Act (the Act). UNMMG is a not-for-profit corporation that was organized under the Act. UNMMG purpose is to promote, advance, and support the clinical, 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 11 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.

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

NMS Foundation is a nonprofit corporation formed for the purpose of obtaining and disbursing funds 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.

- **Charter Schools**

The Laws of 1999, Chapter 281, as amended created the Charter School Act (Charter School). Charter Schools provide elementary and secondary educational services to encourage the use of different and innovative teaching methods. The Charter Schools are approved by the Public Education Department. The State is financially accountable for these schools. The division of Charter School can be located at the New Mexico Public Education Department, Office of the Secretary, 300 Don Gaspar, Santa Fe, NM 87501.

#### **Nonmajor Component Units**

The State's nonmajor component units have been determined to be financially accountable to the State. Nonmajor component units are: New Mexico Military Institute (NMMI) Foundation, Inc., University of New Mexico Alumni Assoc., Inc., University of New Mexico Lobo Club, University of New Mexico – Anderson Schools of Management Foundation, Inc., STC.UNM, Lobo Development Corporation, Lobo Energy, Inc., New Mexico Institute of Mining and Technology Foundation, Inc., New Mexico Institute of Mining and Technology – Research Park Corporation, New Mexico Highlands Univ. Foundation, Inc., New Mexico Highlands University – Stable Isotopes Corporation, Western New Mexico University Foundation, Inc., Eastern New Mexico University Foundation, Inc., Eastern New Mexico University – Roswell Foundation, Inc., Eastern NM Univ. – Ruidoso – Fund, Inc., Northern New Mexico College Foundation, Inc., Arrowhead Center, Inc. (NMSU), Cumbres & Toltec Scenic Railroad, Inc., and New Mexico Renewable Transmission Authority.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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#### 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 eight discretely presented component units and nineteen nonmajor 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

The fund financial statements provide information about the State's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary- are presented. 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Permanent Fund** – The State levies a severance tax 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 within the State's debt service fund. The remaining severance tax revenues are then transferred to the State's Severance Tax Permanent Fund, in which distributions from this fund are stipulated by the State Constitution. The current annual distributions to the State's general fund equal 4.7 percent of the average of the year-end market values of the fund for the immediate preceding 5 years.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

- **Land Grant Permanent Fund** – The Land Grant Permanent Fund receives royalties and income from trust lands distributed to various entities assigned by the Ferguson Act of 1898. This fund presents only those amounts which are held for the benefit of State agencies. Funds held for the benefit of other entities are presented in the Land Grant Private Purpose Trust Fund, a fiduciary fund type.

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 Visually Handicapped, and New Mexico School for the Deaf.

Nonmajor funds:

The State’s nonmajor enterprise funds include: Industries for the Blind, Corrections Industries Revolving Fund, Environment Department, New Mexico Magazine, New Mexico Public School Insurance Authority, State Infrastructure Bank, Miners’ Colfax Medical Center, Unemployment Insurance Fund, State Fair Commission and Department of Cultural Affairs.

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 participants in the New Mexico State Treasurer’s Investment Pools and the State Investment Council’s Investment Pools.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

- **Private Purpose Trust Funds** – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. These funds include the Scholarship Fund, the Land Grant Permanent Fund, the Water Trust Fund, and the Higher Education Savings Plan.
- **Agency Funds** – These funds are used to report resources held by the State in a purely custodial capacity. 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 state operating funds or to various entities or individuals; and for deposit to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

#### 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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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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.

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

#### **F. Budgetary Information**

##### **1. Budgetary Basis of Accounting**

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

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

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

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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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#### **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 nonoperating budgets primarily serve as a management control tool, and because related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

#### **4. Excess of Expenses/expenditures Over Budget**

For the fiscal year ended June 30, 2014, the State is reporting expenses/expenditures exceeding the approved budget in four separate P-code budgeted categories. More information can be found in the Budgetary Comparison Schedule which begins on page 170.

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

##### **1. Cash and Cash Equivalents**

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

##### **2. Investments**

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### 3. Investment Pools

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

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

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

The LGIP, an external investment pool, is not registered with the Security and Exchange Commission (SEC) as an investment company. The investments are recorded at fair value based on quoted market price; however, individual participant balances remain at their carrying cost. The LGIP does not have unit shares. Per Chapter 6-10-10.1F, New Mexico Statutes Annotated (NMSA) 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. At June 30, 2014, 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.

*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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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

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

#### **4. Inventories**

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

Inventories of the proprietary funds are valued at cost using the average cost, retail inventory, and 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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 fair market 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.

Buildings, equipment, 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.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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#### **7. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period 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 and so will not be recognized as an inflow of resources (revenue) until that time. With the implementation of *GASB Statement No. 65*, resources received from another government under voluntary or government-mandated nonexchange transactions before time restrictions are met, but after all other eligibility requirements are met, should be classified as deferred inflows of resources.

#### **8. Accrued Liabilities**

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

#### **9. Compensated Absences**

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

#### **10. Unearned Revenue**

In the government-wide statements, governmental fund statements, proprietary fund statements, and fiduciary fund statements, unearned revenue is recorded when cash or other assets are received prior to being earned. In the, unearned revenue is recorded when revenue is either unearned or unavailable.

#### **11. Bonds Payable**

Bond premiums, discounts and deferred charges 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 on refunding reported separately. In accordance with GASB Statement 65, bond issuance costs are expensed.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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.

#### **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.



# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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#### Governmental Fund Financial Statements

**Interfund Activity** – Interfund transactions for goods sold or services rendered for a price approximate their 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.

*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 nonspendable, 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.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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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 nonreverting by the Legislature or by laws or regulations imposed by grantors. If the fund is nonreverting, 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.

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

Revenues and expenses of proprietary funds are classified as operating or nonoperating 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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 nonoperating 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 nonoperating.

#### **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 of \$18 million are available for authorization for expenditure by the governing boards of the universities with endowments, which are reported in Net Position as restricted for purposes for which the endowments were established. Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Management of Institutional Funds Act, Chapters 46-9-1 to 46-9-12, NMSA 1978, except where a donor has specified otherwise. Distributions shall not exceed 6.0 percent nor be less than 4.0 percent of the average market value of the endowment. The universities use the total-return policy for authorizing and spending investment income. The universities review the investment earnings designed to support distributions from the pool and to protect the purchasing power of the endowment principal.

#### **Retirement and Employee Benefit Costs**

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### 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, 2014, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.*

GASB Statement No. 65 requires that certain amounts previously reported as assets and liabilities be reported as deferred outflows of resources and deferred inflows of resources in the government-wide, proprietary fund, and fiduciary fund financial statements, and, in some instances, the governmental funds. More financial statements, including those of the State, will be reporting either deferred outflows or deferred inflows of resources as a result of this GASB statement. See Note 1, G, 7 for an explanation of these terms.

In addition, bond issuance costs, previously deferred and amortized under the old standard, are now required to be expensed in the current period. The State has restated its government-wide beginning net position as a result of the recognition of the expense of prior year bond issuance costs.

*GASB Statement No. 66, Technical Corrections 2013 – An Amendment of GASB Statements No. 10 and No. 62*

GASB Statement No. 66 amends conflicting guidance with respect to GASB Statements No. 10 and No. 62. The changes resulting from this implementation are technical in nature.

*GASB Statement No. 67, Financial Reporting for Pension Plans*

GASB Statement No. 67 revises existing guidance for the financial reporting of most pension plans. The requirements of GASB Statement No. 67 include changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. One of the key changes is the presentation in the notes of the actuarial calculation of the total pension liability and the net pension liability. Another key change is the required use of a more realistic discount rate in the calculations. Many accountants believe that the implementation of this standard will result in a better understanding of the costs of pension plan benefits now and in the future.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### *GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*

This statement is applicable if an entity extends or receives nonexchange financial guarantees. This statement has had little effect on the State.

#### **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. It is anticipated that GASB Statement No. 68, concerning pension plans, will have the greatest impact due to the revised requirements for reporting pension liabilities.

#### *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*

GASB Statement No. 68 revises and establishes new financial reporting requirements for most state and local governments that provide employees with pension benefits. The statement is due to be adopted by the State for the fiscal year ending June 30, 2015. It is expected that the statement will have a great impact on the State, since the various entities in a cost-sharing multiple-employer pension plan will be required to report their share of the net pension liability applicable to their respective plan.

#### *GASB Statement No. 69, Government Combinations and Disposals of Government Operations*

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is due to be adopted by the State for the fiscal year ending June 30, 2015.

#### *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*

GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68 with respect to contributions. This statement is due to be adopted by the State at the same time as GASB Statement No. 68.

#### **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

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2

#### NOTE 2. Cash

##### **Primary Government**

##### **New Mexico State Treasurer**

All monies, except with specific authority, must be deposited with the State Treasurer. These operating funds are commingled in the State Investment Pool, managed by the Treasurer. Every State agency reports their operating cash as “Investment in State General Fund Investment Pool”, and this pool is reported in Note 3, “Investments”. The issues detailing the reconciliation problems of the State General Fund Investment Pool are reported in Note 17, “Allowance for Potential Loss – 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 excepted, 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, 2014

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

As of June 30, 2014, the funds held by the State Treasurer in the fiscal agency account were exposed to custodial credit risk as follows:

**Office of the State Treasurer  
Custodial Credit Risk  
(Expressed in Thousands)**

	<u>Balance at June 30, 2014</u>
Cash in Banks	\$ 583,901
Less: Deposit of Institutions Which are Fully Insured and Collateralized	<u>(264,438)</u>
Deposits of Institutions Not Fully Collateralized	319,463
Less: Total FDIC Insurance Coverage	(2,500)
Collateral Pledged: Securities	<u>(245,002)</u>
<b>Subject to Custodial Credit Risk</b>	<b><u>\$ 71,961</u></b>

As of June 30, 2014, 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 *	\$ 51,138	\$ 59,950
Less: FDIC Insurance Coverage	<u>250</u>	<u>1,873</u>
Total Unsecured Public Funds	<u>\$ 50,888</u>	<u>\$ 58,077</u>
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	<u>\$ 25,569</u>	<u>\$ 31,826</u>
Collateral Pledged: U.S. Government Securities	\$ 80,491	\$ 35,385
Surety Bond	<u>80,491</u>	<u>35,385</u>
Collateral Pledged	<u>80,491</u>	<u>35,385</u>
<b>Over Collateralized</b>	<b><u>\$ (54,922)</u></b>	<b><u>\$ (3,559)</u></b>

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3

#### NOTE 3. Investments

The following schedule reconciles total investments to the financial statements of the primary government:

	<u>Balance at</u> <u>June 30, 2014</u>
Primary Government:	
Current:	
Investment in State General Fund Investment Pool	\$ 2,529,366
Investment in Local Government Investment Pool	64,938
Investments	333,780
Noncurrent:	
Investments	7,549,299
Fiduciary Funds:	
Investment in State General Fund Investment Pool	1,258,179
Investment in Local Government Investment Pool	71,733
Investments	40,596,079
External Trust Funds -	
Excess of Net Position Over Amounts Reported as Investments	120,326
Component Units:	
Investments (Includes \$4,608 in LGIP and \$33,589 in SIC Pool)	<u>43,383</u>
Subtotal	52,567,083
Less: Investments in Deferred Compensation Plan not Included in Reported Investments	<u>(479,267)</u>
<b>Total Investments</b>	<b><u>\$ 52,087,816</u></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 Treasurer

The State Treasurer operates four separate investment pools.

#### *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 is comprised of the various 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.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### *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*

Cities, counties, and other non-state agencies may invest monies in the State Treasurer external Local Government Investment Pool (LGIP). The investments are recorded at fair value based on quoted market prices as of the valuation date in the financial statements; however, the individual participant balances remain at their carrying cost. At June 30, 2014, the Local Government Investment Pool carrying cost approximated the fair value.

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 LGIP does not have unit shares. Per Chapter 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, 2014, the WAM(R) of the LGIP was 48.6 days and the WAM(F) was 116.2 days. The fund was rated AAAM by Standard and Poor's as of June 30, 2014.

#### *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 his 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 and other special funds with respect to which the State Treasurer is the investing authority.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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
- Maintenance of Liquidity
- Maximum Return

#### **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 Universities and Colleges**

As mentioned in Note 1. A, 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### **A. 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.

#### **B. 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 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, 2014

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

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

The ratings of investments in fixed income securities at June 30, 2014, were as follows:

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings:		
Government Bonds	AAA	\$ 48,600
	AA+	2,064,465
	AA	12,192
	AA-	92,489
	A+	12,897
	A	73,155
	A-	54,016
	BBB+	104,366
	BBB	56,390
	BBB-	42,222
	BB+	23,842
	BB	62,817
	B+	4,734
	B	5,601
	B-	1,495
	CCC-	17,977
	Not Rated	149,115
Municipal Bonds	AAA	25,818
	AA+	13,384
	AA	29,583
	AA-	20,411
	A+	54,530
	A	28,439
	A-	18,272
	Not Rated	8,961
Corportate Bonds	AAA	15,928
	AA+	26,179
	AA	15,795

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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):		
Corporate Bonds (continued):	AA-	\$ 58,284
	A+	121,651
	A	187,441
	A-	361,895
	BBB+	367,502
	BBB	486,626
	BBB-	530,928
	BB+	188,744
	BB	188,263
	BB-	180,222
	B+	127,494
	B	102,246
	B-	120,163
	CCC+	80,702
	CCC	19,495
	CCC-	27,840
	CC	571
	C	2,969
	D	8,180
	Not Rated	498,299
Corporate Convertible Bonds	Not Rated	13,631
Government MBS	AA+	799,780
	CCC	3,364
Commercial MBS	AAA	195,376
	AA+	31,869
	AA	22,991
	AA-	3,909
	A+	29,379
	A	23,763
	A-	7,645
	BBB+	29,265
	BBB	4,752
	BBB-	35,051
	BB+	1,233
	BB	1,590
	B+	1,561
	B	775
	B-	458
	CCC+	227

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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):		
Commercial MBS (continued):	CCC	\$ 674
	D	842
	Not Rated	65,696
Asset-backed Securities	AAA	176,808
	AA+	31,792
	AA	44,244
	AA-	4,060
	A+	10,722
	A	18,575
	A-	10,622
	BBB+	27,204
	BBB	9,836
	BBB-	9,975
	BB+	14,544
	BB	9,470
	BB-	3,220
	B+	654
	B	2,868
	B-	13,431
	CCC	58,416
	CCC-	407
	CC	2,473
	Not Rated	65,933
Collateralized Debt-loan Obligations	AA-	2,835
	BBB+	474
	BB+	2,213
	BB	730
	B	1,664
	B-	646
	CCC+	729
	Not Rated	1,851
Treasury Bills	AA+	1,104,629
	A-1	8,603
	BBB+	398
	Not Rated	71,180
Nongovernment-backed C.M.O.	AAA	11,066
	AA+	70,276
	AA	1,480
	AA-	610

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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

<b>Investment</b>	<b>Rating</b>	<b>Fair Value</b>
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Nongovernment-backed C.M.O. (continued):	A+	\$ 4,074
	A	1,307
	A-	2,739
	BBB+	11,281
	BBB	2,444
	BBB-	4,825
	BB+	2,916
	BB	4,205
	BB-	5,000
	B+	3,474
	B	924
	B-	4,572
	CCC	20,705
	CCC-	93
	CC	10,570
	D	28,082
	Not Rated	61,195
Bank Loans	BB-	(111)
	B+	14,211
	B	7,175
	B-	14,868
	CCC+	25,749
	CCC	10,697
	CCC-	6,808
	D	14,820
	Not Rated	174,109
Demand Notes	AA+	2,794
Investment in St. Treas. Loc. Gov't. Inv. Pool	AAAm	33,329
Other Fixed Income	BB+	2,073
	B-	9,241
	Not Rated	9,190
Preferred Stock	D	730
	Not Rated	4,304
Cash	A1+	10,297
Certificate of Deposit	A-1	3,995
	BBB-	507
	Not Rated	89,711
Commercial Paper	A-1	997
	A-2	12,470

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - Moody's Ratings:		
Commercial Paper (continued):	A-3	\$ 20,787
	Not Rated	1,200
		<u>10,450,014</u>
Investments Subject to Credit Risk: S&P Ratings		
US Gov't Agencies	Aaa	154,430
	Aa1	1,514
	Not Rated	218,883
Repurchase Agreements	Baa1	13,417
Corporate Bonds	Aaa	1,505
	Aa1	5,217
	Aa2	2,961
	Aa3	16,205
	A1	14,530
	A2	19,168
	A3	14,245
	Baa1	24,604
	Baa2	8,048
	Baa3	782
Municipal Bonds	Aa1	22,537
	Aaa	5,132
	Aa2	5,768
	Aa3	3,352
	A1	1,648
		<u>533,946</u>
Investments Subject to Credit Risk: Moody's Ratings		
Investments Subject to Credit Risk - Not Rated:		
Cash Collateral	Not Rated	370,726
Common Stock	Not Rated	94,528
Overnight Repurchase Pool	Not Rated	844,000
Fiscal Agency Account	Not Rated	177,579
Royalty Trust	Not Rated	97
Miscellaneous	Not Rated	10,370
Money Market	Not Rated	70,522
Short-term Investment Fund (STIF)	Not Rated	441,108
		<u>2,008,930</u>
Investments Subject to Credit Risk: Not Rated		



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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>
Total Investments Subject to Credit Risk		\$ 12,992,890
Investments Not Subject to Credit Risk:		
Private Equity, Real Estate, and Alternative Investments		36,948,828
Less: Interfund Investments		(33,329)
Foundation Investments Held in Consol. Inv. Pool		(189,074)
Education Trust Board - Presented Elsewhere		2,358,504
Information Not Available		9,997
<b>Total Investments</b>		<b><u>\$ 52,087,816</u></b>

The credit ratings for the Education Trust Board investments of \$2,358,504 are shown separately as follows:

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

<u>Scholar's Edge Plan</u>	<b>Oppen- heimer Global Strategic Income Fund</b>	<b>Oppen- heimer Limited - Term Income Fund</b>	<b>Oppen- heimer Int'l. Bond Fund</b>	<b>American Century Diversified Bond Fund</b>	<b>Mainstay High Yield Corporate Bond Fund</b>
<u>Investment/Rating</u>					
Investments Subject to Credit Risk - NRSRO					
AAA	10.6%	89.4%	12.7%	57.5%	0.0%
AA	0.9%	0.6%	20.2%	7.3%	0.0%
A	6.4%	1.8%	6.8%	9.8%	0.2%
BBB	26.1%	5.8%	38.9%	17.1%	3.7%
BB and Lower	50.0%	0.5%	12.0%	8.3%	93.6%
NRSRO-rated Total	94.0%	98.1%	90.6%	100.0%	97.5%
Not Rated	6.0%	1.9%	9.4%	0.0%	2.5%
Cash and Cash Equivalents - Not Rated	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
<u>The Education Plan</u>					
<u>Investment/Rating</u>	<b>Dreyfus Bond Market Index Fund</b>	<b>Vanguard Inter. Term Bond Index Fund</b>	<b>Oppenheimer Limited-term Government Fund</b>		
Investments Subject to Credit Risk - NRSRO					
AAA	72.9%	53.9%	89.9%		
AA	5.5%	5.1%	0.1%		
A	13.0%	17.6%	1.8%		
Baa	0.0%	23.4%	0.0%		
BBB	8.6%	0.0%	6.3%		
NRSRO-rated Total	100.0%	100.0%	98.1%		
Not Rated	0.0%	0.0%	1.9%		
Total	100.0%	100.0%	100.0%		

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### C. 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, 2014, there were no holdings with a single issuer comprising five percent or more of total net investments.

#### 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.

Maturities on investment at June 30, 2014, were as follows:

Investment	Fair Value	State of New Mexico Maturities on Investments (Expressed in Thousands)			
		< 1 year	1-5 years	6-10 years	> 10 Years
Investments Subject to Interest Rate Risk:					
U.S. Treasuries	\$ 1,542,648	\$ 177,290	\$ 1,037,189	\$ 328,169	\$ -
U.S. Government Agencies	2,544,057	246,528	1,719,767	6,310	571,452
Corporate Bonds	4,303,043	245,722	1,687,421	2,149,049	220,851
Municipal/Provincial Bonds	226,082	43,303	68,505	142	114,132
Certificates of Deposit	112,189	96,781	15,408	-	-
Overnight Repurchase Pool	844,000	844,000	-	-	-
Mutual Funds	81	81	-	-	-
Asset-backed Securities	675,359	194,681	217,038	17,738	245,902
Commercial Mortgage-backed Secs.	397,218	93,724	-	-	303,494
Commercial Paper	14,475	14,475	-	-	-
Demand Notes	2,794	2,794	-	-	-

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

**State of New Mexico**  
**Maturities on Investments (Continued)**  
*(Expressed in Thousands)*

Investment	Fair Value	Total			
		< 1 year	1-5 years	6-10 years	> 10 Years
Derivative/Interest Rate Swap	\$ 58,671	\$ 56,840	\$ 349	\$ 1,539	\$ (57)
Government Bonds	1,541,605	162,840	163,880	1,129,639	85,246
Money Market	37,885	37,885	-	-	-
Mortgage-backed Secs.	257,303	15,450	377	38,768	202,708
Nongovernment-backed C.M.O.s	225,402	124,656	2,355	-	98,391
Repurchase Agreements	13,417	-	-	-	13,417
Short-term Investments	60,070	60,070	-	-	-
International Government Obligations	58,451	-	-	58,451	-
Investment in LGIP	33,329	33,329	-	-	-
Other	823	100	723	-	-
Subtotal	12,948,902	<b>\$ 2,450,549</b>	<b>\$ 4,913,012</b>	<b>\$ 3,729,805</b>	<b>\$ 1,855,536</b>
Life Not Available:					
Fixed Income Derivatives	1,144				
Money Market	450				
Investments Subject to Interest Rate Risk	12,950,496				
Investments Not Subject to Interest Rate Risk:	36,991,222				
Less: Interfund Investments	(33,329)				
Foundation Investments Held in Consolidated Pool	(189,074)				
Education Trust Board - Presented Elsewhere	2,358,504				
Information Not Available	9,997				
<b>Total Investments</b>	<b>\$ 52,087,816</b>				

Calculations based on  
weighted-average method (WAM).

The maturities on investments of \$2,358,504 for the Education Trust Board are shown separately as follows:

**New Mexico Education Trust Board**  
**Maturities on Investments**

Investment	1-5 years	6-10 years
<b>The Scholar's Edge:</b>		
Oppenheimer Global Strategic Income Fund	x	
Oppenheimer Limited-Term Governmental Fund	x	
Oppenheimer International Bond Fund	x	
American Century Diversified Bond Fund	x	
Mainstay High Yield Corporate Bond Fund	x	
<b>The Education Plan:</b>		
Dreyfus Bond Market Index Fund		x
Vanguard Intermediate Term Bond Index Fund		x
Oppenheimer Limited-term Government Fund	x	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### 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, 2014 was as follows:

<b>State of New Mexico</b>						
<b>Foreign Currency Risk</b>						
<b>International Investment Securities at Fair Value</b>						
<i>(Expressed in Thousands)</i>						
<u>Foreign Currency</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Vent. Cap., Pref. Stk., Rts., REITs, Ptshps., Wrnts.</u>	<u>Derivatives</u>	<u>Total Investments</u>	<u>Cash and Cash Equivalents (Overdraft)</u>
Australian Dollar	\$ 234,288	\$ 22,262	\$ 1,986	\$ (80)	\$ 258,456	\$ 4,484
Botswana Pula	1,188	-	-	-	1,188	14
Brazilian Real	169,917	19,881	60,710	(4)	250,504	2,294
British Pound Sterling	831,255	5,651	14,346	2	851,254	7,236
Bulgarian New Lev	89	0	-	-	89	-
Canadian Dollar	230,016	19,845	-	(88)	249,773	1,464
Chilean Peso	25,294	-	509	(10)	25,793	176
Chinese Yuan	(22)	-	-	-	(22)	-
Chinese Yuan Renminbi	5	-	-	(19)	(14)	-
Colombian Peso	10,584	-	-	-	10,584	474
Croatian Kuna	1,740	-	-	-	1,740	12
Czech Koruna	26,386	-	-	-	26,386	124
Danish Krone	66,979	-	-	-	66,979	178
Egyptian Pound	6,114	-	-	-	6,114	560
Euro	1,303,580	114,434	256,740	(250)	1,674,504	2,926
Ghanian Cedi	849	10,746	-	-	11,595	561

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

State of New Mexico						
Foreign Currency Risk (Continued)						
International Investment Securities at Fair Value						
<i>(Expressed in Thousands)</i>						
Foreign Currency	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Ptshps., Wrnts.	Derivatives	Total Investments	Cash and Cash Equivalents
Hong Kong Dollar	\$ 543,978	\$ -	\$ 112	\$ -	\$ 544,090	\$ 2,308
Hungarian Forint	21,070	29,560	-	9	50,639	(185)
Indian Rupee	80,015	-	-	(39)	79,976	835
Indonesian Rupiah	72,970	-	-	-	72,970	394
Japanese Yen	774,397	2,643	284	(10)	777,314	5,029
Jordanian Dinar	1,697	-	-	-	1,697	9
Kenyan Shilling	1,709	-	-	-	1,709	18
Kuwaiti Dinar	3,964	-	-	-	3,964	45
Lithuanian Lita	19	-	-	-	19	14
Malaysian Ringgit	90,064	48,440	57	(1)	138,560	3,049
Mauritanian Rupee	1,850	-	-	-	1,850	66
Mexican Peso	105,684	71,409	-	(90)	177,003	1,029
Moroccan Dirham	1,803	-	-	-	1,803	37
New Israeli Shekel	12,981	-	-	-	12,981	67
New Taiwan Dollar	269,264	-	-	-	269,264	877
New Zealand Dollar	5,320	21,041	-	(162)	26,199	460
Nigerian Naira	3,890	-	-	-	3,890	16
Norwegian Krone	49,821	6,593	-	-	56,414	520
Omani Rial	1,984	-	-	-	1,984	8
Pakistan Rupee	1,835	-	-	-	1,835	40
Peruvian Nuevo Sol	3,351	-	-	-	3,351	38
Philippine Peso	21,639	11,440	-	-	33,079	254
Polish Zloty	60,052	37,170	-	(7)	97,215	373
Qatari Riyal	6,541	-	-	-	6,541	452
Romanian Leu	4,486	-	-	-	4,486	-

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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	\$ 10,313	\$ -	\$ -	\$ -	\$ 10,313	\$ 3,159
Servian Dinar	-	8,055	-	-	8,055	41
Singapore Dollar	49,642	16,228	91	1	65,962	859
South African Rand	162,123	-	-	-	162,123	1,098
South Korean Won	434,380	86,368	4,409	330	525,487	1,908
Sri Lankan Rupee	624.00	7,342	-	-	7,966	201
Swedish Krona	110,919	9,059	-	(5)	119,973	300
Swiss Franc	340,713	-	-	(4)	340,709	318
Thai Baht	78,498	6,680	-	-	85,178	384
Tunisian Dinar	647	-	-	-	647	-
Turkish Lira	64,914	-	-	-	64,914	159
UAE Dirham	4,667	-	-	-	4,667	81
Uruguayan New Peso	-	37,321	-	-	37,321	611
Vietnam Dong	1,291	-	-	-	1,291	34
Various - Bilateral Swap Co	-	-	-	-	-	(7,840)
Various	-	-	-	353	353	(18)
Subtotals	<u>\$ 6,307,377</u>	<u>\$ 592,168</u>	<u>\$ 339,244</u>	<u>\$ (74)</u>		
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk					7,238,715	37,551
Investments and Cash and Cash Equivalents Not Subject to Foreign Currency Risk					<u>44,849,101</u>	
<b>Total Investments and Cash and Cash Equivalents</b>					<b><u>\$ 52,087,816</u></b>	<b><u>\$ 37,551</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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, 2014 as follows:

<b>Collateral Securities Held</b>		<b>Fair</b>
<i>(Expressed in Thousands)</i>		<b>Value</b>
<u>Issuer</u>		<u></u>
Investments Subject to Interest Rate Risk:		
U.S. Government		
Mortgage-backed Securities	AA+	<u>\$ 873,459</u>

<b>Maturities on Collateralized Securities</b>		
	<b>Greater Than</b>	
<u>11-20 Years</u>	<u>20 Years</u>	<u>Total</u>
<u>\$ 107,868</u>	<u>\$ 765,591</u>	<u>\$ 873,459</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.

Total securities on loan at June 30, 2014, had a carrying amount and fair value of \$400.7 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, 2014, due to borrower default.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

The associated cash collateral has been reinvested in other instruments. There was an unrealized loss in invested cash collateral for PERA on June 30, 2014 of \$9,753 (in thousands), which has been reflected in the financial statements.

#### 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, 2014, 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:

Derivative Type	Change in Fair Value		Fair Value		Notional Amount	Unit of Value
	Classification	Amount	Classification	Amount		
Equity Derivatives - Futures	Investment Income	\$ 4,581	Investments	\$ 625,909	\$ 714	\$ 1,125,951
Commodity Futures	Investment Income	599	Investments	60,081	623	59,481
Fixed Income Derivatives - Options	Investment Income	(228)	Investments	10	17,687	182
Fixed Income Derivatives - Swaps	Investment Income	1,120	Investments	1,120	5,569,762	-
Bond Index Futures	Investment Income	1,174	Investments	85,653	41,600	77,517
Interest Rate Futures	Investment Income	397	Investments	200,448	1,725	200,163
Other Derivatives	Investment Income	(293)	Investments	(115)	(44,040)	178
Futures *	Investment Income	(216)	Investments	(304)	38,786	
Options Purchased #	Investment Income	9	Investments	9	200,722	
Options Sold #	Investment Income	(15)	Investments	(15)		
Swaps - Credit Default Swap Index	Investment Income	(51)	Investments	24	1,870	
Swaps - Interest Rate	Investment Income	(6)	Investments	(23)		
Swaps - Index	Investment Income	-	Investments	29	227	

*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



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

changes in exchange rates will adversely affect the investments. Managers of these assets are given discretion to hedge this risk.

#### Types of Derivatives Instruments

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

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

The following tables summarize the foreign exchange contracts by currency by the agencies involved as of June 30, 2014:

**Public Employees Retirement Association**  
**Foreign Currency Derivatives Risk -Market Value**  
*(Expressed in Thousands)*

<b>Currency</b>	<b>Bond Index Futures</b>	<b>Equity Deriva- tives - Futures</b>	<b>Fixed Income Deriv. - Swaps</b>
Australian Dollar	\$ 24,279	\$ 2,390	\$ 104
Brazilian Real			(329)
British Pound Sterling	(188)	5,130	(485)
Canadian Dollar	(8,989)	2,545	
Chilean Peso			15
Columbian Peso			(2)
Euro	29,265	10,257	(1,346)
Hong Kong Dollar		2,385	
Hungarian Forint			349
Indian Rupee			
Japanese Yen		4,810	(6)
Mexican Peso	-		783
New Israeli Shekel			210
New Zealand Dollar	-		(84)
Polish Zloty	-		577
Russian Ruble	-		(269)
South African Rand	-	1,659	67
<b>Totals</b>	<b>\$ 44,367</b>	<b>\$ 29,176</b>	<b>\$ (416)</b>
Total above			\$ 73,127
Other Derivatives - Euro			42
<b>Total Derivative Foreign Currency Risk</b>			<b>\$ 73,169</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

<b>Educational Retirement Board</b>				
<b>Foreign Currency Exchange Contracts</b>				
<i>(Expressed in Thousands)</i>				
<b>Currency</b>	<b>Buys</b>	<b>Unrealized Gain (Loss)</b>	<b>Sells</b>	<b>Unrealized Gain (Loss)</b>
Australian Dollar	\$	\$ 88	\$	\$ (99)
Brazilian Real	20,964	230		(247)
British Pound Sterling			44,149	(24)
Canadian Dollar		3		(27)
Chilean Peso	775,000	11		(41)
Chinese Yuan Renminbi	27,400	(62)	813,000	21
Colombian Peso	7,605,303	86	6,500	(47)
Euro	1,378	22	4,373,203	164
Hungarian Forint	500,175	118		32
Indian Rupee	213,300	(36)	507,971	(1)
Indonesian Rupiah	7,700,000	(19)	101,000	46
Japanese Yen		361	19,076,928	(116)
Malaysian Ringgit	5,431	22		0
Mexican Peso	1,168	9	15,893	(4)
New Taiwan Dollar		5	2,024	(5)
New Turkish Lira	8,453	45		(30)
Peruvian Nuevo Sol	594	(2)	8,536	(2)
Philippine Peso	19,152	76		(120)
Polish Zloty	75,215	383	530	(419)
Romanian Leu, New	9,555	25	16,700	(27)
Russian Ruble	52,067	92	3,157	(593)
Singapore Dollar		47	201,968	(111)
South African Rand	14,958	(3)	4,700	2
South Korean Won		74	23,032	(71)
Swiss Franc			1,608	(13)
Thai Baht	30,591	5	38,600	3
U. S. Dollar	52,013		48,065	
<b>Totals</b>	<b>\$ 17,112,717</b>	<b>\$ 1,580</b>	<b>\$ 25,287,564</b>	<b>\$ (1,729)</b>

**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.

Cash and investments collateral in the amount of \$2.6 million was held as of June 30, 2014 by the State's broker as performance security on futures contracts.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### Educational Retirement Board Summary of Outstanding Futures Contracts

	<u>No. of Contracts</u>	<u>Notional Amount (In Thousands)</u>
Futures Contracts - Long	148	\$ 1,053
Futures Contracts - Short	509	37,743
		<u>Fair Value (In Thousands)</u>
Margin Deposit		\$ 750

**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, 2014, the value of open written and purchased options was zero.

**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 Fund.** In addition, the use of other derivatives is allowed under the State’s investment policy. The amounts held in hedge derivatives were not material during the year.

**Asset-backed Securities.** The State invests in various forms of asset-backed securities, which fit the 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. At June 30, 2014, the State held the following types of asset-backed securities:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

<b>Asset-backed Securities</b>	
	<u>Amount</u>
Asset-backed Securities	\$ 518,557
Collateralized Mortgage Obligations	270,674
Commercial Mortgage-backed Securities	464,202
Collateralized Debt Obligations	<u>11,143</u>
<b>Total Asset-backed Securities</b>	<b><u>\$ 1,264,576</u></b>

### Major Discretely-presented Component Units

#### Credit Risk

The investments of the two largest discretely-presented component units were as follows:

<b>Two Major Component Units</b>		
<b>Quality Rating of Investments</b>		
<i>(Expressed in Thousands)</i>		
<u>Investment Type</u>	<u>Rating</u>	<u>Value</u>
NM Finance Authority:		
U.S. Treasury Notes	Not Available	\$ 120,084
Funds Held By St. Treas.	Not Available	1,408
FHLM Bonds	Not Available	62,201
Investment in Subsidiary	Not Available	<u>99</u>
Total Investments, Fin. Auth.		<u>183,792</u>
NM Mortgage Finance Authority:		
U.S. Agencies	AA	12,908
Securitized Mortgage Loans	AA	149,452
Securitized Mortgage Loans	U.S. Gov't. Guar.	615,972
Internal State Investment Pool:		
State Investment Council	Not Available	33,589
State Treasurer	AAA	4,625
Other	Not Available	<u>1,037</u>
Total Investments, Mtg. Fin. Auth.		<u>817,583</u>
<b>Total Investments, Both Entities</b>		<b><u>\$ 1,001,375</u></b>

#### Concentration of Credit Risk.

As of June 30, 2014, neither of the two largest component units were exposed to concentration of credit risk.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### Interest Rate Risk

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

**Two Major Component Units  
Maturities on Investments  
(Expressed in Thousands)**

Investment Type	Fair Value	Investment Maturities (in Years)				Not Available
		Less Than 1 year	1-5 years	6-10 years	Greater Than 10 Years	
NM Finance Authority:						
U.S. Treasury Notes	\$ 120,084	\$ 120,084	\$ -	\$ -	\$ -	\$ -
Capital Program Funds						-
Held by Others	1,408	-	1,408	-	-	-
FHLM Bonds	62,201	-	62,201	-	-	-
Investment in Subsidiary	99	-	-	-	-	99
Total Investments, Fin. Auth.	<u>183,792</u>	<u>120,084</u>	<u>63,609</u>	<u>-</u>	<u>-</u>	<u>99</u>
NM Mortgage Fin. Auth.:						
U.S. Agencies	12,908	-	12,908	-	-	-
Securitized Mortgage Loans	768,030	-	14	189	767,827	-
STO & SIC Inv. Pools	33,589	-	-	-	-	33,589
Other	3,056	-	-	-	-	3,056
Total Investments, Mtg. Fin. Auth.	<u>817,583</u>	<u>-</u>	<u>12,922</u>	<u>189</u>	<u>767,827</u>	<u>36,645</u>
Total Investments, Both	<u>\$ 1,001,375</u>	<u>\$ 120,084</u>	<u>\$ 76,531</u>	<u>\$ 189</u>	<u>\$ 767,827</u>	<u>\$ 36,744</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 4

#### NOTE 4. Receivables

Receivables at June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	Federal	Local Governments	Accounts	Brokers	Interest	Taxes	Current Loans	Allowance	Receivables, Net Total	Noncurrent Loans	Allowance	Noncurrent Loans, Net Total
Governmental Activities	\$ 629,236	\$ 25,999	\$ 239,518	\$ 42,214	\$ 18,725	\$ -	\$ 19,738	\$ (164,963)	\$ 810,467	\$ -	\$ -	\$ -
Business-Type Activities	61,641	10,692	567,162	-	8	57,967	25,946	(338,790)	384,626	195,574	(378)	195,196
Fiduciary Funds	-	-	1,297,350	494,510	97,049	74,785	7,880	-	1,971,574	-	-	-
Component Units	-	9,575	104,321	-	12,587	-	93,384	(49,515)	170,352	1,274,140	(7,995)	1,266,145
<b>Governmental Activities:</b>												
General	628,473	25,864	211,537	974	5,034	-	19,738	(155,582)	736,038	-	-	-
Debt Service	-	-	-	-	7	-	-	-	7	-	-	-
Capital Projects	763	135	5,168	-	-	-	-	(12)	6,054	-	-	-
Severance Tax Permanent	-	-	1,364	33,796	9,631	-	-	-	44,791	-	-	-
Land Grant Permanent	-	-	633	7,444	4,053	-	-	-	12,130	-	-	-
Internal Service	-	-	20,816	-	-	-	-	(9,369)	11,447	-	-	-
<b>Business-type Activities:</b>												
Educational Institutions	56,499	10,692	472,982	-	-	-	15,881	(254,857)	301,197	29,494	-	29,494
Nonmajor Enterprise	5,142	-	94,180	-	8	57,967	10,065	(83,933)	83,429	166,080	(378)	165,702
<b>Fiduciary Funds:</b>												
Pension Trust	-	-	148,541	353,549	74,192	-	7,880	-	584,162	-	-	-
External Trust	-	-	1,189	-	-	-	-	-	1,189	-	-	-
Private Purpose Trust	-	-	13,051	140,961	22,857	-	-	-	176,869	-	-	-
Agency	-	-	1,134,569	-	-	74,785	-	-	1,209,354	-	-	-
<b>Discrete Component Units:</b>												
Finance Authority	-	7,341	1,974	-	7,431	-	93,384	-	110,130	1,091,264	(5,482)	1,085,782
Mortgage Finance Authority	-	-	-	-	4,075	-	-	-	4,075	182,876	(2,513)	180,363
Other Major Component Units	-	2,234	95,786	-	1,081	-	-	(49,515)	49,586	-	-	-
Nonmajor Component Units	-	-	6,561	-	-	-	-	-	6,561	-	-	-

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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 a total of \$66 million in 2004 dollars adjusted for inflation, in 10 annual installments. The inflation-adjusted amount was estimated at \$90.4 million, and the first three installments of \$9.04 million each have been received by the State as of June 30, 2014. Amounts remaining are as follows (in thousands):

<u>Yr.End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,945	\$ 3,095	\$ 9,040
2016	6,311	2,729	9,040
2017	6,701	2,339	9,040
2018	7,114	1,926	9,040
2019	7,554	1,486	9,040
2020 - 2021	16,535	1,545	18,080
<b>Total</b>	<b>\$ 50,160</b>	<b>\$ 13,120</b>	<b>\$ 63,280</b>

#### **Discrete Component Units**

The following is an analysis of the allowance for loan losses as of June 30, 2014 for the two largest discretely-presented component units (in thousands):

	<u>NM Finance Authority</u>	<u>NM Mortgage Fin. Auth.</u>
Beginning Balance	\$ 5,409	\$ 2,648
Provision for Loan Losses	895	629
Loans Written Off, Net of Recoveries	(822)	(764)
Ending Balance	<u>\$ 5,482</u>	<u>\$ 2,513</u>

NM Finance Authority Loans have repayment terms ranging from one to 30 years. The stated interest rates are between 0.0 – 6.4 percent. NMMFA mortgage loans have repayment terms ranging from 10 to 40 years. The stated interest rates for these programs are as follows:

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 4 (CONTINUED)

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Rental Housing Programs	0.0% -	7.0%
Other Mortgage Loans	0.0% -	11.6%
Second Mortgage Down Payment Assistance		
Loans	0.0% -	7.5%



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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, 2014, 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	\$ 283,291	\$ 416,536	\$ 6,004,062	\$ 6,507,217
Debt Service	186,835	15,174	192,196	565,438
Capital Projects	62,484	88,104	462,898	411,133
Severance Tax Permanent	6,718	14,206	129,976	-
Land Grant Permanent	825	6,564	-	-
Total Governmental Activities	<u>540,153</u>	<u>540,584</u>	<u>6,789,132</u>	<u>7,483,788</u>
<b>Business-type Activities:</b>				
Educational Institutions	-	-	687,008	-
Nonmajor Enterprise	781	362	9,257	8,286
Internal Service	22,945	22,933	34,413	27,736
Total Business-type Activities	<u>23,726</u>	<u>23,295</u>	<u>730,678</u>	<u>36,022</u>
<b>Totals</b>	<u><b>\$ 563,879</b></u>	<u><b>\$ 563,879</b></u>	<u><b>\$ 7,519,810</b></u>	<u><b>\$ 7,519,810</b></u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 6

#### NOTE 6. Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2014 was as follows (in thousands):

<b>Governmental Activities:</b>	<b>Beginning Balance, as Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 88,011	\$ 1,727	\$ -	\$ 89,738
Construction in Progress	400,605	420,890	(432,844)	388,651
Infrastructure	488,134	8,992	-	497,126
Mineral Rights	83,433	-	-	83,433
Art and Other	771	-	-	771
<b>Total Capital Assets not being Depreciated</b>	<b>1,060,954</b>	<b>431,609</b>	<b>(432,844)</b>	<b>1,059,719</b>
Capital Assets being Depreciated:				
Land Improvements	114,282	9,481	(10)	123,753
Equipment and Machinery	180,631	21,016	(6,920)	194,727
Building and Improvements	1,668,657	94,123	(9,238)	1,753,542
Furniture and Fixtures	32,503	2,159	(1,580)	33,082
Data Processing Equipment and Software	223,413	29,078	(8,997)	243,494
Library Books and Other	474	-	(3)	471
Vehicles	297,466	28,281	(16,138)	309,609
Infrastructure	15,027,617	324,532	(500,598)	14,851,551
<b>Total Capital Assets being Depreciated</b>	<b>17,545,043</b>	<b>508,670</b>	<b>(543,484)</b>	<b>17,510,229</b>
Less Accumulated Depreciation for:				
Land Improvements	(25,591)	(3,439)	11	(29,019)
Equipment and Machinery	(136,001)	(14,083)	6,075	(144,009)
Building and Improvements	(756,853)	(55,217)	6,694	(805,376)
Furniture and Fixtures	(19,344)	(1,578)	3,177	(17,745)
Data Processing Equipment and Software	(145,402)	(24,655)	8,370	(161,687)
Library Books and Other	(420)	(7)	2	(425)
Vehicles	(220,305)	(17,526)	17,095	(220,736)
Infrastructure	(9,162,291)	(627,066)	500,597	(9,288,760)
<b>Total Accumulated Depreciation</b>	<b>(10,466,207)</b>	<b>(743,571)</b>	<b>542,021</b>	<b>(10,667,757)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>7,078,836</b>	<b>(234,901)</b>	<b>(1,463)</b>	<b>6,842,472</b>
<b>Capital Assets, Net</b>	<b>\$ 8,139,790</b>	<b>\$ 196,708</b>	<b>\$ (434,307)</b>	<b>\$ 7,902,191</b>

During fiscal year 2014, the State transferred \$ 432.844 million from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

Capital asset activity for Business type Activities for the year ended June 30, 2014 was as follows (in thousands):

<b>Business-type Activities:</b>	<b>Beginning Balance as Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 84,910	\$ 4,184	\$ -	\$ 89,094
Construction in Progress	70,787	89,807	(68,700)	91,894
Art and Other	1,554	-	-	1,554
Total Capital Assets not being Depreciated	<u>157,251</u>	<u>93,991</u>	<u>(68,700)</u>	<u>182,542</u>
Capital Assets being Depreciated:				
Land Improvements	72,632	4,482	(23)	77,091
Equipment and Machinery	1,065,868	44,134	(30,196)	1,079,806
Building and Improvements	2,623,571	63,509	(1,113)	2,685,967
Furniture and Fixtures	21,345	789	(3,968)	18,166
Data Processing Equipment and Software	20,555	2,172	(624)	22,103
Library Books and Other	287,425	11,714	(552)	298,587
Vehicles	5,144	554	(206)	5,492
Infrastructure	318,247	8,756	-	327,003
Total Capital Assets being Depreciated	<u>4,414,787</u>	<u>136,110</u>	<u>(36,682)</u>	<u>4,514,215</u>
Less Accumulated Depreciation for:				
Land Improvements	(41,549)	(2,363)	-	(43,912)
Equipment and Machinery	(725,249)	(62,121)	32,400	(754,970)
Building and Improvements	(1,050,419)	(68,429)	169	(1,118,679)
Furniture and Fixtures	(3,941)	(134)	6	(4,069)
Data Processing Equipment and Software	(14,390)	(1,685)	437	(15,638)
Library Books and Other	(243,084)	(11,159)	521	(253,722)
Vehicles	(4,176)	(394)	206	(4,364)
Infrastructure	(145,398)	(13,392)	-	(158,790)
Total Accumulated Depreciation	<u>(2,228,206)</u>	<u>(159,677)</u>	<u>33,739</u>	<u>(2,354,144)</u>
Total Capital Assets being Depreciated, Net	<u>2,186,581</u>	<u>(23,567)</u>	<u>(2,943)</u>	<u>2,160,071</u>
<b>Capital Assets, Net</b>	<b>\$ 2,343,832</b>	<b>\$ 70,424</b>	<b>\$ (71,643)</b>	<b>\$ 2,342,613</b>

During fiscal year 2014, the State transferred \$ 68.7 million from construction in progress due to the various projects' completion. Items were transferred to the appropriate depreciable capital asset line.

For the year ended June 30, 2014, there was no interest expense capitalized.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

Capital asset activity for Fiduciary Funds for the year ended June 30, 2014 was as follows (in thousands):

<b>Fiduciary Funds:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 1,797	\$ -	\$ -	\$ 1,797
Art and Other	31	-	-	31
<b>Total Capital Assets not being Depreciated</b>	<b>1,828</b>	<b>-</b>	<b>-</b>	<b>1,828</b>
Capital Assets being Depreciated:				
Land Improvements	19	-	-	19
Equipment and Machinery	36	-	-	36
Building and Improvements	16,012	-	-	16,012
Furniture and Fixtures	1,233	22	(23)	1,232
Data Processing Equipment and Software	23,195	1,965	(63)	25,097
Vehicles	80	-	-	80
<b>Total Capital Assets being Depreciated</b>	<b>40,575</b>	<b>1,987</b>	<b>(86)</b>	<b>42,476</b>
Less Accumulated Depreciation for:				
Land Improvements	(6)	(1)		(7)
Equipment and Machinery	(33)	-		(33)
Building and Improvements	(2,916)	(523)		(3,439)
Furniture and Fixtures	(1,063)	(17)	22	(1,058)
Data Processing Equipment and Software	(23,034)	(134)	64	(23,104)
Vehicles	(74)	(5)		(79)
<b>Total Accumulated Depreciation</b>	<b>(27,126)</b>	<b>(680)</b>	<b>86</b>	<b>(27,720)</b>
<b>Capital Assets, Net</b>	<b>\$ 15,277</b>	<b>\$ 1,307</b>	<b>\$ -</b>	<b>\$ 16,584</b>

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

General Control	\$ 40,531
Education	3,598
Health and Human Services	17,508
Highways and Transportation	638,719
Culture, Recreation, and Nat. Resources	15,384
Judicial	5,672
Legislative	1,903
Public Safety	15,989
Regulation and Licensing	4,267
<b>Total</b>	<b>\$ 743,571</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

#### Construction Commitments

The State has active construction projects as of June 30, 2014. The projects include highway construction, university infrastructure, and facilities construction and renovation. At year-end, the State's commitments for construction were \$ 1.7 million for governmental activities and \$223.8 million for business-type activities.

#### Discrete Component Units

Capital asset activity for the two largest discretely presented component units, New Mexico Finance Authority and New Mexico Mortgage Finance Authority, for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 512	\$ -	\$ -	\$ 512
Total Capital Assets not being Depreciated	<u>512</u>	<u>-</u>	<u>-</u>	<u>512</u>
Capital Assets being Depreciated:				
Building and Improvements	3,041	-	-	3,041
Leasehold Improvements	8	-	-	8
Data Processing Equipment and Software	732	-	-	732
Furniture and Fixtures	1,835	92	(3)	1,924
Total Capital Assets being Depreciated	<u>5,616</u>	<u>92</u>	<u>(3)</u>	<u>5,705</u>
Less Accumulated Depreciation for:				
Building and Improvements	(2,495)	(83)	-	(2,578)
Leasehold Improvements	(8)	-	-	(8)
Data Processing Equipment and Software	(511)	(117)	-	(628)
Furniture and Fixtures	(1,640)	(128)	3	(1,765)
Total Accumulated Depreciation	<u>(4,654)</u>	<u>(328)</u>	<u>3</u>	<u>(4,979)</u>
Total Capital Assets being Depreciated, Net	<u>962</u>	<u>(236)</u>	<u>-</u>	<u>726</u>
<b>Capital Assets, Net</b>	<b>\$ 1,474</b>	<b>\$ (236)</b>	<b>\$ -</b>	<b>\$ 1,238</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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, which has been reported previously as an asset. With the implementation of *GASB Statement No. 65* (see Note 1, G, 17), this item is now classified as a deferred outflow of resources.

	<u>Gov't Activ.</u>	<u>Bus.-type Act.</u>
Beginning Balance	\$ 85,651	\$ 2,945
Amortization	<u>(7,377)</u>	<u>(424)</u>
Ending Balance	<u>\$ 78,274</u>	<u>\$ 2,521</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 D and 8 E.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

#### NOTE 8. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are presented in the following table. As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

	<b>Long-term Liabilities</b> <i>(Expressed in Thousands)</i>				<b>Amounts Due Within One Year</b>
	<b>Beginning Balance, Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 372,700	\$ -	\$ (61,430)	\$ 311,270	\$ 63,635
Severance Tax Bonds	683,275	301,330	(224,525)	760,080	-
Revenue Bonds	1,562,240	70,110	(111,511)	1,520,839	89,153
Net Unamortized Premiums, Discounts	234,954	50,051	(32,234)	252,771	-
Total Bonds Payable	2,853,169	421,491	(429,700)	2,844,960	152,788
Loans Payable	154,247	-	(7,307)	146,940	7,475
Claims and Judgments	266,179	323,812	(330,136)	259,855	97,363
Hedging Derivatives - Interest Rate Swaps	98,376	-	(2,334)	96,042	-
Indian Water Settlement Liability	75,214	27,144	(2)	102,356	-
Contingent Liabilities	7,359	-	-	7,359	-
Compensated Absences	60,694	74,690	(73,045)	62,339	62,339
Pollution Remediation Obligation	53,373	322	(6,566)	47,129	645
Capital Leases	56,715	-	(1,170)	55,545	1,215
Notes Payable	2,712	-	(1,131)	1,581	154
Total Other Liabilities	774,869	425,968	(421,691)	779,146	169,191
<b>Total Governmental Long-term Liabilities</b>	<b>\$ 3,628,038</b>	<b>\$ 847,459</b>	<b>\$ (851,391)</b>	<b>\$ 3,624,106</b>	<b>\$ 321,979</b>
<b>Business-type Activities:</b>					
Revenue Bonds	\$ 827,812	\$ 15,970	\$ (35,319)	\$ 808,463	\$ 35,104
Bond Premium, Discount, Net	17,571	-	(2,142)	15,429	-
Compensated Absences	77,817	66,067	(63,704)	80,180	80,180
Reserve for Losses	65,471	292,545	(288,028)	69,988	24,404
Notes Payable	-	16,396	(112)	16,284	67
Capital Leases	1,060	1,284	(425)	1,919	476
Net OPEB Obligation	53,961	4,613	-	58,574	-
Derivative Instruments - Interest Rate Swaps	11,089	-	(507)	10,582	-
Student Loans	19,170	570	(826)	18,914	-
Environmental Cleanup	5,202	108	-	5,310	-
Other	3,879	70,551	-	74,430	15,872
<b>Total Business-type Long-term Liabilities</b>	<b>\$ 1,083,032</b>	<b>\$ 468,104</b>	<b>\$ (391,063)</b>	<b>\$ 1,160,073</b>	<b>\$ 156,103</b>
<b>Fiduciary:</b>					
Pension Trust Funds					
Reserve for Losses	\$ 18,137	\$ 961	\$ -	\$ 19,098	\$ 19,098
Compensated Absences	603	85	(115)	573	573
<b>Total Fiduciary Long-term Liabilities</b>	<b>\$ 18,740</b>	<b>\$ 1,046</b>	<b>\$ (115)</b>	<b>\$ 19,671</b>	<b>\$ 19,671</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### A. 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:

<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, 2014</b>
Series 2005	3/1/2005	2015	5.0	\$ 111,850	\$ 13,800
Series 2007	3/1/2007	2017	5.0	134,870	47,565
Series 2009	5/28/2009	2019	5.0	196,330	112,050
Series 2011	5/26/2011	2021	2.0-4.0	18,645	13,530
Series 2013	4/23/2013	2023	2.0-4.0	137,220	124,325
<b>Total General Obligation Bonds Payable</b>					<b>\$ 311,270</b>

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

<b>General Obligation Bonds Issues</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>
2015	\$ 63,635	\$ 11,775	\$ 75,410
2016	51,915	8,995	60,910
2017	54,110	6,806	60,916
2018	38,915	4,535	43,450
2019	40,440	3,015	43,455
2020 - 2024	62,255	3,536	65,791
<b>Total</b>	<b>\$ 311,270</b>	<b>\$ 38,662</b>	<b>\$ 349,932</b>



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### B. 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, 2014, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$569.6 million. The total principal and interest requirements were \$138.9 million for all severance tax and supplemental severance tax bonds.

The State issued Series 2013A Severance Tax Bonds in the principal amount of \$157,560 on July 3, 2013 for the purpose of providing funds to finance capital improvements as approved by the State Legislature. The bonds bear interest rates of between 4.00 and 5.00 percent and mature in 2024.

The State also issued Series 2014A Severance Tax Bonds in the principal amount of \$143,770 on May 20, 2014, also for the purpose of financing capital improvement projects approved by the State Legislature. These bonds bear interest rates of between 2.00 and 5.00 percent and mature in the year 2025.

Severance tax bonds payable at June 30, 2014 were as follows:

#### Severance Tax Bonds Payable (Expressed in Thousands)

<b>Bond Issue</b>	<b>Date Issued</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance June 30, 2014</b>
Series 2009 A Refunding	07/30/09	2019	2.00 - 5.00	\$ 218,450	\$ 84,365
Series 2010A	03/24/10	2019	3.00 - 5.00	132,265	86,170
Series 2010 B Supplemental	03/24/10	2019	4.00 - 5.00	100,000	62,520
Series 2010 C Refunding	06/30/10	2019	4.00 - 5.00	43,780	9,915
Series 2010 D Refunding	12/08/10	2017	3.00 - 5.00	140,520	73,805
Series 2011A-1 Refunding	12/06/11	2022	3.00 - 5.00	47,790	38,215
Series 2011A-2 Refunding	12/06/11	2019	4.00 - 5.00	75,715	61,905
Series 2012A Refunding	06/21/12	2023	3.00 - 5.00	57,990	53,840
Series 2013A	07/23/13	2024	4.00 - 5.00	157,560	145,575
Series 2014A	06/24/14	2025	2.00 - 5.00	143,770	143,770
<b>Total Severance Tax Bonds Payable</b>					<b>\$ 760,080</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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

**Severance Tax Bonds Issues**  
**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>
2015	\$ -	\$ 18,301	\$ 18,301
2016	118,665	33,422	152,087
2017	118,345	27,556	145,901
2018	109,375	21,863	131,238
2019	100,235	16,709	116,944
2020 - 2024	293,010	29,092	322,102
2025	20,450	3,595	24,045
<b>Total</b>	<b>\$ 760,080</b>	<b>\$ 150,538</b>	<b>\$ 910,618</b>

Note: The State Treasurer paid the principal for FY15, due July 1, 2014, early. Therefore, only the remaining interest is shown as due for FY15.

#### C. Revenue Bonds

The State also issues bonds where the government pledges income derived from the related acquired or constructed assets to pay debt service.

##### *Governmental Activities*

Highway revenue bonds Series 2014A were issued by the Department of Transportation in March, 2014 in the principal amount of \$70,110. The bonds carry an interest rate of 5.00% and mature in the year 2032.

##### *Business-type Activities*

Revenue bonds with a face value of \$15,970 were issued by two of the State's educational institutions during the year ended June 30, 2014. These bonds are secured by a pledge of the revenue stream consisting of most unrestricted funds. Details of pledged revenues are included in a later note.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Revenue bonds outstanding at year-end are as follows:

<b>Revenue Bonds Payable - Primary Government</b> (Expressed in Thousands)				
<b>Governmental Activities</b>				
<b>Bond Issue</b>	<b>Original Issue</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Balance June 30, 2014</b>
Series 2009C Spaceport Pub.Proj.	\$ 55,810	2029	2.50 - 5.25	\$ 45,795
Series 2010 Spaceport Pub.Proj.	20,560	2029	0.47 - 4.08	18,745
State Museum Tax Revenue	5,760	2023	.62 - 4.18	3,408
Series 1995 A & B Energy and Minerals	3,697	2015	3.00 - 6.00	22
Series 1996 A & B Energy and Minerals	3,900	2016	3.00 - 6.00	50
Series 1997 A & B Energy and Minerals	4,717	2017	3.00 - 6.00	1,035
Series 1998 A & B Energy and Minerals	5,033	2018	3.00 - 8.00	1,401
Series 2001 Energy and Minerals	4,907	2020	4.70	1,892
Series 1995 & 1996A Energy and Minerals	6,840	2016	4.47	780
Series 2003 Energy and Minerals	7,339	2023	3.82	3,981
Series 2010 Energy and Minerals Equipment	843	2016	2.16	440
Series 2004A Senior Lien Transportation Revenue (GRIP)	700,000	2024	3.80 - 5.25	61,255
Series 2006 A Highway - (GRIP)	150,000	2026	3.60 - 5.00	83,270
Series 2006 B Highway (GRIP)	39,005	2026	3.50 - 5.00	24,085
Series 2008 A Highway (GRIP)	115,200	2025	VAR	115,200
Series 2008 B Highway (GRIP)	220,000	2027	VAR	220,000
Series 2008 C Highway (GRIP)	84,800	2025	VAR	84,800
Series 2009 A Refunding	112,345	2017	2.00 - 5.00	15,080
Series 2010A Debt Service	174,625	2024	1.50 - 5.00	107,235
Series 2010B Highway (GRIP)	461,075	2024	3.00 - 5.00	444,800
Series 2012 Refunding	220,400	2026	1.25 - 5.00	217,455
Series 2014A	70,110	2032	5.00	70,110
<b>Total Revenue Bonds Payable</b>				<b>\$ 1,520,839</b>

<b>Revenue Bonds Payable - Primary Government</b> (Expressed in Thousands)					
<b>Business-type Activities</b>					
<b>Inst.</b>	<b>Bond Issue</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance June 30, 2014</b>
MCMC	MCMC St. Perm. Fd. Rev. Imp. & Refunding, Series 2013	2023	3.00 %	\$ 14,645	\$ 14,645
St Fair	Capital improvement bonds series 2004	2015	1.26 - 3.67	5,556	1,328
NMSU	Improvement revenue bonds series 2006	2026	4.00 - 5.00	10,245	7,120
	Refunding and Improvement revenue series 2010A-D	2022	1.89 - 5.27	78,670	66,975
	Refunding and Improvement revenue series 2013 A-C	2033	2.00 - 5.00	56,200	53,270
ENMU	System revenue bonds series 2005	2026	3.55 - 4.40	9,325	6,485
	General obligation building series 2005 B	2016	3.25 - 4.25	7,500	775
	System Revenue Bonds Series 2011A&B	2037	0.36-0.60	28,050	26,365
NMHU	System Refunding bonds series 2009A	2021	3.00 - 4.50	4,555	3,090
	System Refunding bonds series 2009B	2035	5.32 - 6.07	9,230	9,155
	System Refunding Rev. Bonds Series2012	2034	0.93 - 4.26	18,335	17,080
NM Tech	System Revenue Bonds, Series 2011	2031	3.00 - 5.00	13,395	12,065
NMMI	Series 2013A Improvement	2028	2.00 - 4.00	8,935	8,935
	Series 2013B Improvement	2028	0.46 - 1.88	3,980	2,835

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### Revenue Bonds Payable - Primary Government

(Expressed in Thousands)

##### Business-type Activities (Continued)

<b>Inst.</b>	<b>Bond Issue</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance June 30, 2014</b>
WNMU	System Revenue Bonds, Series 2012	2038	2.00 - 5.50 %	\$ 12,245	\$ 11,920
	System refunding & improvement revenue Series 2013	2038	2.10 - 5.10	6,755	6,730
	System Improvement, Series 2014	2021	1.97	3,055	3,055
UNM	System revenue refunding series 1992 A	2021	5.60 - 6.25	36,790	15,620
	System revenue series 2000B	2019	5.50 - 6.35	53,232	1,775
	Subordinate lien system improvement revenue series 2001	2026	Variable	52,625	33,190
	Subordinate lien system refunding revenue series 2002 B	2026	Variable	25,475	20,600
	Subordinate lien system refunding revenue series 2002 C	2030	Variable	37,840	34,315
	Subordinate lien system refunding series 2003 A	2018	2.00 - 5.25	21,660	7,345
	Subordinate lien system revenue (taxable) series 2003 B	2024	1.35 - 5.625	5,585	3,785
	Subordinate lien system revenue series 2003 C	2033	4.50 - 4.60	6,220	5,435
	FHA Insured hospital mortgage revenue series 2004	2031	2.00 - 5.00	192,250	159,420
	Subordinate lien system improvement revenue series 2005	2035	3.00 - 5.00	125,575	113,480
	Sub. lien system improvement revenue series 2007 A & B	2036	4.00 - 5.95	136,710	129,780
	Sub. Lien System Improvement Revenue Bonds, Series 2012	2032	2.00 - 5.00	35,215	31,890
	<b>Total Revenue Bonds Payable</b>			<b>\$ 808,463</b>	<b>\$ 808,463</b>

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

#### Revenue Bonds Issues - Primary Government

##### Debt Service Requirements to Maturity

For Fiscal Years End June 30

##### Governmental Activities

(Expressed in Thousands)

##### Business-type Activities

(Expressed in Thousands)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 89,153	\$ 71,498	\$ 160,651	\$ 35,104	\$ 37,340	\$ 72,444
2016	73,878	67,001	140,879	37,117	36,108	73,225
2017	98,449	62,614	161,063	35,783	34,663	70,446
2018	101,684	57,877	159,561	37,107	33,158	70,265
2019	106,092	53,015	159,107	38,432	31,730	70,162
2020 - 2024	630,318	185,374	815,692	218,235	126,620	344,855
2025 - 2029	398,255	43,298	441,553	205,675	75,395	281,070
2030 - 2034	23,010	2,250	25,260	167,235	30,014	197,249
2035 - 2038	-	-	-	33,775	2,390	36,165
<b>Total</b>	<b>\$ 1,520,839</b>	<b>\$ 542,927</b>	<b>\$ 2,063,766</b>	<b>\$ 808,463</b>	<b>\$ 407,418</b>	<b>\$ 1,215,881</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### D. Pledged Revenue

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

##### Governmental Activities

<b>Agency:</b>	<b><i>State of New Mexico - Severance Tax Bonds</i></b>
Purpose of Bonds:	Construction and acquisition of capital projects.
Total Amount of Bonds Issued:	\$1.1 billion
Type of Revenues Pledged:	Severance tax revenues
Term of Commitment:	Through June 30, 2025
Total Debt Service Remaining:	\$910.6 million
Revenue Stream for Current Year:	\$557.1 million
Debt Service for Current Year:	\$138.9 million
<b>Agency:</b>	<b><i>Energy, Minerals, and Natural Resources Department</i></b>
Purpose of Bonds:	Acquisition and development of state parks and recreation areas
Total Amount of Bonds Issued:	\$30.4 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:	\$17.2 million
Revenue Stream for Current Year:	\$8.5 million
Debt Service for Current Year:	\$2.4 million
<b>Agency:</b>	<b><i>Department of Transportation</i></b>
Purpose of Bonds:	Construct and improve State highway and transportation system
Total Amount of Bonds Issued:	\$2.6 billion
Type of Revenues Pledged:	Gasoline excise taxes, motor vehicle registration and other fees deposited into State Road Fund, plus Federal Highway Fund revenues.
Term of Commitment:	Through June 30, 2032
Total Debt Service Remaining:	\$2.0 billion
Revenue Stream for Current Year:	\$759 million
Debt Service for Current Year:	\$175.6 million
<b>Agency:</b>	<b><i>Department of Cultural Affairs</i></b>
Purpose of Bonds & Loan:	Renovate existing museum structures, develop permanent exhibits
Total Amount of Debt Issued:	\$8.5 million (\$5.8 million, bonds; \$2.7 million, loans)
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$6.1 million
Term of Commitment:	Through June 30, 2023
Revenue Stream for Current Year:	\$1.6 million
Debt Service for Current Year:	\$716 thousand
<b>Agency:</b>	<b><i>Spaceport Authority</i></b>
Purpose of Bonds	Construction of the Spaceport America launch facility
Total Amount of Debt Issued:	\$76.4 million
Type of Revenues Pledged:	Authority's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$91.9 million
Term of Commitment:	Through June 30, 2029
Revenue Stream for Current Year:	\$5.9 million
Debt Service for Current Year:	\$5.6 million

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### Governmental Activities (Continued):

<b>Agency:</b>	<b>Administrative Office of the Courts</b>
Purpose of Bonds	Purchase of equipment for state courts.
Total Amount of Debt Issued:	Not Available
Type of Revenues Pledged:	Court Facilities Fees
Total Debt Service Remaining:	\$49.4 million
Term of Commitment:	Through June 30, 2025
Revenue Stream for Current Year:	\$4.3 million
Debt Service for Current Year:	\$4.3 million

<b>Agency:</b>	<b>General Services Department</b>
Purpose of Bonds	Improvements to the State Capitol Buildings
Total Amount of Debt Issued:	Not Available
Type of Revenues Pledged:	Income from Land Grant Permanent Fund
Total Debt Service Remaining:	\$995 thousand
Term of Commitment:	Through March 15, 2015
Revenue Stream for Current Year:	\$995 thousand
Debt Service for Current Year:	\$995 thousand

<b>Agency:</b>	<b>General Services Department</b>
Purpose of Bonds	Facilities Improvement
Total Amount of Debt Issued:	Not Available
Type of Revenues Pledged:	Share of State gross receipts tax
Total Debt Service Remaining:	\$42.6 million
Term of Commitment:	Through June 1, 2036
Revenue Stream for Current Year:	\$1.2 million
Debt Service for Current Year:	\$1.2 million

#### Business-type Activities

<b>Agency:</b>	<b>Miners' Colfax Medical Center</b>
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:	\$16.4 million
Term of Commitment:	Through June 30, 2023
Revenue Stream for Current Year:	\$2.9 million
Debt Service for Current Year:	\$1.3 million

<b>Agency:</b>	<b>State Fair Commission</b>
Purpose of Bonds:	Improvement of capital facilities
Total Amount of Bonds Issued:	\$5.6 million
Type of Revenues Pledged:	State Fair Commission's share of parimutuel tax collected
Total Debt Service Remaining:	\$689 thousand
Term of Commitment:	Through June 30, 2015
Revenue Stream for Current Year:	\$880 thousand
Debt Service for Current Year:	\$687 thousand

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### Business-type Activities (Continued):

<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:	\$989 million
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, 2038
Revenue Stream for Current Year:	\$1.4 billion
Debt Service for Current Year:	\$68.2 million
<i>Agency:</i>	<i>University of New Mexico</i>
Purpose of Bonds:	Improvements to UNM Health Sciences Center
Total Amount of Bonds Issued:	Not Available
Type of Revenues Pledged:	Cigarette excise tax
Total Debt Service Remaining:	\$47.0 million
Term of Commitment:	Through June 15, 2025
Revenue Stream for Current Year:	\$4.4 million
Debt Service for Current Year:	\$4.4 million

#### E. New Mexico Department of Transportation – Refunding of Variable Rate Bonds

##### ▪ Derivative Instruments

At the time of the 2004 bond issuance, NMFA, on behalf of the Department, entered into interest rate exchange agreements (swaps) with respect to both the adjustable rate bonds then issued and the adjustable rate bonds anticipated to be issued in 2006. All of the 2004 adjustable rate bonds were hedged at issuance with immediately starting swaps and approximately one-half of the anticipated total 2006 issuance was hedged with forward-starting swaps that became effective in 2006.

In all of the swaps, NMFA receives a variable-interest rate payment based on an index, and makes a fixed-rate interest payment. This arrangement has the effect of converting the variable rate bonds to “synthetic fixed-rate issues.”

NMFA has entered into the swaps as an agent for the Department and the State, and no amounts with respect to the swap transactions appear in NMFA’s financial statements. These swap agreements remained in effect following the 2008 refunding and reissuance of the 2004 and 2006 adjustable rate bonds as Variable Rate Demand Notes (the Series 2008 A through D).

##### ▪ Objectives of the Swaps

The objective in entering into the swap agreements was to obtain a lower interest cost for the 2004 bonds than could have been obtained at the time had they been issued as fixed-rate bonds. With respect to the planned 2006 issuance,

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

NMFA believed in 2004 that it would be desirable to “lock in” a synthetic fixed rate of 5.0 percent or less for a portion of the bonds anticipated to be issued in 2006.

Significant terms of the swaps follow. No cash was paid or received at the initiation of any of the swaps.

#### 2004 Swaps

Counterparty	Royal Bank of Canada	Goldman Sachs	Deutsche Bank
Notional Amount	\$ 100,000	\$ 50,000	\$ 50,000
Receipt Rate	68.0% of 1 month LIBOR	68.0% of 1 month LIBOR	68.0% of 1 month LIBOR
Payment Rate (Synthetic Fixed Rate)	3.934%	3.934%	3.934%
Embedded Option(s)	None	None	None
Effective Date	May 20, 2004	May 20, 2004	May 20, 2004
Termination Date	June 15, 2024	June 15, 2024	June 15, 2024

#### 2006 Forward Starting Swaps:

Counterparty	JPMorgan Chase Bank	UBS AG
Notional Amount	\$ 110,000	\$ 110,000
Receipt Rate	SIFMA Municipal Swap Index	SIFMA Municipal Swap Index
Payment Rate	5.072%	5.072%
Embedded Option(s)	"Knockout" option - Counterparty may cancel if the index remains above 7.0% for more than 180 days	"Knockout" option - Counterparty may cancel if the index remains above 7.0% for more than 180 days
Option Premium to NMFA	0.34%	0.34%
Net Payment Rate ("Synthetic Fixed Rate"), Equals the Payment Rate Less Option Premium	4.732%	4.732%
Effective Date	December 15, 2006	December 15, 2006
Termination Date	December 15, 2026	December 15, 2026

#### ▪ Fair Value

The estimated fair value of the swaps at June 30, 2014, was as follows (in thousands):

	Notional Value	Fair Value*
Goldman Sachs	\$ 50,000	\$ (9,841)
Deutsche	50,000	(9,841)
Royal Bank of Canada	100,000	(19,682)
JPMorgan Chase Bank	110,000	(28,339)
UBS AG	110,000	(28,339)
	<u>\$ 420,000</u>	<u>\$ (96,042)</u>

\*The Fair Value is the estimated amount that would have been received by or paid by the Department if the agreements had been terminated at June 30, 2014, under the terms of the agreement. This value is the net present value of the receipts and payments anticipated to be made pursuant to the agreements. The net present values are calculated based on discount rates indicated by actual swap transactions that occurred on or around June 30, 2014. Negative amounts indicate payments that would have been made by the Department to the counterparties.

These swaps have been deemed a hedge, and as such, the total amount entered as a liability for the year ended June 30, 2014 was \$96,042. Management of the Department evaluated the effectiveness of the SWAP agreements



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

and found a portion to be ineffective in the prior year. As a result, the change in fair value of the ineffective Swaps are reported as income in the amount of \$566. The remaining effective Swaps are deemed a hedge and reported as a deferred outflow of resources in the amount of \$56,678. This consists of the JP Morgan Chase Bank and UBS AG SWAP agreements.

▪ **Associated Debt** (in thousands)

Variable Rate Debt*	Original Issue	2014 Debt Service		Net Swap Payments Made (Rec'd.)	Total Net Interest Paid	Effective Interest Rate
		Principal	Fixed Interest			
Series 2008 A and C	\$ 200,000	\$ -	\$ 7,846	\$ 1,058	\$ 8,904	4.452%
Series 2008 B	220,000	-	11,127	98	11,225	5.102%

\*The interest and swap payments for these bonds include the payments for the Series 2004 and 2006 Bonds that the Series 2008 Bonds replaced.

The interest includes amounts paid with the fiscal year without regard to the costs associated with the swap collateral (Taxable) Line of Credit.

▪ **Risks**

*Credit Risk*

Credit risk is the possibility that a counterparty will not fulfill its obligations.

The credit ratings of the counterparties, at June 30, 2014, were:

Counterparty	Moody's	S&P	Fitch
Royal Bank of Canada	Aa3	AA-	AA
Goldman Sachs	Aa2	AAA	N/A
Deutsche Bank	A2	A	A+
JPMorgan Chase Bank	Aa3	A+	A+
UBS AG	A2	A	A

Presently, the Department has no exposure to loss with respect to the counterparties, as the termination values of the swaps are negative. That is, no amounts would be owed to the Department if any swaps were terminated at present. Each swap agreement contains provisions requiring the posting of collateral in the event that termination values exceed certain amounts. Termination values currently exceeded these limits, and accordingly, on June 4, 2014, collateral was posted for \$2,710 at UBS. The swap agreements permit the netting of amounts owed between the Department and the counterparty, mitigating, to some extent, the level of credit risk. The Department believes it has an adequate degree of diversification with regard to counterparties.

*Swap Collateral Requirement – Taxable Line of Credit*

Negative balances at the end of the fiscal year were such that collateral needed to be posted. For that purpose, a short-term Taxable Line of Credit was established in a prior year. There was a zero outstanding balance on the line of credit at the end of the fiscal year, with zero borrowed and \$23,000 repaid during the year.

*Interest Rate Risk*

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

The knockout option in the 2006 swaps leaves the State open to interest rate risk. If the Securities Industry and Financial Markets Association (SIFMA) municipal swap index averages above 7.0 percent for 180 consecutive days, then, as provided by the terms of the knockout option, swap agreements could be cancelled by the counterparties and the State would have outstanding unhedged variable rate debt in a 7.0 percent interest rate environment.

#### *Basis Risk*

Basis risk is the possibility that the variable rate paid on the bonds may not be adequately offset by the variable index payment received under the swap agreement. The Department has little or no such risk with respect to the 2006 bonds. The Department has basis risk, however, with respect to the 2004 swaps. The variable rate the Department receives with respect to the 2004 swaps is 68.0 percent of one-month LIBOR. While this rate has closely tracked the SIFMA Municipal Swap Index for a long period of time, there has recently been some divergence between the two indices. There is no guarantee that the two indices will remain as closely correlated in the future as they were in the past. There is a possibility, therefore, of a mismatch between actual variable rate bond debt service payments and the variable rate receipts under the 2004 swap agreements, resulting in a failure to achieve the synthetic fixed rate expected when the swaps initiated. One event that would cause a divergence between the indices is a significant change in U.S. income tax rates. This might result in 68.0 percent of LIBOR no longer approximating the tax-exempt rate set by the market for the Department's variable rate debt.

#### *Termination Risk*

The unplanned termination of one or more of the swaps exposes the State to the possibility that the synthetic fixed rate expected to be obtained on the variable rate debt will not, in fact, be achieved. The swap agreements contain the standard International Swaps and Derivatives Association, Inc. (ISDA) provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the State, but not the counterparties, can terminate the swaps at any time with 30-day notice.

### F. 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. The provider is JP Morgan. Liquidity fees for the year ended June 30, 2014, were \$608.

A schedule including maturities and fees is as follows:

<b>JP Morgan (1)</b>				
<b>Liquidity Expiration</b>	<b>Series 2001</b>	<b>Series 2002B</b>	<b>Series 2002C</b>	<b>Grand Total</b>
12/31/2014	\$ 33,190	\$ 20,600	\$ 34,315	\$ 88,105
<b>Liquidity Fees</b>				
	<b>2001</b>	<b>2002B</b>	<b>2002C</b>	<b>Total</b>
FY14	\$ 231	\$ 144	\$ 233	\$ 608

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### ▪ Interest Rate Swap Agreements

On June 30, 2014, UNM had the following derivative instruments outstanding (in thousands):

Item/ Counter-Party	Type	Objective	Current Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
<b>Hedging-type:</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)	\$ 8,298	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	\$ (1,261)
B - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	34,315	10/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.9% Fixed	(5,344)
C - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	20,600	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.8% Fixed	(2,702)
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)	8,298	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	(1,275)
<b>Investment-type:</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)	16,595	8/15/2006	6/1/2026	Receive 63.6% of 5 year USD swap rate + 0.3% - Pay SIFMA	621
F - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Overlay Swap)	34,315	8/15/2006	6/1/2030	Receive 63.9% of 5 year USD swap rate + 0.3% - Pay SIFMA	1,285

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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	Aa3	P-1	A+	A1	A+	F1
PBC Royal Bank	Aa3	P-1	AA-	A1+	AA	F1+

##### *Interest Rate Risk*

UNM is exposed to interest rate risk on all of its interest rate swaps. As the Securities Industry and Financial Markets (SIFMA) swap index decreases, UNM's net payment on the underlying swaps increases. On its pay-variable (SIFMA), receive-variable (LIBOR) overlay interest rate swaps, as LIBOR and the Securities Industry and Financial Markets Association (SIFMA) swap index increases, the UNM'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 7 days. UNM is exposed to basis risk on its pay-variable (SIFMA), receive -variable (LIBOR) overlay interest rate swaps because the variable-rate payments received by UNM on these derivative instruments are based on a rate (LIBOR) other than the index (SIFMA) UNM pays on the VRDO bonds. At June 30, 2014, the SIFMA variable rate is 0.06 percent while the percentage of LIBOR rate is 1.192 percent.

##### *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, 2014

### 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 counter-parties, 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.

<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 was AA/Aa2 at June 30, 2014; therefore, no collateral was posted.

#### ▪ **Derivative Instrument Payments and Hedged Debt**

As of June 30, 2014, 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

**University of New Mexico**  
**Debt Service Requirements - Hedging Derivative Instruments**

Fiscal Year				Hedge Deriv. Instruments,	
Ending June 30,	Principal	Interest	Net	Total	
2015	\$ 4,620	\$ 53	\$ 2,748	\$ 7,421	
2016	4,820	125	2,489	7,434	
2017	4,650	232	2,168	7,050	
2018	4,840	333	1,862	7,035	
2019	5,570	412	1,585	7,567	
2020	6,320	452	1,344	8,116	
2021	6,580	470	1,111	8,161	
2022	6,855	454	926	8,235	
2023	7,155	425	753	8,333	
2024	7,465	383	591	8,439	
2025	7,770	322	452	8,544	
2026	9,900	248	322	10,470	
2027	2,900	138	179	3,217	
2028	3,030	107	127	3,264	
2029	3,160	72	78	3,310	
2030	2,470	32	33	2,535	

▪ **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. UNM has recorded the swaps at their estimated fair values as of June 30, 2014. Swaps A through D are deemed cash flow hedges, and therefore, in addition to recording the liability at fair value, UNM 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. The fair value change in fiscal year 2014 for the hedge instruments was a decrease of \$507 to the liability and an equal offsetting decrease to the deferred outflow of resources. Swaps E and F are not cash flow hedges but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2014, was recorded to unrealized gain in the amount of \$409.

**G. Other Liabilities**

▪ **Loans Payable**

During the fiscal year ended June 30, 2014, the State determined that a number of Loans Payable had not been properly recorded in the State's financial report. These loans were made by the New Mexico Finance Authority (NMFA), a component unit of the State, to different State agencies for the purpose of constructing or acquiring capital facilities and equipment.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Several agencies have pledged revenue to secure these loans. Details of the loans are as follows:

<b>Loans Payable - NMFA (Secured by Pledged Revenue)</b>				
<i>(Expressed in Thousands)</i>				
<u>State Entity</u>	<u>Revenue Pledged</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2014</u>
<b>Governmental Activities:</b>				
Administrative Office of the Courts	Court facilities fees	6/15/2025	3.05 - 5.00	\$ 37,560
General Services Dept.	Gross receipts tax	6/1/2036	4.25 - 5.00	43,520
General Services Dept.	Gross receipts tax	3/15/2015	7.00	945
Total Governmental				<u>82,025</u>
<b>Business - type Activities:</b>				
University of New Mexico	Cigarette excise tax	6/15/2025	3.88 - 5.00	23,445
University of New Mexico	Cigarette excise tax	4/1/2019	2.25 - 5.00	8,850
University of New Mexico	Cigarette excise tax	4/1/2019	2.13 - 3.94	3,829
				<u>36,124</u>
<b>Total Loans Payable</b>				<b>\$ 118,149</b>

Details of debt service to maturity are as follows:

<b>Loans Payable - NMFA (Secured by Pledged Revenue)</b>						
<b>Debt Service Requirements to Maturity</b>						
<b>For Fiscal Years End June 30</b>						
<b>Governmental Activities</b>				<b>Business-type Activities</b>		
<i>(Expressed in Thousands)</i>				<i>(Expressed in Thousands)</i>		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,495	\$ 4,056	\$ 8,551	\$ 2,846	\$ 1,718	\$ 4,564
2016	3,720	3,832	7,552	3,164	1,592	4,756
2017	3,910	3,646	7,556	3,194	1,451	4,645
2018	4,105	3,452	7,557	3,211	1,309	4,520
2019	4,315	3,247	7,562	3,279	1,164	4,443
2020 - 2024	25,515	12,791	38,306	16,910	3,437	20,347
2025 - 2029	15,260	7,018	22,278	3,520	176	3,696
2030 - 2034	14,030	3,844	17,874	-	-	-
2035 - 2039	6,675	505	7,180	-	-	-
<b>Total</b>	<b>\$ 82,025</b>	<b>\$ 42,391</b>	<b>\$ 124,416</b>	<b>\$ 36,124</b>	<b>\$ 10,847</b>	<b>\$ 46,971</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Other loans have been acquired through NMFA in conjunction with their Public Projects Revolving Fund. These are:

<b>Loans Payable - NMFA</b> <i>(Expressed in Thousands)</i>			
<u>State Entity</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>June 30, 2014</u>
<b>Governmental Activities:</b>			
General Services Dept.	Not Available	Not Available	\$ 38,001
Dept of Health	Not Available	Not Available	25,602
Environment Dept.	Not Available	Not Available	1,312
<b>Total Loans Payable</b>			<b><u>\$ 64,915</u></b>

#### ▪ **Notes Payable**

The State has issued notes payable for various purposes, mainly equipment acquisition. Details of notes payable for the year ended June 30, 2014 follow:

<b>Notes Payable</b> <b>Debt Service Requirements to Maturity</b> <b>For Fiscal Years End June 30</b>						
<b>Governmental Activities</b> <i>(Expressed in Thousands)</i>				<b>Business-type Activities</b> <i>(Expressed in Thousands)</i>		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 154	\$ 59	\$ 213	\$ 67	\$ 468	\$ 535
2016	161	54	215	2,188	494	2,682
2017	164	50	214	830	427	1,257
2018	168	44	212	890	404	1,294
2019	174	40	214	951	377	1,328
2020 - 2024	760	97	857	5,528	1,420	6,948
2025 - 2029	-	-	-	5,830	461	6,291
<b>Total</b>	<b><u>\$ 1,581</u></b>	<b><u>\$ 344</u></b>	<b><u>\$ 1,925</u></b>	<b><u>\$ 16,284</u></b>	<b><u>\$ 4,051</u></b>	<b><u>\$ 20,335</u></b>

#### ▪ **Compensated Absences**

Compensated absences of governmental activities are liquidated in the General Fund. Claims liabilities of governmental activities are liquidated in the Internal Service Fund. Compensated absences of business-type activities are liquidated in the respective fund of obligation. The State has restated the beginning balances of compensated absences for governmental and business-type activities due to a prior year computational error.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### ▪ **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). Among other things, one of the functions of the Act is to create a department accountable to manage environmental issues in the State. The Environment Department has been designated as the responsible government unit. The Environment Department is to “serve as agent of the state in matters of environmental management and consumer protection not expressly delegated by law to another department, commission or political subdivision in which the United States is a party” through the enforcement of rules, regulations, and orders promulgated by the Environment Department and consumer protection laws.

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) became effective in fiscal year 2009. GASB 49 provides guidance in estimating and reporting the potential costs of pollution remediation. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care. While GASB 49 does not require the State to search for pollution, it does require the State to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the State is compelled to take action,
- The State is found in violation of a pollution related permit or license,
- The State is named, or has evidence that it will be named as a responsible party by a regulator,
- The State is named, or has evidence that it will be named in a lawsuit to enforce a cleanup, or
- The State commences or legally obligates itself to conduct remediation activities.

The nature of the identified sites, the methodology used in the estimate and the estimated liability are further explained below:

*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. The corrective action fund is intended to provide for financial assurance coverage and shall be used by the State to the extent revenues are available to make payments on behalf of owners and operators for corrective action in accordance with section 76-6B-13 NMSA. However, per section 74-6B-7: 1) when revenues are limited and the fund can no longer be approved as a financial responsibility mechanism, priorities for expenditures from the fund shall be based on financial need; 2) nothing in this section authorizes payments or commitments for payments in excess of the funds available; and 3) within 60 days after receipt of notification that the corrective action fund has become incapable of paying assured corrective actions, the owner or operator shall obtain alternative financial assurance acceptable to the State. The nature of these LPST sites includes other identified responsible parties or sites in which there is not an imminent danger to the public and is limited, as noted in section 74-6B-7, to available funds in the corrective action fund. As such, the State has not established an estimated remediation liability related to the clean-up of these sites as of June 30, 2014.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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*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; and oversees remedial activities and provides management assistance to EPA at Superfund sites listed on the National Priorities List. There are currently 14 listed Superfund sites, 1 proposed site, and 4 deleted sites in New Mexico, which are in various stages of investigation and remediation.

The primary objective of the Superfund Oversight Section is to address releases or threatened releases of hazardous substances that pose an imminent or substantial endangerment to public health and safety or the environment. The major functions of the Superfund Program are to investigate and evaluate the release or threatened release of hazardous substances, identify responsible parties, and to remediate sites on the National Priorities List to ensure protection of human health and the environment.

The pollution remediation liability for Superfund sites was calculated by estimating the remediation liabilities for active sites in New Mexico. Sites for which one or more Potentially Responsible Parties is performing or funding the investigation and cleanup were excluded from the estimate. In cases where a potential responsible party has not been identified, federal funds will cover 100.0 percent of the investigation costs and 90.0 percent of the cleanup costs for up to ten years. The State must assure payment of 10.0 percent of the cleanup costs for the first 10 years and 100.0 percent of the costs for any cleanup actions required beyond 10 years. Although there is no cost share requirement for sites where removal actions are performed, the state is responsible for 100.0 percent of post removal operation and maintenance.

Site estimates were based on budget projections to cover necessary activities for the upcoming fiscal year, along with estimated costs for future years and phases, plus direct salaries and benefits. For sites or phases without budget projections, Superfund Program and Project Managers' estimated costs for the Superfund phases of investigation and cleanup, based on experience with similar sites, may change drastically from one year to another as the investigations continue or remediation progresses. The estimate is subject to change due to price changes, technology changes, changes in applicable laws and regulations, or other unforeseen conditions. The State does not expect any recoveries from other responsible parties that would reduce this liability. As of June 30, 2014, the estimated pollution remediation liability for Superfund sites is \$47,129 (in thousands).

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### ▪ Indian Water Rights Liability

New Mexico currently has three Indian water settlements pending: 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. In each of these three settlements, a settlement has been executed by the affected Tribe or Pueblo, the State of New Mexico, and in some cases the local water rights owning parties. The United States, although a participant, has only signed the Navajo Nation Settlement Agreement.

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 \$1.7 billion as of June 30, 2014. The State will not own the infrastructure once completed; the infrastructure and projects will be owned by tribal and local governments. Costs are expected to be borne as follows (in thousands):

Federal government	\$ 1,526,508	State portion, as indicated	\$ 156,569
Local governments	88,498	Estimated state credit	(30,400)
State of New Mexico	<u>156,569</u>	Ditch repair credit	(10,000)
Total estimated costs	<u>\$ 1,771,575</u>	Expended to date	<u>(13,813)</u>
		Estimated liability	<u>\$ 102,356</u>

The State estimates that it will receive a credit towards its cost share of about \$30.4 million. A portion of the State's share includes \$10 million on ditch rehabilitation. The State has expended approximately \$13.8 million of the total to date. The estimated settlement expense also includes an adjustment to index construction costs to 2014 price levels.

Actual amounts recorded may require future adjustments that could increase or decrease the liability due to the ongoing nature of the settlement negotiations and the credit provisions in the settlements. Due to the fact that negotiations related to the timing of the payments are still continuing among the affected parties, the State is unable to estimate the amount due for these settlements during the next five, as well as subsequent, years. Likewise, interest expense related to these settlements cannot be imputed at this time.

#### H. Short-term Debt

The State issues one to three-day sponge bonds in order to utilize available cash proceeds more effectively. The following were issued and paid during the year ended June 30, 2014:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Redeemed</u>	<u>Ending</u> <u>Balance</u>
<b>Sponge Bonds</b>	<u>\$ -</u>	<u>\$ 265,689</u>	<u>\$ (265,689)</u>	<u>\$ -</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### I. Discretely-presented Component Units

Material long-term liabilities for the discretely-presented component units follows:

<b>Component Units: Long-term Liabilities</b> <i>(Expressed in Thousands)</i>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Bonds Payable (Including Premium)	\$ 2,293,507	\$ 100,915	\$ (372,970)	\$ 2,021,452	\$ 96,666
Notes Payable	1,500	1,000	-	2,500	-
Line of Credit	-	17,536	(5,530)	12,006	12,006
Capital Lease	91	-	(14)	77	14
Annuities Payable	8,239	54	(1,118)	7,175	3,052
Other Long-term Liabilities	70,449	127,392	(45)	197,796	124,087
	<u>80,279</u>	<u>145,982</u>	<u>(6,707)</u>	<u>219,554</u>	<u>139,159</u>
<b>Total Component Units Long-term Liabilities</b>	<b>\$ 2,373,786</b>	<b>\$ 246,897</b>	<b>\$ (379,677)</b>	<b>\$ 2,241,006</b>	<b>\$ 235,825</b>

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>					
<b>Bond Series</b>	<b>Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Original Issue</b>	<b>Balance June 30, 2014</b>	
Public Project Revolving Fund - Senior Lien:					
2005 A - B	3.5 - 5.0	2013 - 2025	\$ 32,515	\$ 11,345	
2006 B & D	4.3 - 5.0	2013 - 2036	94,660	72,280	
2007 E	4.3 - 5.0	2013 - 2032	61,945	40,030	
2008 A - C	3.0 - 6.0	2013 - 2038	224,640	176,535	
2009 A - E	2.3 - 6.1	2013 - 2039	161,815	125,630	
2010 A - B	2.0 - 6.4	2013 - 2039	85,175	67,085	
2011 A - C	2.0 - 6.2	2013 - 2036	126,055	97,175	
2012 A	1.5 - 5.5	2013 - 2038	24,340	22,445	
2013A	2.0 - 5.5	2013 - 2038	60,645	56,700	
Subtotal			<u>871,790</u>	<u>669,225</u>	
Public Project Revolving Fund - Subordinate Lien:					
2005 C - F	3.6 - 5.0	2013 - 2025	95,790	76,100	
2006 A & C	4.0 - 5.0	2013 - 2035	89,405	70,370	
2007 A - C	4.0 - 5.3	2013 - 2034	204,345	139,010	
2013 C-1, 2	0.9 - 5.0	2014 - 2029	14,295	12,675	
2014 A-1, 2	0.3 - 5.0	2014 - 2034	31,940	31,940	
Subtotal			<u>435,775</u>	<u>330,095</u>	
<b>Total Public Project Revolving Fund</b>			<u>1,307,565</u>	<u>999,320</u>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

#### Bonds Payable - New Mexico Finance Authority (Continued)

(Expressed in Thousands)

<u>Bond Series</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June 30, 2014</u>
Pooled Equipment Certificates of Participation:				
1995 A	6.3	2015	\$ 4,288	\$ 36
1996 A	5.8	2016	1,458	17
Subtotal			<u>5,746</u>	<u>53</u>
Other:				
1999 State Capitol Building Improvement	7.0	2015	9,315	945
2004 A Cigarette Tax - University of New Mexico	4.0 - 5.0	2019	39,035	8,850
2006 Cigarette Tax - Behavioral Health Projects	5.5	2026	2,500	1,500
Subtotal			<u>50,850</u>	<u>11,295</u>
Total Bonds Outstanding			<u>\$ 1,364,161</u>	1,010,668
Unaccreted Bond Premium/Deferred Charge, Net				<u>37,473</u>
<b>Total Bonds Payable</b>				<b><u>\$ 1,048,141</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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 Issue	Maturity Date	Interest Rate (%)	Balance September 30, 2014
Single Family Mortgage Programs			
Series 1994 A	2025	6.9	\$ 15
Series 2005 A - D	2036 - 2037	3.8 - 6.1	28,130
Series 2006 A - F	2037 - 2038	4.1 - 6.2	66,395
Series 2007 A - E	2038 - 2039	3.7 - 6.4	82,840
Series 2008 A - D	2039	3.5 - 7.0	48,720
Series 2009 A - E	2039 - 2040	2.1 - 6.0	114,415
Series 2010 A	2040	3.0 - 4.6	45,140
Series 2011 A - C	2041	2.8 - 5.4	112,465
Series 2012 A- B	2043	0.4 - 4.3	82,870
Series 2013 A - C	2043	2.2 - 4.5	82,345
Series 2014 A - B	2044	0.6 - 5.0	26,402
Total Single Family Mortgage Programs			689,737
Unaccreted Bond Premium/Discount, Net			14,669
Total Single Family Mortgage Programs Payable			704,406
Rental Housing Mortgage Programs			
Series 2002 A - B	2038	5.4 - 6.8	\$ 8,770
Series 2003 A - B	2038	5.1 - 5.4	8,290
Series 2004 A - G	2037 - 2040	4.6 - 6.5	29,410
Series 2005 A - F	2040	4.7 - 5.7	26,455
Series 2007 A - D	2042 - 2043	5.0 - 10.0	18,863
Series 2008 A - B	2043	0.2 - 0.8 *	8,520
Series 2010 A - B	2047	5.0	880
Series 2012 A	2014	5.0	4,979
Other (not disclosed)			-
Total Rental Housing Mortgage Programs			106,167
Unaccreted Bond Premium/Discount, Net			173
Total Rental Housing Mortgage Programs Payable			106,340
Capital Debt			
Series 2005 General Revenue Office Building Refunding	2026	3.8 - 4.4	1,885
Unamortized Discount			(70)
Total Capital Debt Payable			1,815
Total General Obligation Bonds Outstanding			797,789
Total Unaccreted Premium, Net of Unamortized Discount			14,772
<b>Total Bonds Payable</b>			<b>\$ 812,561</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, 2014

### 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 June 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>
2015	\$ 70,430	\$ 47,179	\$ 117,609	\$ 14,691	\$ 35,074	\$ 49,765
2016	69,968	44,281	114,249	15,207	34,478	49,685
2017	70,100	41,386	111,486	15,610	33,838	49,448
2018	71,275	38,301	109,576	16,369	33,159	49,528
2019	72,250	35,009	107,259	17,013	32,425	49,438
2020-2024	250,065	71,952	322,017	98,935	149,341	248,276
2025-2029	230,385	65,050	295,435	149,319	120,776	270,095
2030-2034	113,610	50,250	163,860	156,097	84,510	240,607
2035-2039	52,780	29,502	82,282	188,060	43,403	231,463
2040-2044	9,805	3	9,808	125,119	13,746	138,865
2045-2049	-	-	-	1,369	159	1,528
	<u>1,010,668</u>	<u>422,913</u>	<u>1,433,581</u>	<u>797,789</u>	<u>580,909</u>	<u>1,378,698</u>
Net Unaccrued Premium	<u>37,473</u>	<u>-</u>	<u>37,473</u>	<u>14,772</u>	<u>-</u>	<u>14,772</u>
<b>Total</b>	<b>\$ 1,048,141</b>	<b>\$ 422,913</b>	<b>\$ 1,433,581</b>	<b>\$ 812,561</b>	<b>\$ 580,909</b>	<b>\$ 1,393,470</b>

Certain Mortgage Purchase Program bonds of the Mortgage Finance Authority were legally defeased in 2005 and 1992, and therefore, are not reflected in the financial statements. The outstanding balance of these bonds were \$ 0 at September 30, 2014. The bonds are secured, as described in the applicable bond resolution, by the revenues, moneys, investment mortgage loans, MBS's, and other assets in the accounts established by the respective bond resolutions.

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>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Balance Sept. 30, 2014</b>	<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Note Payable, Wells Fargo	2024	2.0 - 6.0	\$ 650	2015	\$ -	\$ 30	\$ 30
Note Payable, Wells Fargo	2021	2.0	850	2016	687	42	729
Note Payable, USDA	2042	1.0	<u>1,000</u>	2017	37	26	63
				2018	37	26	63
				2019	37	26	63
				2020-2024	1,036	98	1,134
				2025-2029	185	29	214
				2030-2034	185	20	205
				2035-2039	185	11	196
				2040-2044	111	2	113
				<b>Total</b>	<b>\$ 2,500</b>	<b>\$ 310</b>	<b>\$ 2,810</b>

The borrowings were made to raise capital to help fund the Primero Loan Program, which provides loans for nonprofit, public, or tribal-sponsored affordable projects.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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:

- Nonspendable – 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, 2014

### 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, 2014 follows (in thousands):

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Severance Tax Permanent</u>	<u>Land Grant Permanent</u>	<u>Total</u>
Nonspendable:						
Prepaid Expenses	\$ 21,466	\$ -	\$ -	\$ -	\$ -	\$ 21,466
Inventories	33,343	-	-	-	-	33,343
Permanent Funds	-	-	-	4,768,257	919,577	5,687,834
Total Nonspendable	<u>\$ 54,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,768,257</u>	<u>\$ 919,577</u>	<u>\$ 5,742,643</u>
Restricted:						
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture, Recreation and Natural Resources	152,992	-	-	-	-	152,992
Debt Service	-	266,986	51,822	-	-	318,808
Education	22,775	-	-	-	-	22,775
General Control	124,495	-	-	-	-	124,495
Health and Human Services	146,723	-	-	-	-	146,723
Highway and Transportation	184,004	-	-	-	-	184,004
Judicial	10,767	-	-	-	-	10,767
Legislature	8,691	-	-	-	-	8,691
Public Safety	100,292	-	-	-	-	100,292
Regulation and Licensing	113,620	-	-	-	-	113,620
Total Restricted	<u>\$ 864,359</u>	<u>\$ 266,986</u>	<u>\$ 51,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183,167</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Severance Tax Permanent</u>	<u>Land Grant Permanent</u>	<u>Total</u>
Committed:						
Capital Projects	\$ -	\$ -	\$ 1,190,318	\$ -	\$ -	\$ 1,190,318
Culture, Recreation and Natural Resources	5,601	-	-	-	-	5,601
Education	-	-	-	-	-	-
General Control	20,669	-	-	-	-	20,669
Health and Human Services	7,981	-	-	-	-	7,981
Highway and Transportation	183,950	-	-	-	-	183,950
Judicial	715	-	-	-	-	715
Public Safety	1,275	-	-	-	-	1,275
Regulation and Licensing	344	-	-	-	-	344
Total Committed	<u>\$ 220,535</u>	<u>\$ -</u>	<u>\$ 1,190,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,410,853</u>
Assigned:						
General Control	\$ 504	\$ -	\$ -	\$ -	\$ -	\$ 504
Health and Human Services	8,129	-	-	-	-	8,129
Judicial	1,235	-	-	-	-	1,235
Regulation and Licensing	13	-	-	-	-	13
Total Assigned	<u>\$ 9,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,881</u>
Unassigned:						
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	-	-	-	-	-	-
General Control	630,796	-	-	-	-	630,796
Total Unassigned	<u>\$ 630,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,796</u>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

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#### **B. Net Position Restricted by Enabling Legislation**

The government-wide statement of Net Position reports \$ 7.2 billion of restricted Net Position for the primary government of which \$ 5.9 billion is restricted by enabling legislation.

#### **C. Deficit Net Position/ Fund Equity**

##### **Governmental Activities**

The net position of the Risk Management Internal Service Fund reported a deficit as a result of actuarially-recognized claims. This deficit put the entire Internal Service Fund into a deficit net position.

#### **D. Net Position/Fund Balance Restatements -**

##### **1. Fund Reclassifications**

The State has reclassified its CAFR reporting funds as of July 1, 2013. In prior years, there were six major funds and numerous nonmajor funds presented. For the fiscal year ended June 30, 2014, governmental fund presentation is as follows:

Major Funds:

- General Fund
- Debt Service Fund
- Capital Projects Fund
- Severance Tax Permanent Fund
- Land Grant Permanent Fund

Also, the State consolidated four separate agency funds into one agency fund.

##### **2. Adoption of New Accounting Principle**

As of July 1, 2013, the State adopted *GASB Statement No. 65*, one part of which requires that bond issuance costs should now be expensed as incurred. Bond issuance costs from prior years, which had been deferred and amortized, have been adjusted out in accordance with the requirements of this new principle.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

#### 3. Correction of Errors

During the fiscal year ended June 30, 2014, 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):

#### Summary of Adjustments, Net Position/Fund Balance

##### Government-wide Statements -

##### Governmental Activities:

##### Adoption of New Accounting Principle

GASB Statement No. 65:

Remove bond issuance costs \$ (13,829)

##### Corrections of Errors:

Capital Assets understated 66,799

Deferred charge on bond refunding overstated (5,606)

Liabilities duplicated 82,574

Compensated absences overstated 507

Notes payable understated (1,114)

Capital lease not previously reported (56,715)

Loans payable not previously reported (154,247)

Internal service funds overstated 561

Total government-wide adjustments (81,070)

##### Governmental fund financial statements:

Underaccrued revenues prior year 127,800

Error in allocation to Land Grant PF 3,503

Total governmental funds adjustments 131,303

##### Total adjustments, Governmental

Activities \$ 50,233

##### Business - type Activities, Educational Institutions:

##### Adoption of New Accounting Principle

GASB Statement No. 65:

Remove bond issuance costs \$ (4,512)

##### Corrections of Errors

Unrecorded loans payable - NMFA (38,990)

Reporting error 43

Error in Land Grant allocation (3,976)

Total adjustments, Educ. Inst. (47,435)

##### Adjustments,

##### Nonmajor Enterprise Funds:

Addition of Dept. of Cultural Affairs 5,267

Adjustments due to use of FY13 balances, two funds with late

audit reports 2,570

7,837

Total adjustments,

Business - type Activities \$ (39,598)

##### Agency Funds:

Correction of reporting errors \$ 40,215

##### Component Units

##### Adoption of New Accounting Principle

GASB Statement No. 65:

##### Other adjustments:

Remove bond issuance costs \$ (17,150)

Addition of two component units 1,817

Total adjustments, Component Units \$ (15,333)

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

The following schedule reconciles June 30, 2013, Net Position/fund balance previously reported to beginning Net Position/Fund Balance, as reported in the accompanying financial statements (in thousands):

<b>Net Position/Fund Balance Restatements</b>			
<b>Governmental Activities:</b>	Net Position - Governmental Activities	Total Fund Balances - Governmental Funds	
Beg. Net Position/Fund Balances, as Previously Reported	\$ 12,744,548	\$ 7,846,101	
Adjustments	<u>50,233</u>	<u>131,303</u>	
Beg. Net Position/Fund Balances, as Restated	<u>\$ 12,794,781</u>	<u>\$ 7,977,404</u>	
Effect on Change in Net Position/Fund Balance FYE June 30, 2013	<u>\$ 64,062</u>	<u>\$ 131,303</u>	
<b>Business-type Activities:</b>	Net Position - Business-type Activities	Educational Institutions	Nonmajor Enterprise
Beg. Net Position, as Previously Reported	\$ 4,348,500	\$ 3,787,655	\$ 560,845
Adjustments	<u>(39,598)</u>	<u>(47,435)</u>	<u>7,837</u>
Beg. Net Position, as Restated	<u>\$ 4,308,902</u>	<u>\$ 3,740,220</u>	<u>\$ 568,682</u>
Effect on Change in Net Position FYE June 30, 2013	<u>\$ (31,646)</u>	<u>\$ (47,435)</u>	<u>\$ 7,837</u>
<b>Fiduciary Fund:</b>	Agency Funds		
Beg. Total Asssets and Total Liabilities, as previously reported	\$ 2,830,336		
Adjustment - Correction of Errors	<u>40,215</u>		
Beg. Total Assets and Total Liabilities, as Restated	<u>\$ 2,870,551</u>		
<b>Component Units:</b>			
Beg. Net Position, as Previously Reported	\$ 1,177,638		
Adjustments	<u>(15,333)</u>		
Beg. Net Position, as Restated	<u>\$ 1,162,305</u>		

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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 noncancellable 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:

	<u>Governmental</u>	<u>Business-type</u>	<u>Fiduciary</u>
2015	\$ 60,351	\$ 9,154	\$ 192
2016	47,479	6,964	159
2017	40,668	6,452	112
2018	34,778	4,471	112
2019	27,878	4,296	111
2020 - 2024	70,859	7,071	141
2025 - 2029	3,146	3,106	-
2030 - 2034	-	168	-
2035 & Thereafter	-	3	-
	<u>\$ 285,159</u>	<u>\$ 41,685</u>	<u>\$ 827</u>

Operating lease expenditures/expenses for fiscal year 2014 for governmental activities, business-type activities, and fiduciary activities, respectively were \$64,890, \$11,266, and \$201.

##### 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.

The State has restated its beginning net position to adjust for a capital lease in governmental activities which was not reported in the prior year. This involved the acquisition of a building. The amount of the adjusted principal balance at July 1, 2014 was \$56,715.

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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 10 (CONTINUED)

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

	<u>Governmental</u>	<u>Business-type</u>
2015	\$ 4,051	\$ 532
2016	4,051	510
2017	4,047	472
2018	4,049	370
2019	4,047	163
2020 - 2024	20,247	-
2025 - 2029	20,245	-
2030 - 2034	20,251	-
2035 - 2039	16,188	-
Total Lease Payments	97,176	2,047
Less: Amounts Representing Interest	(41,631)	(128)
<b>Present Value of Future Minimum Lease Payments</b>	<b><u>\$ 55,545</u></b>	<b><u>\$ 1,919</u></b>

As of June 30, 2014, the historical cost of the primary government's assets acquired through capital leases was \$51,482 for governmental activities, a building, and \$5,881 for business-type activities, consisting of equipment. Accumulated depreciation as of June 30, 2014 was \$10.2 million for the building and \$3.5 million for the equipment.

#### Lessor Revenue

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

	<u>Governmental</u>	<u>Business-type</u>
2015	\$ 1,145	\$ 4986
2016	1,139	4147
2017	1,111	3740
2018	3,146	3077
2019	3,140	2882
2020 - 2024	15,410	1721
2025 - 2029	-	342
2030 & Thereafter- 2034	-	6277
	<b><u>\$ 25,091</u></b>	<b><u>\$ 27,172</u></b>

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 million for business-type activities.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 11

#### NOTE 11. Risk Management

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

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

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

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

Total insurance claims payable at June 30, 2014, were \$203,484. 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 3.5 percent annual rate, except for long-term disability liability, which is computed at 5.0 percent annual rate, between June 30, 2014 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



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 11 (CONTINUED)

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

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

	<b>Balance June 30, 2013</b>	<b>Incurred (Net of Actuarial Provision)</b>	<b>Payments</b>	<b>Balance June 30, 2014</b>
Surety Bond	\$ 6	\$ (252)	\$ 252	\$ 6
Public Property Reserve	1,750	6,449	(5,844)	2,355
Workers Compensation	50,533	13,454	(15,130)	48,857
Public Liability	108,463	16,737	(17,915)	107,285
State Unemployment	7,929	(2,116)	(1)	5,812
Local Public Body	1,744	1,237	(1,702)	1,279
Group Insurance Premium	42,250	285,436	(289,796)	37,890
<b>Total</b>	<b>\$ 212,675</b>	<b>\$ 320,945</b>	<b>\$ (330,136)</b>	<b>\$ 203,484</b>

	<b>Balance June 30, 2012</b>	<b>Incurred (Net of Actuarial Provision)</b>	<b>Payments</b>	<b>Balance June 30, 2013</b>
Surety Bond	\$ 14	\$ (5)	\$ (3)	\$ 6
Public Property Reserve	1,725	4,173	(4,148)	1,750
Workers Compensation	42,285	25,265	(17,017)	50,533
Public Liability	189,214	(59,977)	(20,774)	108,463
State Unemployment	9,080	(1,149)	(2)	7,929
Local Public Body	2,043	749	(1,048)	1,744
Group Insurance Premium	40,154	319,178	(317,082)	42,250
<b>Total</b>	<b>\$ 284,515</b>	<b>\$ 288,234</b>	<b>\$ (360,074)</b>	<b>\$ 212,675</b>

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12

#### NOTE 12. Pension Plans

##### A. New Accounting Standard

As stated in Note 1, para. 19, the State adopted *GASB Statement No. 67, Financial Reporting for Pension Plans* effective July 1, 2013. This statement revises existing guidance for the financial reporting of pension plans. Among other things, the statement requires that pension plans report in the Notes to the Financial Statements the total pension liability, the plan's fiduciary net position, the net pension liability, and the percentage of fiduciary net position to total pension liability. Plans must disclose the significant assumptions used to measure the total pension liability, must use a more standardized discount rate, and must present the net pension liability using a discount rate one percentage point higher and lower than that used. These requirements, and others contained in the statement, should enable readers of the financial statements to better understand the costs and benefits of the retirement plans.

##### B. Plan Descriptions

The State maintains five cost-sharing multiple-employer 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).

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.

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.

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 issues a separate, publicly available financial report that includes financial statements and required

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

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, 2014, were (not in thousands):

	<u>PERS*</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Number of Employers					
State Agencies	138	-	-	-	24
Cities, Towns, Villages	88	-	-	-	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	98
Other	84	16	5	365	-
Totals	<u>343</u>	<u>16</u>	<u>5</u>	<u>365</u>	<u>230</u>
Retirees and Beneficiaries					
Receiving Benefits	33,740	141	94	893	42,246
Terminated Plan Members not yet Receiving Benefits	9,897	23	12	737	36,589
Active Plan Members	49,414	121	45	7,499	61,173

\*PERA Retirement Fund includes the Legislative Fund

### C. 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, 2014

### 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.

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

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

*State Legislative Fund* – This plan is a defined benefit pension plan which is accounted for in PERS. State Legislators and lieutenant governors must elect to be a member no later than 180 days after first taking office to be covered under this plan. Member contributions are \$500 for each year of service credit prior to the 2012 legislative session and \$600 for each year beginning with that 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, 2014 was \$53,753.

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 member retires multiplied by 60 and further multiplied by credited service. The per diem rate for January 1, 2014 was \$159. The per diem rate starting January 1, 2015 will increase to \$165.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

*Judicial Retirement System (JRS)* – 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 3.8 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.

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 (not in thousands) for each civil case docket fee paid in the district court, \$25 (not in thousands) 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 System (MRS)* – 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 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

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% of salaries and the State, through the administrative office of the courts, contributes at a rate of 11.0 percent of the member's salary. Additionally, the magistrate or metropolitan courts contribute \$25 (not in thousands) for each civil case docket fee paid and \$10 (not in thousands) 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 System (VFRS)* – 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 (not in thousands) per month, as of July 1, 2013, with at least 10 but less than 25 years of service or \$250 (not in thousands) 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 (in thousands) during the fiscal year from the Fire Protection Fund to the Volunteer Firefighters Retirement Fund.

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

*Educational Employees' Retirement System (EERS)* – 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.

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the plan: 9.4% of gross salary in fiscal year 2013; 10.1% of gross salary in fiscal year 2014; and 10.7% of gross salary in fiscal year 2015 and thereafter. Employers are required to contribute 13.15% of gross covered salaries in fiscal year 2014 and 13.9% of gross covered salaries in fiscal year 2015 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;

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

- 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. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then becomes reemployed after that date 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.
  - The member has service credit totaling 30 years or more.
- 1) To retire, a member must have at least one year of employment after July 1, 1957, and at least five years of contributory employment. Eligible members who have one year of employment after July 1, 1957, but less than the required five years of contributory employment, may contribute to the fund for each year needed.
  - 2) *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.
  - 3) *Benefit Options* - There are three benefit options available:

Option A – Single Life annuity. There are no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of contributions plus interest less benefits paid.

Option B - The single life annuity monthly benefit is reduced to provide for a 100.0 percent 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. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding back the amount by which the benefit was reduced at retirement due to the election of Option B retroactively to the time of retirement.

Option C – The single life annuity monthly benefit is reduced to provide for a 50.0 percent survivor's benefit. The reduced benefit is payable during the life of the member, with provision that, upon death, the reduced 50.0 percent benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member's benefit is adjusted by adding the amount by which the benefit was reduced at retirement due to the election of Option C retroactively to the time of retirement.

- 4) *Cost of Living Adjustment* - Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. As of July 1, 2013, for current and future retirees, the COLA is immediately reduced until the plan is 100% funded.

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.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

#### 5) *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.

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

7) The Educational Retirement Act, Chapters 22-11-1 to 22-11-53, NMSA 1978, assigns the authority to establish and amend benefit provisions to the Board.

The retirement benefit is determined by a formula. The formula includes three component parts: the member's final average salary, the number of years of service credit, and the 0.02 constant factor. The final average salary (FAS) is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

*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 those on deposit for less than one year.

*Alternative Retirement Plan* - The New Mexico legislature established the Alternative Retirement Plan (ARP) through the enactment of NMSA 1978, Chapters 22-11-47 through 52. In contrast to the regular defined benefit plan administered by the Educational Retirement Board (ERB), the ARP is a defined contribution plan. Beginning on July 1, 1991 at the State's six institutions of higher education, and July 1, 1999 at the State's eight community colleges (the colleges and universities are referred to as the "qualifying state educational institutions"), certain faculty and professional employees in eligible positions have the option of electing to participate in the ARP in lieu of participating in the regular defined benefit plan.

#### **D. 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, 2013. The total pension liability was rolled forward from



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

the valuation date to the plan year ending June 30, 2014. The net pension liability of each plan as of June 30, 2014, the most recent actuarial valuation date, 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	\$ 17,744,187	\$ 132,452	\$ 56,401	\$ 40,881	\$ 17,051,807
Plan's Fiduciary Net Position	<u>14,428,501</u>	<u>91,141</u>	<u>35,185</u>	<u>61,923</u>	<u>11,346,076</u>
Net Pension Liability	<u>\$ 3,315,686</u>	<u>\$ 41,311</u>	<u>\$ 21,216</u>	<u>\$ (21,042)</u>	<u>\$ 5,705,731</u>
Percentage of Fiduciary Net Position to Total Pension Liability	<u>81.31%</u>	<u>68.81%</u>	<u>62.38%</u>	<u>150.47%</u>	<u>66.54%</u>

The assumptions which follow were adopted by the respective Boards for use in the June 30, 2014 actuarial valuation:

	<b>PERS</b>	<b>JRS</b>	<b>MRS</b>	<b>VFRS</b>	<b>EERS</b>
Valuation date	June 30, 2013	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2013
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent	Level Percent, Open	Level Percent, Open	Level Dollar, Open	Level Payment
Amortization period	Solved for based on statutory rates.	30 years	30 years	30 Years	30 years, closed.
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	5 Year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.75%	7.75%	7.75%	7.75%	7.75%
Payroll Growth	3.50%	3.50%	3.50%	N/A	-
Project Salary Increases	3.50% - 14.25%	4.25%	3.75%	N/A	4.25%
Includes Inflation At	3.00%	3.00%	-	-	3.00%
Municipal Bond Rate	-	-	4.25%	-	-
Discount Rate	7.75%	7.75%	6.33%	7.75%	7.75%

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Long-term expected rates of return are as follows:

<b>Public Employees Retirement Association</b>		
<b>All Systems</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Rate of Return</b>
U. S. Equity	21.1 %	5.0 %
International Equity	24.8	5.2
Private Equity	7.0	8.2
Core and Global Fixed Income	26.1	1.9
Fixed Income Plus Sectors	5.0	4.8
Real Estate	5.0	5.3
Real Assets	7.0	5.7
Absolute Return	4.0	4.2
<b>Total</b>	<b>100.0 %</b>	

<b>Educational Retirement Board</b>	
<b>Long-term</b>	
<b>Asset Class</b>	<b>Expected Rate of Return</b>
Cash	1.50 %
Treasuries	2.00
IG Corp. Credit	3.50
MBS	2.25
Core Bonds	2.53
TIPS	2.50
High Yield Bonds	4.50
Bank Loans	5.00
Global Bonds (Unhedged)	1.25
Global Bonds (Hedged)	1.38
EMD External	5.00
EMD Local Currency	5.75
Large Cap Equities	6.25
Small/Mid Cap	6.25
International Equities (Unhedged)	7.25
International Equities (Hedged)	7.50
Emerging International Equities	9.50
Private Equity	8.75
Private Debt	8.00
Private Real Assets	7.75
Real Estate	6.25
Commodities	5.00
Hedge Funds Low Vol.	5.50
Hedge Funds Mod. Vol.	5.50

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Sensitivity of the net pension liability is demonstrated by computation of the liability with a discount rate one percentage point lower and one percentage point higher. With a higher discount rate, the net pension liability becomes lower, and the opposite occurs if the rate becomes lower, as follows:

**Public Employees Retirement Association and Education Retirement Board**  
**Sensitivity of the Net Pension Liability to**  
**Changes in the Discount Rate**  
*(Expressed in Thousands)*

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability			
Public Employees RS	\$ 5,500,962	\$ 3,315,686	\$ 1,640,689
Judicial RS	\$ 54,080	\$ 41,310	\$ 30,328
Volunteer Firefighters RS	\$ (16,290)	\$ (21,042)	\$ (25,000)
Educational Employees RS	\$ 7,763,305	\$ 5,705,731	\$ 3,987,099

	1% Decrease (4.96%)	Current Discount Rate (5.96%)	1% Increase (6.96%)
Net Pension Liability			
Magistrate RS	\$ 27,211	\$ 21,216	\$ 16,139

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13

#### NOTE 13. Post - Employment Benefits Other Than Pensions

In addition to pension benefits as described in Note 11, the State provides other post-employment benefits (OPEB). The State of New Mexico adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting By Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2009.

##### A. Plan Description

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

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

##### B. Funding and Benefit Policies

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

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

<b>Plan Membership (Not in Thousands):</b>	
Current Retirees and Surviving Spouses	36,021
Inactive and Eligible for Deferred Benefit	11,710
Current Active Members	<u>96,069</u>
<b>Total</b>	<b><u>143,800</u></b>
<b>Active Membership:</b>	
State General	19,046
State Police and Corrections	1,784
Municipal General	19,810
Municipal Police	3,492
Municipal FTRE	1,959
ERB	<u>49,978</u>
<b>Total</b>	<b><u>96,069</u></b>

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, 2014, 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, 2014, the statute required each participating employer to

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

contribute 2.5 percent of each participating employee’s annual salary, and each participating employee was required to contribute 1.25 percent of their salary.

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 RHCA on a monthly basis.

The required and actual contributions of employers in accordance with the funding policy and the percentage of current-year covered payroll for the years the three most recent valuations are as follows:

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions - Employers	Percentage Contributed
2014	\$ 292,657	\$ 149,277	51.0 %
2013	353,658	135,388	38.3 %
2012	340,075	142,054	41.8 %
2011	326,995	120,873	37.0 %
2010	298,000	114,847	38.5 %
2009	286,538	96,817	33.8 %

The above schedule presents trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years using an open-ended amortization.

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.

#### C. Funded Status

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

The funded status as of June 30, 2014, the most recent valuation date, was as follows (dollar amount in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2014	\$ 377,087	\$ 3,740,368	\$ 3,363,280	10.08 %	\$ 3,941,588	85 %

The actuarial methods and assumptions for the Plan at June 30, 2014, were as follows:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	30 Year Open-Ended Amortization, with the initial payment determined as if future payments would theoretically increase each year on a level percent of pay basis.
Amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	5.00%
Projected payroll increases	3.50%
Health care cost trend rate:	
Prescription Drug & Medical (Under Age 65, Age 65, and Over)	8.0% from July 1, 2009 to July 1, 2018, decreasing by 0.5% for each year until it reaches an unlimited rate of 5.0%

Note: Schedule of funding progress is based on healthcare laws and regulations existing at June 30, 2014.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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 publically available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, 33 Plaza La Prensa, Santa Fe, NM 87507.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 15

#### NOTE 15. Arbitrage on Tax-Exempt Bonds

Arbitrage is the excess interest earned by a state or local government on proceeds from the sale of its bonds over interest paid to bondholders. The Tax Reform Act of 1986 TRA required rebate of such arbitrage to the U.S. Treasury Department on governmental bonds issued after August 31, 1986, and on private activity bonds issued after December 31, 1984, when the proceeds were held for six months or longer. These rebates must be calculated annually and paid at the end of every fifth year until the bonds are retired.

The Revenue Reconciliation Act of 1989 amended the six-month rule. For bonds issued after December 19, 1989, the rebate requirement does not apply if, both, all of the gross proceeds of the issue, other than the reserve fund, are spent within the six-month period following the date of issue, and the rebate requirement is satisfied for the reserve fund after the six-month period. The term gross proceeds for purposes of the rule includes both the sale proceeds received from the bonds purchaser on the issue date and investment earnings on such proceeds during the six month period. Gross proceeds deposited in a reserve fund or bona fide debt service fund, however, are not subject to the expenditure requirement.

The following is a schedule of bond issues, along with the year-ends and arbitrage rebate due dates. The State Treasurer has completed the first arbitrage computation for the bonds as indicated:

	First Computation Date	First Payment Due to IRS	Computation of Arbitrage Completed	Next Payment Due to IRS
General Obligation Bonds Series 2005	3/1/2010	4/30/2010	X	3/1/2015
General Obligation Bonds Series 2007	3/1/2012	4/30/2012	X	3/1/2017
General Obligation Bonds Series 2009	5/28/2014	7/28/2014	X	3/1/2019
General Obligation Bonds Series 2011	5/26/2016	7/25/2016	X	3/1/2021
General Obligation Bonds Series 2013	4/23/2018	6/22/2018	X	3/1/2023
Severance Tax Bonds Series 2009A	7/30/2014	9/29/2014	X	7/1/2019
Severance Tax Bonds Series 2010A	3/24/2015	5/26/2015	X	3/24/2020
Severance Tax Bonds Series 2010B	3/24/2015	5/26/2015	X	3/24/2020
Severance Tax Bonds Series 2010C	6/30/2015	8/31/2015	X	7/1/2015
Severance Tax Bonds Series 2010D	12/8/2015	2/8/2016	X	7/1/2017
Severance Tax Bonds Series 2011A-1	12/6/2016	2/6/2017	X	7/1/2021
Severance Tax Bonds Series 2011A-2	12/6/2016	2/6/2017	X	7/1/2021
Severance Tax Bonds Series 2012A	6/21/2017	8/21/2017	X	6/21/2022
Severance Tax Bonds Series 2013A	7/23/2018	9/24/2018	X	7/1/2023
Severance Tax Bonds Series 2014A	6/24/2019	8/23/2019		6/24/2024

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 16

#### NOTE 16. Segment Information

The following is condensed financial information for the segments within the proprietary funds which have revenue bonds (in thousands):

	*		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	\$ 1,502	\$ 8,742	\$ 93,004	\$ 45,844	\$ 13,149	\$ 76,589	\$ 32,696	\$ 17,497	\$ 767,577
Other Assets	2,608	4,367	249,866	38,331	14,174	98,040	502,838	9,112	554,634
Capital Assets, Net	47,557	28,095	494,239	150,431	79,936	127,410	55,597	44,432	1,175,436
<b>Total Assets</b>	<b>51,667</b>	<b>41,204</b>	<b>837,109</b>	<b>234,606</b>	<b>107,259</b>	<b>302,039</b>	<b>591,131</b>	<b>71,041</b>	<b>2,497,647</b>
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	13,103
Current Liabilities	3,639	2,281	60,376	18,471	10,545	11,559	5,808	5,259	292,280
Long-term Liabilities	677	13,848	183,260	38,896	28,807	22,185	11,235	21,977	600,444
<b>Total Liabilities</b>	<b>4,316</b>	<b>16,129</b>	<b>243,636</b>	<b>57,367</b>	<b>39,352</b>	<b>33,744</b>	<b>17,043</b>	<b>27,236</b>	<b>892,724</b>
Deferred Inflows of Resources			250	18					
Net Investment in Capital Assets	47,049	16,429	335,008	116,573	53,020	138,146	48,179	24,758	634,055
Restricted	3,116	1,388	120,094	24,762	13,912	73,814	503,301	15,505	407,335
Unrestricted	(2,814)	7,258	137,871	35,868	975	56,335	22,608	3,542	576,636
<b>Total Net Position</b>	<b>\$ 47,351</b>	<b>\$ 25,075</b>	<b>\$ 593,223</b>	<b>\$ 177,221</b>	<b>\$ 67,907</b>	<b>\$ 268,295</b>	<b>\$ 574,088</b>	<b>\$ 43,805</b>	<b>\$ 1,618,026</b>
<b>Condensed Statement of Activities:</b>									
Operating Revenues:									
Charges for Services	\$ 12,142	\$ -	\$ 28,724	\$ 7,919	\$ 4,840	\$ 4,964	\$ 6,634	\$ 3,324	\$ 211,747
Net Student Tuition and Fees	-	-	66,554	17,368	11,412	9,483	3,054	7,852	138,116
State, Local, Private Grants/Contracts	-	-	57,092	8,858	5,855	22,680	3,217	2,343	63,436
Patient Income	-	18,604	-	-	-	-	-	-	671,214
Federal Funds	-	324	157,349	9,479	9,384	50,777	998	898	198,622
Other Operating Revenues	-	3,180	15,246	1,918	912	8,068	1,329	1,463	42,062
<b>Total Operating Revenue</b>	<b>12,142</b>	<b>22,108</b>	<b>324,965</b>	<b>45,542</b>	<b>32,403</b>	<b>95,972</b>	<b>15,232</b>	<b>15,880</b>	<b>1,325,197</b>

\* FY14 information not available. FY13 provided.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 16 (CONTINUED)

	*		Educational Institutions						
	* State Fair Commission	Miners'	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
		Colfax Medical Center							
<b>Condensed Statement of Activities</b> <b>(Continued)</b>									
Operating Expenses:									
Operating Expenses	\$ 4,771	\$ 9,049	\$ 140,614	\$ 29,293	\$ 22,841	\$ 34,500	\$ 14,294	\$ 31,626	\$ 892,118
Depreciation Expense	2,840	1,822	32,580	7,196	3,411	8,954	3,001	3,416	904,470
General and Administrative	7,002	12,358	375,013	69,039	36,855	91,455	16,699	10,574	92,519
<b>Total Operating Expenses</b>	<b>14,613</b>	<b>23,229</b>	<b>548,207</b>	<b>105,528</b>	<b>63,107</b>	<b>134,909</b>	<b>33,994</b>	<b>45,616</b>	<b>1,889,107</b>
Operating Income (Loss)	(2,471)	(1,121)	(223,242)	(59,986)	(30,704)	(38,937)	(18,762)	(29,736)	(563,910)
Nonoperating Revenue (Expense)									
Clinical Operations	-	-	-	-	-	-	-	-	113,541
Government Grants and Contracts	-	-	6,896	15,625	-	-	-	6,295	99,658
Net Investment Income	2	3	11,281	3,001	1,402	52	62,342	205	70,179
Other Revenue	-	5	8,013	-	-	7,984	18,576	11	54,468
Interest Expense	(58)	-	(5,187)	(1,350)	-	-	(373)	-	(18,047)
Other Expense	-	-	(622)	-	(1,810)	-	-	-	(168)
Total Nonoperating Income (Expense)	(56)	8	20,381	17,276	(408)	8,036	80,545	6,511	319,631
Capital Contributions	-	-	12,475	-	-	4,834	318	-	165
Permanent Fund Contributions	-	-	7,750	-	-	-	-	-	-
Net Transfers	1,070	-	203,004	53,783	30,353	49,221	-	21,492	299,783
Change in Net Position	(1,457)	(1,113)	20,368	11,073	(759)	23,154	62,101	(1,733)	55,669
Net Position, Beginning, restated	48,808	26,188	572,855	166,148	68,666	245,141	511,987	45,538	1,562,357
<b>Net Position, Ending</b>	<b>\$ 47,351</b>	<b>\$ 25,075</b>	<b>\$ 593,223</b>	<b>\$ 177,221</b>	<b>\$ 67,907</b>	<b>\$ 268,295</b>	<b>\$ 574,088</b>	<b>\$ 43,805</b>	<b>\$ 1,618,026</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### 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 Cash Flows:</b>									
Net Cash Provided (Used) by:									
Operating Activities	\$ 311	\$ (931)	\$ (197,932)	\$ (49,320)	\$ (30,189)	\$ (42,296)	\$ (14,234)	\$ (27,597)	\$ (477,563)
Noncapital Financing Activities	-	-	206,510	59,803	30,322	44,805	19	25,362	528,222
Capital and Related Financing Activities	(113)	619	(14,139)	(8,376)	(599)	(8,276)	7,940	(5,535)	(93,367)
Investing Activities	2	328	(14,921)	5,105	1,402	1,416	16,385	3,333	42,668
Cash and Cash Equivalents at Beginning of Year, as Restated	2,742	6,370	94,341	29,173	6,859	34,889	16,937	9,637	186,168
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,942</b>	<b>\$ 6,386</b>	<b>\$ 73,859</b>	<b>\$ 36,385</b>	<b>\$ 7,795</b>	<b>\$ 30,538</b>	<b>\$ 27,047</b>	<b>\$ 5,200</b>	<b>\$ 186,128</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 17

#### **NOTE 17. Allowance for Potential Loss - State General Fund Investment Pool**

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (Pool), which is managed by the Office of the New Mexico State Treasurer. The Pool is a part of the accompanying financial statements. Claims on the Pool are reported as assets by the various agencies investing in the Pool. By statute, the Department of Finance and Administration (DFA) is responsible for reconciling the Pool balances.

The statewide cash balances in the SHARE general ledger accounts have not been reconciled to the Pool since the implementation of SHARE in July, 2006. In prior years, it was reported that Phase I of the Cash Management Remediation Project (completed in May, 2013) implemented statewide business process changes and corrected numerous SHARE system configurations. As a result of the changes and corrections, DFA's Financial Control Division (DFA/FCD) began reconciling activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013.

The Historical Cash Reconciliation Project, in partnership with an external accounting firm, commenced on July 11, 2014. The scope of this project was the period of July 1, 2006 to January 31, 2013. Based on the Historical Cash Reconciliation Project report, the State was unable to complete a reconciliation of all transactional data for the entire period. Specifically, complete data sets from agency external systems (third-party and payment load) could not be provided in a number of cases.

Given these facts regarding incomplete population data sets, as well as the magnitude and complexity of the State's transactions during the period of July 1, 2006 through January 31, 2013, it is not possible to perform a 100% complete and accurate historical reconciliation of all general ledger and bank activity for this period. Determining a reliable amount of any correcting adjustments to the Pool's SHARE balances at the business unit/Office level as a result of the Historical Cash Reconciliation Project will not be possible at this time.

DFA/FCD has determined that as information becomes available, it will allow for corrections of cash balances within the State General Ledger for the period from July 1, 2006 through January 31, 2013. No correcting accounting adjustments will be applied to any prior period of any specific business unit or individual fund of the State. As historical cash reconciliation-related correcting accounting adjustments are identified, they will be made against the State's General Operating Reserve Fund. Funds reported as Component Appropriation Funds subject to correcting adjusting entries include the State Support Reserve, Appropriation Contingency Reserve, and the Tax Stabilization Reserve.

In FY 2014, DFA's management increased the recorded loss contingency from \$70 million to \$100 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool. Due to the increase, an additional \$30 million was recorded as a special item for the loss contingency. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that DFA management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

On December 8, 2014, DFA informed the agencies that as information becomes available to allow for corrections of cash balances within the State General Ledger for the period of July 1, 2006 through January 31, 2013, the associated correcting accounting adjustments will be made against the State's General Operating Reserve Fund within the Component Appropriation Fund's future financial statements.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

#### NOTE 18. Commitments and Contingencies

##### A. 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.

##### *Environment Department*

In January of 2012, the Office of the Inspector General (OIG) of the Environmental Protection Agency performed an audit of the Department's Labor Charging Practices to federal programs and determined that the Air Quality Bureau (AQB) and Drinking Water Bureau (DWB) of the Department did not always charge labor and related costs according to two CFR requirements. These bureaus charged labor, fringe benefit and indirect costs to federal grants based on budget, rather than actual activities performed. This occurred at AQB from the inception of NMED's current accounting system, SHARE, in July 2006 to June 25, 2010, and DWB through April 14, 2012. The OIG's final report is issued a draft report in June 2013, with an estimated \$3,758,783 in unsupported charges identified. The recommendation by the OIG to the Regional Administrator is to disallow and recover these costs. However, a final determination by the Regional Administrator has not been determined. This amount has been accrued as a long-term liability by management in the government-wide financial statements until a final determination is made.

##### *Human Services Department*

As of June 30, 2014, the Department was aware of three related federal audits issued by U. S. Dept. of Health and Human Services, Office of Inspector General (DHHS OIG) covering personal care services (PCO) in which the likelihood of an unfavorable outcome is probable. As of December 14, 2014, any amount due and owing to the federal government related to two (2) of these audits is undetermined. In the third appeal, DHHS has disallowed federal financial participation totaling \$19,771,608. At the request of the Department, however, the DHHS Appeals Board has agreed to hold the Department's appeal of that matter in abeyance pending the outcome of a similar appeal by the Georgia Department of Community Health in the Washington D.C. District Court. Given the uncertainty of the final outcome of this matter, no liability has been accrued in the State's financial statements.

##### B. Litigation

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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

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#### *Children, Youth, and Families Department*

A judgment in a legal matter was rendered against the Children, Youth, and Families Department (Department) in the amount of \$3.6 million. The Department is currently appealing the judgment. This amount would not be covered by Risk Management Division. A liability has been recorded.

#### *Taxation and Revenue Department*

The State is involved in various lawsuits by taxpayers claiming refunds from various tax programs for taxes under protest totaling \$156,202 for the fiscal year. In addition, there are various lawsuits by taxpayers claiming refunds from various tax programs where no specified dollar amount under protest has been identified. The State intends to contest all cases vigorously. Any liability would be paid for out of the Suspense Related Agency Fund.

#### *Education Trust Board*

Since 2009, a number of class action, derivative, and individual lawsuits have been pending in federal and state courts against Oppenheimer Funds, Inc. (OFI), Oppenheimer Funds Distributor, Inc. (OFDI), and certain mutual funds (Defendant Funds) advised by OFI and distributed by the OFDI. Several of these lawsuits also name as defendants certain officers, trustees and former trustees of the respective Defendant Funds. The lawsuits raise claims under federal and state securities laws and state common law and allege, among other things, that disclosure documents of the respective Defendant Funds contained misrepresentations and omissions and that the respective Defendant Fund's investment policies were not followed. The plaintiffs in these actions seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses.

The State and the Plan management believe that these suits should not impair the ability of OFI or OFDI to perform their respective duties to the plans of the fiduciary funds, and that the outcome of all of the suits together should not have any material effect on the operations of any of the Oppenheimer mutual funds.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 19

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#### NOTE 19. Subsequent Events

##### A. Bond Issues

On February 17, 2015, the State issued General Obligation Bonds Series 2015 in the principal amount of \$150,000. The purpose of these bonds is to fund capital improvement projects as approved by the voters.

##### B. Other Events

###### *Back-Pay Decision – Union Employees*

The New Mexico Supreme Court affirmed an earlier decision by an arbitrator that positions covered under collective bargaining agreements should have received a pay increase in fiscal year 2014. The distribution of the back-pay recoveries was begun in fiscal year 2014, but the processing of these claims has taken more time than was originally planned. Distribution of payments continues presently. An estimated total of \$29.9 million was accrued in the financial statements for the year ended June 30, 2014. The amount of \$14.7 million has been paid through February, 2015, leaving a balance of approximately \$15.2 million still to be paid. The total accrued is an estimate based on the best available information at the time. As the processing of claims continues, the total amount actually paid may vary from this estimate.

###### *New Mexico Mortgage Finance Authority*

Based on information available as of September 30, 2014, management of the Mortgage Finance Authority has determined that it is probable that the Authority has incurred a contingent liability for the balance of two loans which the Board of Directors had previously approved for write-off. The balance of \$438,000 may be payable to the U.S. Department of Housing and Urban Development (HUD) for noncompliance with the affordability requirement.

On March 26, 2015, the Authority issued \$35,000,000 of Single Family Mortgage Program 2015 Series A Bonds. The bonds were used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. On March 26, 2015, the Authority issued \$7,230,000 of Single Family Mortgage Program 2015 Series B Bonds. The bonds were used to call all bonds outstanding in the 2005 Series A and 2005 Series B Bonds. On March 17, 2015, the Authority issued \$25,740,000 of Single Family Mortgage Program 2015 Series C Bonds. The bonds were used to call GSE Escrow Bond Purchase Program bonds outstanding in the 2009 Series B Bonds.

###### *New Mexico Finance Authority*

On July 24, 2014, New Mexico Finance Authority sold 2014B Bonds in the amount of \$58,235,000. On February 26, 2015 the New Mexico Finance Authority issued 2015A Bonds in the amount \$63,390,000.



# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 19

#### *New Mexico Department of Transportation*

The estimated fair value of the interest-rate swaps (discussed in Note 7) at November 25, 2014, was as follows:

	<u>Notional Value</u>	<u>Fair Value</u>	<u>Collateral Posted</u>
Goldman Sachs	\$ 50,000	\$ (11,120)	\$ -
Deutsche	50,000	(11,120)	-
Royal Bank of Canada	100,000	(22,241)	3,030
JPMorgan Chase Bank	110,000	(33,026)	4,380
UBS AG	110,000	(33,026)	4,380
	<u>\$ 420,000</u>	<u>\$ (110,533)</u>	<u>\$ 11,790</u>

In December of 2014, the Department issued the Series 2014B-1 Senior Lien State Transportation Revenue Refunding Bonds in the amount of \$61,380,000 to refund a portion of the Series 2006A GRIP Bonds and a portion of the Series 2006B GRIP Bonds.

In December of 2014, the Department issued the Series 2014B-2 Subordinate Lien State Transportation Revenue Refunding Bonds in the amount of \$18,025,000 to refund a portion of the Series 2006A GRIP Bonds and a portion of the Series 2006B GRIP Bonds.

The Department of Transportation will be receiving \$46 million to fund necessary repairs to New Mexico roads used for the transportation of DOE shipments of transuranic waste to WIPP designated routes. The Funding is a result of an April 2015 settlement of the State's claims against the U.S. Department of Energy and its contractors related to the February 2014 incidents at the Waste Isolation Pilot Plant in Carlsbad, New Mexico.

#### *University of New Mexico*

The University of New Mexico successfully completed an advanced refunding for the following bond issues: Series 2003A, 2003B, 2003C, and 2005 on November 13, 2014. They are combined to form the Series 2014A, B, and C Bonds for a refunded amount of \$113,480,000 and a net present value savings of \$2,979,512.

#### *New Mexico State Fair*

The New Mexico State Fair has not paid the General Services Department for its share of the state self-insurance that is provided by Risk Management. The total amount owed is about \$7,000,000 and the New Mexico State Fair is going to book as a Vouchers Payable \$725,883 in Fiscal Year 2014.

STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

# FINANCIAL SECTION

## REQUIRED SUPPLEMENTARY INFORMATION



SHIPROCK, NM  
SOURCE - WWW.TODAYSPHOTO.ORG

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Year Ended June 30, 2014

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Taxes	\$ 329,171	\$ 330,106	\$ 334,397	\$ 4,291
Federal Revenue	5,122,918	5,300,093	4,884,177	(415,916)
Investment Income	77,766	77,766	31,289	(46,477)
Rentals and Royalties	25,680	25,707	29,474	3,767
Charges for Services	112,790	114,004	158,506	44,502
Licenses, Fees, and Permits	278,972	280,681	287,452	6,771
Assessments	12,337	12,534	25,887	13,353
Miscellaneous and Other	255,149	262,025	332,563	70,538
Operating Transfers In	5,448,703	5,450,334	5,420,295	(30,039)
<b>Total Revenues and Other Financing Sources</b>	<b>11,663,486</b>	<b>11,853,250</b>	<b>11,504,040</b>	<b>(349,210)</b>
Fund Balance Budgeted	449,197	523,124		
Total	12,112,683	12,376,374		
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
<b>Culture, Recreation, and Natural Resources</b>				
P536 Museums and Monuments	22,872	22,963	22,477	486
P537 Preservation	4,894	4,994	3,538	1,456
P539 Library Services	5,308	5,518	5,218	300
P540 Program Support	4,033	4,033	3,965	68
P551 Water Resource Allocation	13,180	13,488	13,228	260
P552 Interstate Stream Compact Compliance and Water Development	12,666	13,066	10,127	2,939
P553 Litigation and Adjudication	6,452	6,577	6,095	482
P554 Program Support	4,101	4,101	4,056	45
P615 Commissioner of Public Lands	13,799	14,058	13,913	145
P685 Livestock inspection	5,897	5,897	5,092	805
P688 Youth Conservation Corps	4,306	5,249	4,176	1,073
P701 Office of the Natural Resources Trustee	2,292	8,292	3,093	5,199
P716 Sport Hunting and Fishing	8,770	8,770	6,926	1,844
P717 Conservation Services	21,763	23,823	20,792	3,031
P718 Wildlife Depredation and Nuisance Abatement	1,042	1,042	522	520
P719 Program Support	7,805	7,805	6,624	1,181
P740 Renewable Energy and Energy Efficiency	3,451	3,482	2,526	956
P741 Healthy Forests	14,173	14,473	11,038	3,435
P742 Parks and Recreation	21,848	21,848	18,040	3,808
P743 Mine Reclamation	8,263	8,263	5,193	3,070
P744 Oil and Gas Conservation	9,343	10,555	9,395	1,160
P745 Program Leadership and Support	4,949	4,984	4,666	318
P761 Arts	1,959	2,073	1,897	176
P764 Intertribal Ceremonial	105	105	105	-
Z000 Special Appropriations	17,935	19,041	15,424	3,617
<b>Total Culture, Recreation, and Natural Resources</b>	<b>221,206</b>	<b>234,500</b>	<b>198,126</b>	<b>36,374</b>
<b>Education</b>				
P505 Operations	23,461	26,456	20,167	6,289
P506 Student Financial Aid	87,180	88,226	80,940	7,286
P508 Rehab Services	27,725	27,725	22,145	5,580
P509 Independent Living	1,457	1,457	1,330	127
P511 Disability Determination	16,796	16,796	9,294	7,502
P527 SDE Operation	15,065	15,409	14,547	862
P785 Education Trust	-	2,056	1,766	290
P940 Public Schools Facilities Auth	5,594	5,594	322	5,272
Z000 Special Appropriations	2,586,709	2,593,420	2,557,670	35,750
<b>Total Education</b>	<b>2,763,987</b>	<b>2,777,139</b>	<b>2,708,181</b>	<b>68,958</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2014

(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>				
P541 Policy Development, Budget Oversight and Educational Accountability	\$ 3,399	\$ 3,399	\$ 2,931	\$ 468
P542 Program Support	1,621	1,621	1,578	43
P543 Community Development, Local Government Assistance and Fiscal Oversight	1,868	1,868	1,723	145
P544 Fiscal Management and Oversight	4,905	4,905	4,787	118
P572 Program Support	20,817	20,517	20,080	437
P573 Tax Administration	31,314	31,631	30,728	903
P574 Motor Vehicle	26,784	30,962	28,731	2,231
P575 Property Tax	3,320	3,380	2,990	390
P579 Compliance Enforcement	2,205	2,205	1,927	278
P604 State Purchasing	2,293	2,293	2,065	228
P608 Facilities Management Division	11,915	11,915	11,814	101
P625 Office of the Attorney General	18,448	19,693	16,647	3,046
P626 Medicaid Fraud Program	2,102	2,102	1,898	204
P628 State Auditor	3,530	3,530	2,884	646
P629 State Investment Program	81,334	81,334	73,942	7,392
P636 Criminal & Juvenile Justice	560	560	603	(43)
P637 Governor	3,609	3,609	3,185	424
P638 Lieutenant Governor	590	590	541	49
P641 Records Info & Archival Mgmt.	2,637	2,665	2,607	58
P642 Secretary of State	4,152	4,827	4,814	13
P643 New Mexico State Personnel	4,550	4,420	4,360	60
P644 State Treasurer	3,835	3,835	3,763	72
P720 Public Defender Department	42,275	42,789	42,846	(57)
P738 Public Employees Labor Relations Board	216	216	214	2
P773 Enterprise Services	-	175	9	166
P783 Elections	3,545	3,545	3,416	129
Z000 Special Appropriations	125,228	125,819	112,785	13,034
<b>Total General Control</b>	<b>407,052</b>	<b>414,405</b>	<b>383,868</b>	<b>30,537</b>
<b>Health and Human Services</b>				
P001 Administration	18,225	19,068	18,669	399
P002 Financial Oversight	186,881	188,238	171,070	17,168
P003 Epidemiology and Response	24,207	25,227	21,909	3,318
P004 Laboratory Services	12,582	12,788	12,413	375
P006 Program Area 6 - Facilities	135,032	136,755	135,574	1,181
P007 Developmental Disabilities Support	149,748	153,708	147,371	6,337
P008 Health Certification, Licensing and Oversight	13,675	13,074	12,331	743
P522 Program Support	52,175	57,916	53,799	4,117
P523 Child Support Enforcement	33,538	34,344	29,934	4,410
P524 Medical Assistance Program	4,064,717	4,028,044	3,917,210	110,834
P525 Income Support Program	916,760	922,828	845,115	77,713
P567 Resource Management	8,059	8,280	7,348	932
P568 Water Quality	27,032	27,787	21,991	5,796
P569 Environmental Health	17,835	17,835	15,166	2,669
P570 Environmental Protection	15,265	15,265	13,361	1,904
P576 Program Support	32,162	33,213	31,363	1,850
P577 Juvenile Justice Facilities	72,357	74,759	72,670	2,089
P578 Protective Services	126,418	131,336	129,385	1,951
P591 Program Support	4,379	4,249	4,210	39

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2014

(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>				
P592 Consumer and Elder Rights	\$ 3,518	\$ 4,270	\$ 4,035	\$ 235
P593 Adult Protective Services	13,169	13,348	13,175	173
P594 Community Involvement	37,559	38,484	38,218	266
P692 Office of African-American Affairs	704	704	629	75
P693 Commission For Deaf and Hard of Hearing	3,753	3,753	3,178	575
P694 Martin Luther King Jr., Commission	215	215	215	-
P695 Blind Services Program	7,353	8,353	7,426	927
P696 Indian Affairs Department	2,672	2,672	2,233	439
P697 Workers' Compensation Administration	10,541	10,541	10,511	30
P698 Governor's Commission On Disability	1,404	3,237	2,932	305
P700 Brain Injury Advisory Council	121	121	117	4
P726 Veterans' Services Department	3,401	3,401	3,037	364
P727 Developmental Disabilities Planning Council	1,287	1,287	896	391
P737 Office of Guardianship	4,595	4,845	4,228	617
P766 Medicaid Behavioral Health	306,072	343,272	340,334	2,938
P767 Behavioral Health Services	59,351	63,307	61,398	1,909
P775 Workforce Transition Services	25,185	25,185	20,855	4,330
P776 Labor Relations	4,874	5,215	4,476	739
P777 Workforce Technology	10,672	16,082	12,856	3,226
P778 Business Services	9,723	9,723	3,906	5,817
P779 Program Support	26,798	26,798	20,010	6,788
P780 Uninsured Employers Fund	1,149	1,149	686	463
P782 Early Childhood Services	175,738	177,683	145,024	32,659
P787 Early Childhood Services	780	780	-	780
Z000 Special Appropriations	56,620	55,224	43,786	11,438
	<u>6,678,301</u>	<u>6,724,363</u>	<u>6,405,050</u>	<u>319,313</u>
<b>Highways &amp; Transportation</b>				
P562 Construction Program	856,579	941,882	548,611	393,271
P563 Maintenance Program	265,315	287,297	248,105	39,192
P564 Program Support	48,606	47,992	45,844	2,148
	<u>1,170,500</u>	<u>1,277,171</u>	<u>842,560</u>	<u>434,611</u>
<b>Judicial</b>				
P205 Supreme Court Law Library	1,554	1,554	1,535	19
P208 New Mexico Compilation Commission	1,712	1,864	1,748	116
P210 Judicial Standards Commission	847	850	837	13
P215 Court of Appeals	5,739	5,739	5,667	72
P216 Supreme Court	3,097	3,097	3,096	1
P219 Supreme Court Building Commission	867	867	865	2
P231 First Judicial District Court	7,349	7,463	7,215	248
P232 Second Judicial District Court	26,311	26,338	25,290	1,048
P233 Third Judicial District Court	7,370	7,162	7,065	97
P234 Fourth Judicial District Court	2,295	2,332	2,319	13
P235 Fifth Judicial District Court	6,565	6,652	6,579	73
P236 Sixth Judicial District Court	3,255	3,314	3,308	6
P237 Seventh Judicial District Court	2,717	2,717	2,609	108
P238 Eighth Judicial District Court	2,976	3,025	2,993	32
P239 Ninth Judicial District Court	3,969	3,992	3,951	41
P240 Tenth Judicial District Court	830	832	805	27
P241 Eleventh Judicial District Court	6,683	6,774	6,719	55

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2014

(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>				
P242 Twelfth Judicial District Court	\$ 3,291	\$ 3,310	\$ 3,205	\$ 105
P243 Thirteenth Judicial District Court	7,235	7,782	7,434	348
P244 Bernalillo County Metropolitan Court	25,748	26,344	25,684	660
P251 First Judicial District Attorney	5,038	5,040	5,019	21
P252 Second Judicial District Attorney	18,325	18,553	18,138	415
P253 Third Judicial District Attorney	5,567	5,587	5,357	230
P254 Fourth Judicial District Attorney	3,071	3,071	3,069	2
P255 Fifth Judicial District Attorney	4,586	4,765	4,724	41
P256 Sixth Judicial District Attorney	2,812	2,891	2,872	19
P257 Seventh Judicial District Attorney	2,402	2,402	2,329	73
P258 Eighth Judicial District Attorney	2,502	2,510	2,503	7
P259 Ninth Judicial District Attorney	2,699	2,699	2,697	2
P260 Tenth Judicial District Attorney	1,006	1,009	1,009	-
P261 Eleventh Judicial District Attorney-Division I	4,081	4,511	3,924	587
P262 Twelfth Judicial District Attorney	2,927	3,048	2,943	105
P263 Thirteenth Judicial District Attorney	4,991	5,055	4,629	426
P264 Administrative Office of the District Attorneys	2,311	3,104	2,902	202
P265 Eleventh Judicial District Attorney-Division II	2,269	2,274	2,246	28
P559 Administrative Support	11,299	12,010	11,916	94
P560 Administrative Support	9,108	9,160	8,299	861
P610 Statewide Judiciary Automation	29,223	29,881	29,293	588
P620 Special Court Services	9,354	9,409	9,289	120
Z000 Special Appropriations	3,058	3,190	1,239	1,951
<b>Total Judicial</b>	<b>247,039</b>	<b>252,177</b>	<b>243,321</b>	<b>8,856</b>
<b>Legislative</b>				
P100 Leg Analysis/Oversight Program	4,049	4,049	3,985	64
Z000 Special Appropriations	13,082	13,082	11,660	1,422
<b>Total Legislative</b>	<b>17,131</b>	<b>17,131</b>	<b>15,645</b>	<b>1,486</b>
<b>Public Safety</b>				
P503 Program Support	9,575	9,575	6,409	3,166
P504 Law Enforcement	85,323	85,363	77,855	7,508
P530 Program Support	14,274	13,094	13,074	20
P531 Inmate Management and Control	241,765	244,986	249,047	(4,061)
P534 Community Offender Management	33,218	32,850	33,657	(807)
P704 Parole Board	495	495	446	49
P705 Juvenile Parole Board	15	15	14	1
P706 Victim Compensation	2,424	2,432	2,430	2
P707 Federal Grant Administration	5,176	6,226	5,211	1,015
P721 National Guard Support	19,293	20,748	18,987	1,761
P759 Homeland Security and Emergency Management Department	36,926	41,768	15,196	26,572
P781 Motor Transportation Program	26,101	26,330	21,351	4,979
P786 State Law Enforcement Support Program	16,213	16,343	13,216	3,127
Z000 Special Appropriations	7,425	47,715	13,575	34,140
<b>Total Public Safety</b>	<b>498,223</b>	<b>547,940</b>	<b>470,468</b>	<b>77,472</b>



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2014

(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>				
P512 Economic Development	\$ 3,877	\$ 8,329	\$ 8,222	\$ 107
P514 Film	757	757	725	32
P526 Program Support	1,989	1,989	1,898	91
P528 Job Creation & Job Growth	-	5,500	3,131	2,369
P547 Program Support	1,457	1,457	1,450	7
P548 Outreach	2,123	2,487	2,331	156
P549 Marketing and Promotion	7,782	7,782	7,774	8
P599 Construction Industries and Manufactured Housing	8,371	8,459	8,312	147
P600 Financial Institutions and Securities	4,406	4,271	3,443	828
P601 Alcohol and Gaming	925	1,078	915	163
P602 Program Support	3,740	3,786	3,325	461
P611 Policy and Regulation	5,553	6,650	6,424	226
P612 Public Safety	5,749	10,205	9,391	814
P613 Program Support	2,578	1,924	1,780	144
P614 Special Revenues	1,276	1,336	1,336	-
P645 Board of Examiners for Architects	370	370	282	88
P646 New Mexico Border Authority	475	2,325	493	1,832
P647 Program Five	524	524	394	130
P648 Program Six	226	226	176	50
P649 Program Seven	126	133	117	16
P650 Program Eight	26	26	21	5
P651 Program Nine	477	477	290	187
P652 Program Ten	150	150	118	32
P653 Program Eleven	948	995	804	191
P654 Program Twelve	419	419	327	92
P655 Program Thirteen	17	18	15	3
P657 Program Fourteen	26	26	20	6
P658 Program Fifteen	256	256	201	55
P659 Program Sixteen	32	32	23	9
P660 Program Seventeen	33	33	18	15
P661 Program Eighteen	97	97	65	32
P662 Program Nineteen	89	89	61	28
P663 Program Twenty	135	135	97	38
P664 Program Twenty-one	1,851	1,851	1,720	131
P665 Program Twenty-two	172	172	102	70
P666 Program Twenty-three	41	41	28	13
P667 Program Twenty-four	331	331	274	57
P668 Program Twenty-five	218	218	155	63
P669 Program Twenty-six	302	302	260	42
P670 Program Twenty-seven	946	993	887	106
P671 Program Twenty-eight	78	82	63	19
P672 Program Twenty-nine	331	331	241	90
P673 Program Thirty	162	162	130	32
P674 Program Thirty-one	134	134	90	44
P676 Medical Board	1,735	1,735	1,609	126
P677 Board of Nursing	2,356	2,674	2,192	482
P679 ASD/PEPS	779	779	545	234
P680 Gaming Control Board	5,578	5,578	5,242	336
P681 State Racing Commission	2,352	2,352	2,174	178
P683 Board of Veterinary Medicine	330	330	302	28
P765 Office of Military Base Planning and Support	145	145	143	2

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2014

(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 (Continued)</b>				
P768 Program Thirty-three	\$ 95	\$ 95	\$ 36	\$ 59
P769 Program Thirty-four	135	135	83	52
P770 Spaceport Authority	4,393	4,393	1,862	2,531
P790 Special Revenue	7,193	7,193	7,193	-
P795 Insurance Operations Program	7,758	10,361	7,164	3,197
P797 Patient Compensation Program	16,125	18,125	17,694	431
Z000 Special Appropriations	695	695	421	274
<b>Total Regulation and Licensing</b>	<u>109,244</u>	<u>131,548</u>	<u>114,589</u>	<u>16,959</u>
<b>Total Expenditures and Other Financing Uses</b>	<u>12,112,683</u>	<u>12,376,374</u>	<u>11,381,808</u>	<u>\$ 994,566</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,232</u>	



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2014

(In Thousands)

### Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance (Budgetary Basis)	\$	122,232
Differences:		
State General Fund Taxes		4,612,365
State General Fund Investment Income		670,595
State General Fund Rentals & Royalties		617,341
Group Self Insurance Fund - Charges for Services		936
State General Fund Licenses, Fees and Permits		66,171
State General Fund Assessments		268
State General Fund Miscellaneous and Other		674
State General Fund Licenses, Fees and Permits		296,121
State General Expenditures		(6,157,872)
Reporting Period Expenditures - P002		(34,835)
Reporting Period Revenues - P002		34,835
Business Units 13100, 13101 and 13102 not budgeted		(6,580)
Transfers Out - Nonbudgeted Reversions		(62,908)
Nonbudgeted Transfer Out - P693		(7,884)
Nonbudgeted Transfer In - P693		7,884
Revenues - Nonbudgeted Refs 114 and 914		741,407
Expenditures - Nonbudgeted Refs 114 and 914		(739,911)
<b>Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>\$</b>	<b><u>160,839</u></b>

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2014

(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 (CONTINUED)

For the Year Ended June 30, 2014

(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 nonoperating 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.

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 nonappropriated (not budgeted) by the Legislature are the Severance Tax Permanent Fund, the Land Grant Permanent Fund., and the following Enterprise Funds: State Fair Commission, Environment Department, State Infrastructure Bank, and Unemployment Insurance Funds.

### Excess of Expenses/Expenditures Over Budget

Expenses/expenditures in excess of budget were reported in the following P Codes:

General Control	P636	Criminal and Juvenile Justice
General Control	P720	Public Defender Department
Public Safety	P531	Inmate Management and Control
Public Safety	P534	Community Offender Management

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY PUBLIC EMPLOYEES RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year Ended <u>June 30, 2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 418,996
Interest	1,286,996
Benefit Changes	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	(91,857)
Benefit Payments	(905,329)
Refunds of Contributions	(47,377)
Net Change in Total Pension Liability	<u>661,429</u>
Total Pension Liability - Beginning	<u>17,082,758</u>
Total Pension Liability - Ending	<u>17,744,187</u>
 <b>Plan Net Position</b>	
Contributions - Employer	301,601
Contributions - Member	246,910
Net Investment Income	2,118,285
Benefit Payments	(905,329)
Administrative Expenses	(10,336)
Refunds of Contributions	(47,377)
Other	17,006
Net Change in Plan Net Position	<u>1,720,760</u>
Plan Net Position - Beginning	<u>12,707,741</u>
Plan Net Position - Ending	<u>14,428,501</u>
 <b>Net Pension Liability - Ending</b>	 <b><u>\$ 3,315,686</u></b>

Note: A ten-year schedule is required for this schedule and those that follow; however, this is the first year of implementation of GASB 67. Subsequent years will be added to this schedule.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY

### JUDICIAL RETIREMENT SYSTEM

For the Year Ended June 30, 2014

(In Thousands)

	Fiscal Year Ended <u>June 30, 2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 3,793
Interest	10,798
Benefit Changes	(16,059)
Difference Between Expected and Actual Experience	-
Changes of Assumptions	(1,004)
Benefit Payments	(8,770)
Refunds of Contributions	(52)
Net Change in Total Pension Liability	<u>(11,294)</u>
Total Pension Liability - Beginning	143,746
Total Pension Liability - Ending	<u>132,452</u>
 <b>Plan Net Position</b>	
Contributions - Employer	3,741
Contributions - Member	1,086
Net Investment Income	13,197
Benefit Payments	(8,770)
Administrative Expenses	(64)
Refunds of Contributions	(53)
Other	486
Net Change in Plan Net Position	<u>9,623</u>
Plan Net Position - Beginning	81,519
Plan Net Position - Ending	<u>91,142</u>
 <b>Net Pension Liability - Ending</b>	 <b><u><u>\$ 41,310</u></u></b>

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>	
Service Cost	\$ 1,428
Interest	3,689
Benefit Changes	(7,528)
Difference Between Expected and Actual Experience	-
Changes of Assumptions	(7,644)
Benefit Payments	(3,690)
Refunds of Contributions	(15)
Net Change in Total Pension Liability	(13,760)
Total Pension Liability - Beginning	70,161
Total Pension Liability - Ending	<u>56,401</u>
<b>Plan Net Position</b>	
Contributions - Employer	793
Contributions - Member	266
Net Investment Income	5,199
Benefit Payments	(3,690)
Administrative Expenses	(24)
Refunds of Contributions	(15)
Other	217
Net Change in Plan Net Position	2,746
Plan Net Position - Beginning	32,439
Plan Net Position - Ending	<u>35,185</u>
<b>Net Pension Liability - Ending</b>	<u><u>\$ 21,216</u></u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>	
Service Cost	\$ 1,254
Interest	2,872
Benefit Changes	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	408
Benefit Payments	(1,419)
Refunds of Contributions	-
Net Change in Total Pension Liability	<u>3,115</u>
Total Pension Liability - Beginning	<u>37,766</u>
Total Pension Liability - Ending	<u>40,881</u>
<b>Plan Net Position</b>	
Contributions - Employer	750
Contributions - Member	-
Net Investment Income	9,728
Benefit Payments	(1,419)
Administrative Expenses	(44)
Refunds of Contributions	-
Other	(404)
Net Change in Plan Net Position	<u>8,611</u>
Plan Net Position - Beginning	<u>53,312</u>
Plan Net Position - Ending	<u>61,923</u>
<b>Net Pension Liability - Ending</b>	<b><u>\$ (21,042)</u></b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM

For the Year Ended June 30, 2014

(In Thousands)

	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>	
Service Cost	\$ 350,248
Interest	1,254,730
Benefit Changes	-
Difference Between Expected and Actual Experience	(114,508)
Changes of Assumptions	-
Benefit Payments	(868,291)
Refunds of Contributions	(38,923)
Net Change in Total Pension Liability	583,256
Total Pension Liability - Beginning	16,468,551
Total Pension Liability - Ending	<u>17,051,807</u>
<b>Plan Net Position</b>	
Contributions - Employer	362,463
Contributions - Member	268,694
Net Investment Income	1,444,371
Benefit Payments	(868,291)
Administrative Expenses	(16,618)
Refunds of Contributions	(38,923)
Other	2,681
Net Change in Plan Net Position	1,154,377
Plan Net Position - Beginning	10,191,699
Plan Net Position - Ending	<u>11,346,076</u>
<b>Net Pension Liability - Ending</b>	<u><b>\$ 5,705,731</b></u>



# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY PUBLIC EMPLOYEES RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year Ended <u>June 30, 2014</u>
Total Pension Liability	\$ 17,744,187
Plan Net Position	<u>14,428,501</u>
Net Pension Liability	<u>\$ 3,315,686</u>
Percentage of Plan Net Position to Total Pension Liability	<u>81.31%</u>
Covered Employee Payroll	<u>\$ 2,102,265</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>157.72%</u>

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY JUDICIAL RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year Ended <u>June 30, 2014</u>
Total Pension Liability	\$ 132,451
Plan Net Position	<u>91,141</u>
Net Pension Liability	<u><u>\$ 41,310</u></u>
Percentage of Plan Net Position to Total Pension Liability	<u><u>68.81%</u></u>
Covered Employee Payroll	<u><u>\$ 13,163</u></u>
Net Pension Liability as a Percentage of Covered Payroll	<u><u>313.83%</u></u>

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 56,401
Plan Net Position	<u>35,185</u>
Net Pension Liability	<u>\$ 21,216</u>
Percentage of Plan Net Position to Total Pension Liability	<u>62.38%</u>
Covered Employee Payroll	<u>\$ 3,516</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>603.49%</u>

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 40,881
Plan Net Position	<u>61,923</u>
Net Pension Liability	<u>\$ (21,042)</u>
Percentage of Plan Net Position to Total Pension Liability	<u>151.47%</u>
Covered Employee Payroll	<u>\$ N/A</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>N/A</u>

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 17,051,807
Plan Net Position	<u>11,346,076</u>
Net Pension Liability	<u>\$ 5,705,731</u>
Percentage of Plan Net Position to Total Pension Liability	<u>66.54%</u>
Covered Employee Payroll	<u>\$ 2,718,101</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>209.92%</u>

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# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ 301,601	\$ 285,560	\$ 274,906	\$ 283,377	\$ 291,683
Actual Employer Contributions	<u>301,601</u>	<u>285,560</u>	<u>274,906</u>	<u>283,377</u>	<u>291,683</u>
Annual Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee 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-employee Payroll	<u>14.35%</u>	<u>13.93%</u>	<u>13.78%</u>	<u>14.64%</u>	<u>14.63%</u>

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<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 311,082	\$ 292,569	\$ 269,571	\$ 249,740	\$ 234,232
<u>311,082</u>	<u>292,569</u>	<u>269,571</u>	<u>249,740</u>	<u>234,232</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 2,081,259</u>	<u>\$ 1,965,064</u>	<u>\$ 1,908,520</u>	<u>\$ 1,774,918</u>	<u>\$ 1,607,839</u>
<u>14.95%</u>	<u>14.89%</u>	<u>14.12%</u>	<u>14.07%</u>	<u>14.57%</u>



# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS JUDICIAL RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
Actuarially Determined Contributions	\$ 6,413	\$ 7,235	\$ 5,835	\$ 5,784	\$ 5,658
Actual Employer Contributions	<u>3,741</u>	<u>3,527</u>	<u>3,266</u>	<u>3,824</u>	<u>3,699</u>
Annual Contribution Deficiency (Excess)	<u>\$ 2,672</u>	<u>\$ 3,708</u>	<u>\$ 2,569</u>	<u>\$ 1,960</u>	<u>\$ 1,959</u>
Covered-employee Payroll	<u>\$ 13,163</u>	<u>\$ 13,226</u>	<u>\$ 12,691</u>	<u>\$ 12,267</u>	<u>\$ 13,042</u>
Annual Contribution as a Percentage of Covered-employee Payroll	<u>28.42%</u>	<u>26.67%</u>	<u>25.74%</u>	<u>31.17%</u>	<u>28.36%</u>

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<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 4,690	\$ 4,549	\$ 4,149	\$ 3,851	\$ 3,996
<u>4,058</u>	<u>3,832</u>	<u>3,623</u>	<u>3,154</u>	<u>2,735</u>
<u>\$ 632</u>	<u>\$ 717</u>	<u>\$ 526</u>	<u>\$ 697</u>	<u>\$ 1,261</u>
<u>\$ 13,011</u>	<u>\$ 11,697</u>	<u>\$ 11,754</u>	<u>\$ 10,060</u>	<u>\$ 9,883</u>
<u>31.19%</u>	<u>32.76%</u>	<u>30.82%</u>	<u>31.35%</u>	<u>27.67%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS MAGISTRATE RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
Actuarially Determined Contributions	\$ 1,992	\$ 2,286	\$ 1,793	\$ 2,014	\$ 1,698
Actual Employer Contributions	793	805	676	895	825
Annual Contribution Deficiency (Excess)	\$ 1,199	\$ 1,481	\$ 1,117	\$ 1,119	\$ 873
Covered-employee Payroll	\$ 3,516	\$ 3,137	\$ 3,214	\$ 3,405	\$ 3,520
Annual Contribution as a Percentage of Covered-employee Payroll	22.56%	25.67%	21.04%	26.27%	23.45%

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<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 1,151	\$ 1,030	\$ 944	\$ 1,009	\$ 927
<u>1,000</u>	<u>981</u>	<u>920</u>	<u>849</u>	<u>763</u>
<u>\$ 151</u>	<u>\$ 49</u>	<u>\$ 24</u>	<u>\$ 160</u>	<u>\$ 164</u>
<u>\$ 4,129</u>	<u>\$ 3,363</u>	<u>\$ 3,465</u>	<u>\$ 3,150</u>	<u>\$ 3,196</u>
<u>24.23%</u>	<u>29.17%</u>	<u>26.55%</u>	<u>26.96%</u>	<u>23.88%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
Actuarially Determined Contributions	\$ 4	\$ -	\$ -	\$ -	\$ -
Actual Employer Contributions	<u>750</u>	<u>750</u>	<u>750</u>	<u>750</u>	<u>750</u>
Annual Contribution Deficiency (Excess)	<u>\$ (746)</u>	<u>\$ (750)</u>	<u>\$ (750)</u>	<u>\$ (750)</u>	<u>\$ (750)</u>
Covered-employee Payroll	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Annual Contribution as a Percentage of Covered-employee Payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ - <u>750</u>	\$ - <u>750</u>	\$ - <u>750</u>	\$ 406 <u>750</u>	\$ - <u>750</u>
<u>\$ (750)</u>	<u>\$ (750)</u>	<u>\$ (750)</u>	<u>\$ (344)</u>	<u>\$ (750)</u>
<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<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

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
Actuarially Determined Contributions	\$ 479,884	\$ *	\$ *	\$ *	\$ *
Actual Employer Contributions	362,463				
Annual Contribution Deficiency (Excess)	\$ 117,421	\$	\$	\$	\$
Covered-employee Payroll	\$ 2,718,101	\$	\$	\$	\$
Annual Contribution as a Percentage of Covered-employee Payroll	13.34%				

\* Information for prior years not available.

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Fiscal Year				
2009	2008	2007	2006	2005
\$ *	\$ *	\$ *	\$ *	\$ *
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$



# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – ALL RETIREMENT SYSTEMS For the Year Ended June 30, 2014 (In Thousands)

	<u>Fiscal Year Ended June 30, 2014</u>
Annual Money-weighted Rate of Return, Net of Investment Expenses	<u>17.40%</u>

\* Information for prior years not available.

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM For the Year Ended June 30, 2014 (In Thousands)

	Fiscal Year			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Money-weighted Rate of Return, Net of Investment Expenses	<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 ACTUARIAL METHODS AND ASSUMPTIONS

#### ALL RETIREMENT SYSTEMS

#### For the Year Ended June 30, 2014

(In Thousands)

	<u>PERS</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Valuation date	June 30, 2013	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2013
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent	Level Percent	Level Percent, Open	Level Dollar	Level Percent
Amortization period	Solved for Based on Statutory Rates	Solved for Based on Statutory Rates	Solved for Based on Statutory Rates	Solved for Based on Statutory Rates	30 years
Asset valuation method	4 Year Smoothed Market	4 Year Smoothed Market	4 Year Smoothed Market	4 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.75%	7.75%	* 7.75%	7.75%	7.75%
Payroll Growth	3.50%	3.50%	3.50%	N/A	-
Projected Salary Increases	3.50% - 14.25%	4.25%	3.75%	N/A	3.00% Inflation, plus 1.25% Prod, Inc.
Includes Inflation At	3.00%	3.00%	-	N/A	3.00%

All percentages are stated at an annual rate.

Investment rate of return is net of investment expenses.

\* MRS: Municipal Bond Rate 4.25%

Discount Rate 5.96%

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE RETIREE HEALTH CARE AUTHORITY

For the Last Eight Years Ending June 30, 2014  
(In Thousands)

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2014	\$ 377,087	\$ 3,740,367	\$ 3,363,280	10.08 %	\$ 3,941,588	85.0 %
June 30, 2012	227,488	3,915,114	3,687,626	5.81 %	3,877,827	95.0 %
June 30, 2010	176,923	3,523,665	3,346,742	5.02 %	4,001,802	84.0 %
June 30, 2008	170,626	3,116,916	2,946,290	5.47 %	4,020,509	73.0 %
June 30, 2006	154,539	4,264,181	4,109,642	3.62 %	4,073,732	101.0 %

### Schedule of Employers and Other Contributing Entities Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions Employers	Percentage Contributed
2014	\$ 292,657	\$ 149,277	51.0 %
2013	353,658	135,388	38.3 %
2012	340,075	142,054	41.8 %
2011	326,995	120,873	37.0 %
2010	298,000	114,847	38.5 %
2009	286,538	96,817	33.8 %
2008	275,518	94,060	34.1 %

### Additional Information

The information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	30 Year Open-Ended Amortization, with the initial payment determined as if the future payments would theoretically increase each year on a level percent of pay basis
Amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate	5.00%
Projected payroll increases	3.50%
Health care cost trend rate:	
Prescription Drug & Medical (Under Age 65, Age 65, and Over)	8.0% from July 1, 2009 to July 1, 2018, decreasing by 0.5% for each year until it reaches an ultimate rate of 5.0%
Note	This schedule of funding progress is based on healthcare laws and regulations existing at June 30, 2014.

Note: Certain amounts in the above schedule were corrected for rounding errors and certain prior-year amounts were restated.

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STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

# FINANCIAL SECTION

## OTHER SUPPLEMENTARY INFORMATION



THE BLUE HOLE - SANTA ROSA, NM  
SOURCE - WWW.OCEANFIRSTDIVERS.COM

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# 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 209.

### **Internal Service Funds**

Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public. Internal Service Funds are presented beginning on page 221.



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# 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 33-bed acute care hospital; a 49 bed extended care facility and various outpatient clinics in Raton, New Mexico. Miners’ Colfax has programs that serve both miners and non-miners. Information for the fiscal year ended June 30, 2014 was not available for this entity, so FY13 information has been provided.

**Unemployment Insurance Fund** – The Unemployment Insurance Fund accounts for funds used for unemployment compensation. This fund does not account for other than unemployment compensation (i.e., workers’ compensation, employment security labor market statistics, administration of the employment compensation program, etc.)

**State Fair Commission** – This fund administers the operations of the annual New Mexico State Fair and the use of the Fairgrounds facilities during the year. Information for the fiscal year ended June 30, 2014 was not available for this entity, so FY13 information has been provided.

**Department of Cultural Affairs** – This fund administers the enterprise operations of the Department of Cultural Affairs.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

June 30, 2014  
(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 2	\$ -	\$ -	\$ 63,913
Investment in the State General Fund					
Investment Pool	248	3,720	131,646	1,326	554
Investment in the Local Government					
Investment Pool	-	-	-	-	30,151
Prepaid Expenses and Other Assets	-	-	-	65	263
Due From Other Funds	-	-	340	-	-
Receivables, Net	295	1,119	12,727	106	487
Investments	-	-	-	-	-
Inventories	-	867	-	135	-
<b>Total Current Assets</b>	<u>543</u>	<u>5,708</u>	<u>144,713</u>	<u>1,632</u>	<u>95,368</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Loans Receivable	2	-	165,700	-	-
Investments	-	-	-	-	30,253
Nondepreciable Capital Assets	-	-	-	-	237
Capital Assets, Net	41	385	-	-	101
<b>Total Noncurrent Assets</b>	<u>43</u>	<u>385</u>	<u>165,700</u>	<u>-</u>	<u>30,591</u>
<b>Total Assets</b>	<u>586</u>	<u>6,093</u>	<u>310,413</u>	<u>1,632</u>	<u>125,959</u>

\* FY14 information not available, FY13 provided.

State Infrastructure Bank	* Miners' Colfax Medical Center	Unemployment Insurance Fund	* State Fair Commission	Dept. of Cultural Affairs	Total
\$ -	\$ 96	\$ -	\$ 1,153	\$ -	\$ 65,164
20,740	4,090	429	-	4,789	167,542
-	-	-	-	-	30,151
-	-	-	-	-	328
2	419	20	-	-	781
180	3,590	64,572	349	4	83,429
-	85	-	-	-	85
-	462	-	-	-	1,464
<u>20,922</u>	<u>8,742</u>	<u>65,021</u>	<u>1,502</u>	<u>4,793</u>	<u>348,944</u>
-	2,200	71,390	1,789	-	75,379
-	-	-	-	-	165,702
-	1,010	-	-	-	31,263
-	1,157	-	819	-	2,213
-	<u>28,095</u>	-	<u>47,557</u>	<u>500</u>	<u>76,679</u>
-	<u>32,462</u>	<u>71,390</u>	<u>50,165</u>	<u>500</u>	<u>351,236</u>
<u>20,922</u>	<u>41,204</u>	<u>136,411</u>	<u>51,667</u>	<u>5,293</u>	<u>700,180</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED)

June 30, 2014  
(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	Public Schools Insurance Authority
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	\$ 225	\$ 1,026	\$ -	\$ 132	\$ 1,323
Accrued Liabilities	6	81	-	62	61
Unearned Revenue	-	10	-	26	66
Due to Other Funds	-	-	20	-	-
Funds Held for Others	-	-	-	-	-
Bonds Payable - Current Portion	-	-	-	-	-
Other Liabilities - Current Portion	-	-	-	830	30,435
<b>Total Current Liabilities</b>	<u>231</u>	<u>1,117</u>	<u>20</u>	<u>1,050</u>	<u>31,885</u>
Noncurrent Liabilities:					
Bonds Payable	-	-	-	-	-
Other Liabilities	-	-	-	233	45,584
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233</u>	<u>45,584</u>
<b>Total Liabilities</b>	<u>231</u>	<u>1,117</u>	<u>20</u>	<u>1,283</u>	<u>77,469</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	41	385	-	-	338
Restricted for:					
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Unemployment and Insurance	-	-	-	-	-
Loans	-	-	-	-	-
Other Purposes	314	4,591	310,393	-	47,688
Unrestricted (Deficit)	-	-	-	349	464
<b>Total Net Position</b>	<u>\$ 355</u>	<u>\$ 4,976</u>	<u>\$ 310,393</u>	<u>\$ 349</u>	<u>\$ 48,490</u>

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
\$ -	\$ 720	\$ -	\$ 2,497	\$ 973	\$ 6,896
-	377	5,856	104	0	6,547
-	-	5,051	121	0	5,274
-	-	291	-	51	362
-	-	19	133	-	152
-	835	-	651	-	1,486
180	349	-	133	186	32,113
<u>180</u>	<u>2,281</u>	<u>11,217</u>	<u>3,639</u>	<u>1,210</u>	<u>52,830</u>
-	13,810	-	677	-	14,487
-	38	-	-	363	46,218
-	<u>13,848</u>	-	<u>677</u>	<u>363</u>	<u>60,705</u>
<u>180</u>	<u>16,129</u>	<u>11,217</u>	<u>4,316</u>	<u>1,573</u>	<u>113,535</u>
-	16,429	-	47,049	500	64,742
-	1,388	-	1,327	-	2,715
-	-	-	1,232	-	1,232
-	-	125,194	-	-	125,194
20,742	-	-	-	-	20,742
-	-	-	557	-	363,543
-	7,258	-	(2,814)	3,220	8,477
<u>\$ 20,742</u>	<u>\$ 25,075</u>	<u>\$ 125,194</u>	<u>\$ 47,351</u>	<u>\$ 3,720</u>	<u>\$ 586,645</u>

# 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, 2014  
(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 3,130	\$ 4,444	\$ -	\$ 2,949	\$ 342,725
Unemployment Insurance	-	-	-	-	-
Federal Revenue	-	-	-	-	-
Loan and Other Income	-	-	3,905	-	-
Other Operating Revenues	40	-	364	-	5,601
<b>Total Operating Revenues</b>	<b>3,170</b>	<b>4,444</b>	<b>4,269</b>	<b>2,949</b>	<b>348,326</b>
<b>OPERATING EXPENSES</b>					
Benefits, Claims, and Premiums	-	-	-	-	46,325
General and Administrative Expenses	111	-	294	1,598	1,309
Insurance Losses	-	-	-	-	284,717
Depreciation Expense	12	45	-	-	21
Other Operating Expenses	3,023	4,446	-	1,498	17,217
<b>Total Operating Expenses</b>	<b>3,146</b>	<b>4,491</b>	<b>294</b>	<b>3,096</b>	<b>349,589</b>
<b>Operating Income (Loss)</b>	<b>24</b>	<b>(47)</b>	<b>3,975</b>	<b>(147)</b>	<b>(1,263)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and Investment Income	-	2	-	-	4,976
Interest Expense on Capital Asset- related Debt	-	-	-	-	-
Government Grants and Contracts	-	-	6,392	-	-
Other Revenue (Expenses)	5	4	-	-	11
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5</b>	<b>6</b>	<b>6,392</b>	<b>-</b>	<b>4,987</b>
<b>Income (Loss) Before Transfers</b>	<b>29</b>	<b>(41)</b>	<b>10,367</b>	<b>(147)</b>	<b>3,724</b>
<b>TRANSFERS</b>					
Transfers In	-	150	1,400	-	-
Transfers Out	-	-	(453)	-	-
<b>Total Transfers</b>	<b>-</b>	<b>150</b>	<b>947</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>29</b>	<b>109</b>	<b>11,314</b>	<b>(147)</b>	<b>3,724</b>
<b>Net Position - Beginning, as Restated</b>	<b>326</b>	<b>4,867</b>	<b>299,079</b>	<b>496</b>	<b>44,766</b>
<b>Net Position - Ending</b>	<b>\$ 355</b>	<b>\$ 4,976</b>	<b>\$ 310,393</b>	<b>\$ 349</b>	<b>\$ 48,490</b>

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
\$ -	\$ 25,025	\$ -	\$ 12,142	\$ -	\$ 390,415
-	-	215,699	-	-	215,699
-	324	-	-	-	324
-	-	-	-	-	3,905
-	3,180	6,043	-	5	15,233
-	28,529	221,742	12,142	5	625,576
-	-	261,763	-	-	308,088
-	12,358	-	7,002	567	23,239
-	-	-	-	0	284,717
-	1,822	-	2,840	1	4,741
-	15,470	-	4,771	108	46,533
-	29,650	261,763	14,613	676	667,318
-	(1,121)	(40,021)	(2,471)	(671)	(41,742)
15	3	-	2	-	4,998
-	-	-	(58)	-	(58)
-	-	47,057	-	-	53,449
-	(413)	-	1,070	(332)	345
15	(410)	47,057	1,014	(332)	58,734
15	(1,531)	7,036	(1,457)	(1,003)	16,992
-	6,421	-	-	-	7,971
-	(6,003)	-	-	(544)	(7,000)
-	418	-	-	(544)	971
15	(1,113)	7,036	(1,457)	(1,547)	17,963
20,727	26,188	118,158	48,808	5,267	568,682
\$ 20,742	\$ 25,075	\$ 125,194	\$ 47,351	\$ 3,720	\$ 586,645



# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2014

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from:					
Fees for Service	\$ 3,275	\$ -	\$ -	\$ -	\$ 342,381
Sale of Products	0	4,807	-	2,958	-
Loan and Note Repayments	-	-	14,898	-	-
Unemployment Insurance	-	-	-	-	-
Other Sources	-	-	455	-	5,601
Cash Payments to or for:					
Suppliers	(3,153)	(2,590)	(1,201)	(2,283)	(43,544)
Employees	(105)	(1,185)	-	(783)	-
Unemployment Benefits	-	-	-	-	-
Loans, Loan Losses, Insurance Losses	-	-	(9,672)	-	(280,200)
Other Payments	-	-	-	-	(18,426)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>17</b>	<b>1,032</b>	<b>4,480</b>	<b>(108)</b>	<b>5,812</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Gifts for Other Than Capital Purposes	-	-	-	-	10
Intergovernmental Receipts	-	-	-	-	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	(19)	(209)	-	-	-
Capital Gifts, Grants, and Contracts	-	-	6,705	-	-
Capital Debt Service Payments - Principal	-	-	-	-	-
Capital Debt Service Payments - Interest	-	-	-	-	-
Capital Contributions and Debt Proceeds	-	151	-	-	-
Proceeds from Sale of Capital Assets	5	-	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(14)</b>	<b>(58)</b>	<b>6,705</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Receipts of Interest and Dividends of Investments	-	2	-	-	196
Purchase of Investments	-	-	-	-	-
Receipts of Rent	-	4	-	-	-
Proceeds from Sale and Maturity of Investments	-	-	-	-	-
<b>Net Cash Provided by Investing Activities</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>196</b>
<b>Net Increase (Decrease) in Cash</b>	<b>3</b>	<b>980</b>	<b>11,185</b>	<b>(108)</b>	<b>6,018</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>245</b>	<b>2,742</b>	<b>120,461</b>	<b>1,434</b>	<b>88,600</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 248</b>	<b>\$ 3,722</b>	<b>\$ 131,646</b>	<b>\$ 1,326</b>	<b>\$ 94,618</b>
<b>Cash and Cash Equivalents</b>					
Unrestricted	\$ -	\$ 2	\$ -	\$ -	\$ 63,913
Restricted	-	-	-	-	-
Investment in the State General Fund Investment Pool	248	3,720	131,646	1,326	554
Investment in the Local Government Investment Pool	-	-	-	-	30,151
<b>Total Cash and Cash Equivalents</b>	<b>\$ 248</b>	<b>\$ 3,722</b>	<b>\$ 131,646</b>	<b>\$ 1,326</b>	<b>\$ 94,618</b>

State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
\$ -	\$ 21,111	\$ -	\$ 11,896	\$ 1,183	\$ 379,846
-	-	-	-	-	7,765
-	-	-	-	-	14,898
-	-	218,570	-	-	218,570
-	-	1,566	-	-	7,622
-	(9,627)	-	(6,591)	-	(68,989)
-	(12,415)	-	(4,994)	-	(19,482)
-	-	(263,588)	-	-	(263,588)
-	-	-	-	-	(289,872)
(212)	-	-	-	-	(18,638)
<u>(212)</u>	<u>(931)</u>	<u>(43,452)</u>	<u>311</u>	<u>1,183</u>	<u>(31,868)</u>
-	-	-	-	-	-
-	-	(7,049)	-	(876)	(7,925)
-	-	-	-	-	10
-	-	54,531	-	-	54,531
-	-	47,482	-	(876)	46,616
-	(1,459)	-	(484)	(501)	(2,672)
-	-	-	1,070	-	7,775
-	-	-	(628)	-	(628)
-	-	-	(71)	-	(71)
-	2,078	-	-	-	2,229
-	-	-	-	-	5
-	619	-	(113)	(501)	6,638
15	-	-	2	-	215
-	(1)	-	-	-	(1)
-	-	-	-	-	4
-	329	-	-	-	329
<u>15</u>	<u>328</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>547</u>
(197)	16	4,030	200	(194)	21,933
20,937	6,370	67,789	2,742	4,983	316,303
<u>\$ 20,740</u>	<u>\$ 6,386</u>	<u>\$ 71,819</u>	<u>\$ 2,942</u>	<u>\$ 4,789</u>	<u>\$ 338,236</u>
\$ -	\$ 96	\$ -	\$ 1,153	\$ -	\$ 65,164
-	2,200	71,390	1,789	-	75,379
20,740	4,090	429	-	4,789	167,542
-	-	-	-	-	30,151
<u>\$ 20,740</u>	<u>\$ 6,386</u>	<u>\$ 71,819</u>	<u>\$ 2,942</u>	<u>\$ 4,789</u>	<u>\$ 338,236</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2014

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 24	\$ (47)	\$ 3,975	\$ (147)	\$ (1,263)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	12	45	-	-	21
Bad Debt Expense	-	-	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	(248)	364	1,411	(3)	(322)
Notes/Loans	7	-	-	-	-
Inventories	-	7	-	(8)	-
Prepaid Items/Other Assets	-	-	-	51	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	222	653	(906)	(36)	2,882
Loss Adjustments	-	-	-	-	4,517
Unearned Revenue	-	10	-	35	(23)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 17</u>	<u>\$ 1,032</u>	<u>\$ 4,480</u>	<u>\$ (108)</u>	<u>\$ 5,812</u>

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<u>State Infrastructure Bank</u>	<u>Miners' Colfax Medical Center</u>	<u>Unemployment Insurance Fund</u>	<u>State Fair Commission</u>	<u>Dept. of Cultural Affairs</u>	<u>Total</u>
\$ -	\$ (1,121)	\$ (40,021)	\$ (2,471)	\$ (671)	\$ (41,742)
-	1,822	-	2,840	1	4,741
-	1,990	-	-	-	1,990
-	(3,393)	(1,606)	(249)	495	(3,551)
(180)	-	-	-	-	(173)
-	13	-	56	-	68
-	-	-	-	-	51
(32)	(242)	(1,825)	182	1358	2,256
-	-	-	-	-	4,517
-	-	-	(47)	-	(25)
<u>\$ (212)</u>	<u>\$ (931)</u>	<u>\$ (43,452)</u>	<u>\$ 311</u>	<u>\$ 1,183</u>	<u>\$ (31,868)</u>

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION INTERNAL SERVICE FUNDS COMBINING FINANCIAL STATEMENTS

**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 INTERNAL SERVICE FUNDS

June 30, 2014

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing
<b>ASSETS</b>					
Current Assets:					
Investment in the State General Fund					
Investment Pool	\$ 5,279	\$ 102,398	\$ 259	\$ 9,717	\$ 21,886
Due From Other Funds	39	248	-	473	22,185
Receivables, Net	893	979	139	9,326	110
Inventories and Other Assets	-	-	261	-	-
<b>Total Current Assets</b>	<u>6,211</u>	<u>103,625</u>	<u>659</u>	<u>19,516</u>	<u>44,181</u>
Noncurrent Assets:					
Capital Assets, Net	4,000	12	255	24,267	11,144
<b>Total Noncurrent Assets</b>	<u>4,000</u>	<u>12</u>	<u>255</u>	<u>24,267</u>	<u>11,144</u>
<b>Total Assets</b>	<u>10,211</u>	<u>103,637</u>	<u>914</u>	<u>43,783</u>	<u>55,325</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	1,162	21,182	284	1,686	1,688
Accrued Liabilities	33	1,010	73	256	115
Due to Other Funds	5	23	143	18,398	4,364
Other Liabilities	85	145	153	639	225
<b>Total Current Liabilities</b>	<u>1,285</u>	<u>22,360</u>	<u>653</u>	<u>20,979</u>	<u>6,392</u>
Noncurrent Liabilities:					
Other Liabilities	-	203,484	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>203,484</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>1,285</u>	<u>225,844</u>	<u>653</u>	<u>20,979</u>	<u>6,392</u>
<b>NET POSITION</b>					
Net Investment in					
Capital Assets	4,000	12	222	24,267	11,144
Restricted for:					
Other Purposes	-	-	33	1,122	39,727
Unrestricted (Deficit)	4,926	(122,219)	6	(2,585)	(1,938)
<b>Total Net Position</b>	<u>\$ 8,926</u>	<u>\$ (122,207)</u>	<u>\$ 261</u>	<u>\$ 22,804</u>	<u>\$ 48,933</u>

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	<u>Total</u>
\$	139,539
	22,945
	11,447
	<u>261</u>
	<u>174,192</u>
	<u>39,678</u>
	<u>39,678</u>
	<u>213,870</u>
	26,002
	1,487
	22,933
	<u>1,247</u>
	<u>51,669</u>
	<u>203,484</u>
	<u>203,484</u>
	<u>255,153</u>
	39,645
	40,882
	<u>(121,810)</u>
\$	<u><u>(41,283)</u></u>



# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS For the Year Ended June 30, 2014 (In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 6,481	\$ 410,989	\$ 1,285	\$ 41,855	\$ 8,873
Other Operating Revenues	49	-	5	-	-
<b>Total Operating Revenues</b>	<u>6,530</u>	<u>410,989</u>	<u>1,290</u>	<u>41,855</u>	<u>8,873</u>
<b>OPERATING EXPENSES</b>					
General and Administrative Expenses	6,657	389,061	4,876	39,588	8,851
Depreciation Expense	1,133	1	90	7,665	3,924
Other Operating Expenses	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>7,790</u>	<u>389,062</u>	<u>4,966</u>	<u>47,253</u>	<u>12,775</u>
<b>Operating Income (Loss)</b>	<u>(1,260)</u>	<u>21,927</u>	<u>(3,676)</u>	<u>(5,398)</u>	<u>(3,902)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and Investment Income	-	61	-	-	12
State, Local, and Private Grants	10	-	-	-	-
Gain (Loss) on Sale of Capital Assets	78	103	(1)	-	-
Nonoperating Revenues (Expenses)	37	11,112	(37)	1,113	12
<b>Total Nonoperating Revenues (Expenses)</b>	<u>125</u>	<u>11,276</u>	<u>(38)</u>	<u>1,113</u>	<u>24</u>
<b>Income (Loss) Before Transfers</b>	<u>(1,135)</u>	<u>33,203</u>	<u>(3,714)</u>	<u>(4,285)</u>	<u>(3,878)</u>
<b>TRANSFERS</b>					
Transfers In	502	5,785	3,524	8,423	16,179
Transfers Out	(409)	(8,673)	-	(10,065)	(8,589)
<b>Total Transfers</b>	<u>93</u>	<u>(2,888)</u>	<u>3,524</u>	<u>(1,642)</u>	<u>7,590</u>
<b>Change in Net Position</b>	<u>(1,042)</u>	<u>30,315</u>	<u>(190)</u>	<u>(5,927)</u>	<u>3,712</u>
<b>Net Position - Beginning</b>	<u>9,968</u>	<u>(152,522)</u>	<u>451</u>	<u>28,731</u>	<u>45,221</u>
<b>Net Position - Ending</b>	<u>\$ 8,926</u>	<u>\$ (122,207)</u>	<u>\$ 261</u>	<u>\$ 22,804</u>	<u>\$ 48,933</u>

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<u>Total</u>	
\$	469,483
	<u>54</u>
	<u>469,537</u>
	449,033
	12,813
	<u>-</u>
	<u>461,846</u>
	<u>7,691</u>
	73
	10
	180
	<u>12,237</u>
	<u>12,500</u>
	<u>20,191</u>
	34,413
	<u>(27,736)</u>
	<u>6,677</u>
	26,868
	<u>(68,151)</u>
\$	<u><u>(41,283)</u></u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS

### INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2014

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from:					
Fees for Service	\$ 6,081	\$ 412,989	\$ 1,290	\$ 42,841	\$ 8,974
Other Sources	49	6	2	-	-
Cash Payments to or for:					
Suppliers	(4,601)	(385,061)	(1,885)	(29,148)	(2,867)
Employees	(1,715)	(3,363)	(3,120)	(10,190)	(4,120)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(186)</u>	<u>24,571</u>	<u>(3,713)</u>	<u>3,503</u>	<u>1,987</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	502	5,785	3,524	8,423	16,179
Transfers Out	(409)	(8,673)	-	(10,065)	(8,589)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>93</u>	<u>(2,888)</u>	<u>3,524</u>	<u>(1,642)</u>	<u>7,590</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Sale of Capital Assets	93	-	9	-	-
Acquisition of Capital Assets	(355)	-	(76)	(134)	(4,830)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(262)</u>	<u>-</u>	<u>(67)</u>	<u>(134)</u>	<u>(4,830)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Receipts of Interest and Dividends of Investments	-	-	-	-	12
<b>Net Cash Provided by Investing Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>
<b>Net Increase (Decrease) in Cash</b>	(355)	21,683	(256)	1,727	4,759
<b>Cash and Cash Equivalents at Beginning of Year, as Restated</b>	5,634	80,715	515	7,990	17,127
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 5,279</u>	<u>\$ 102,398</u>	<u>\$ 259</u>	<u>\$ 9,717</u>	<u>\$ 21,886</u>
<b>Cash and Cash Equivalents</b>					
Investment in the State General Fund Investment Pool	\$ 5,279	102,398	259	9,717	21,886
Total Cash and Cash Equivalents	<u>\$ 5,279</u>	<u>\$ 102,398</u>	<u>\$ 259</u>	<u>\$ 9,717</u>	<u>\$ 21,886</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (1,260)	\$ 21,927	\$ (3,676)	\$ (5,398)	\$ (3,902)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	1,133	1	90	7,665	3,924
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	(159)	212	169	56	89
Inventories	-	(115)	42	-	-
Prepaid Items/Other Assets	-	-	-	-	-
Insurance Claims Payable	-	18,080	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	100	(15,534)	(338)	1,180	1,876
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (186)</u>	<u>\$ 24,571</u>	<u>\$ (3,713)</u>	<u>\$ 3,503</u>	<u>\$ 1,987</u>

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<u>Total</u>	
\$	472,175
	57
	(423,562)
	<u>(22,508)</u>
	<u>26,162</u>
	34,413
	<u>(27,736)</u>
	<u>6,677</u>
	102
	<u>(5,395)</u>
	<u>(5,293)</u>
	12
	<u>12</u>
	27,558
	111,981
\$	<u>139,539</u>
\$	<u>139,539</u>
\$	139,539
\$	<u>139,539</u>
\$	7,691
	12,813
	367
	(73)
	-
	18,080
	<u>(12,716)</u>
\$	<u>26,162</u>



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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 comprised of four separate systems which offer an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators.

**Educational Employees' Retirement System (EERS)** – EERS is a qualified, defined benefit, governmental retirement plan established and administered by the State of New Mexico to provide pension benefits for all state certified employees, teachers and other employees of the State educational institutions, junior colleges, and technical vocational institutes.

**New Mexico Retiree Health Care Authority (RHCA)** – RHCA is a cost-sharing, multiple-employer defined benefit postemployment healthcare plan that provides comprehensive core group health insurance for persons who have retired from public service with entities in the State of New Mexico.

**Deferred Compensation Plan (IRC 457)** – The State of New Mexico offers its employees a deferred compensation plan (Plan) under Chapters 10-7-A-1 to 10-7A-12, NMSA 1978, the “Deferred Compensation Act,” 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, 2014

(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 Cash Equivalents	\$ 525,927	\$ 275,904	\$ -	\$ -	\$ 801,831
Investment in State General Fund Investment Pool	37,655	1,804	11,035	-	50,494
Investments					
U.S. Government and Agency Securities	1,196,713	470,995	-	-	1,667,708
International Securities	4,086,454	2,427,332	-	-	6,513,786
Corporate Equity Securities	4,325,894	2,894,640	-	-	7,220,534
Corporate and Municipal Bonds	1,736,742	803,363	-	-	2,540,105
Partnerships and Other Investments	2,712,033	4,429,962	381,447	479,267	8,002,709
Securities Lending Collateral Investments	400,720	-	-	-	400,720
Receivables					
Brokers	307,745	45,804	-	-	353,549
Contributions	54,715	75,926	17,699	201	148,541
Accrued Interest and Other	53,472	14,412	6,308	-	74,192
Participant Loans	-	-	-	7,880	7,880
Other Assets	-	-	-	-	-
Capital Assets, Net	13,699	2,029	856	-	16,584
<b>Total Assets</b>	<b>15,451,769</b>	<b>11,442,171</b>	<b>417,345</b>	<b>487,348</b>	<b>27,798,633</b>
<b>LIABILITIES</b>					
Accounts Payable	43,293	4,487	9,596	-	57,376
Security Lending Liability	410,473	-	-	-	410,473
Accrued Liabilities	121	115	38	-	274
Due to Brokers	379,629	87,940	-	-	467,569
Unearned Revenue	-	2,613	375	-	2,988
Deposits Held in Trust	-	703	-	-	703
Other Liabilities	1,057	237	19,301	-	20,595
<b>Total Liabilities</b>	<b>834,573</b>	<b>96,095</b>	<b>29,310</b>	<b>-</b>	<b>959,978</b>
<b>NET POSITION</b>					
Held in Trust for:					
Pension Benefits	14,617,196	11,346,076	-	-	25,963,272
Other Employee Benefits	-	-	388,035	-	388,035
Defined Contribution	-	-	-	487,348	487,348
<b>Net Position</b>	<b>\$ 14,617,196</b>	<b>\$ 11,346,076</b>	<b>\$ 388,035</b>	<b>\$ 487,348</b>	<b>\$ 26,838,655</b>

# 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, 2014

(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	\$ 248,262	\$ 263,206	\$ 124,655	\$ -	\$ 636,123
Employer Contributions	307,324	362,386	121,382	-	791,092
Other	2,452	-	4,198	35,911	42,561
Transfers In	-	-	-	-	-
<b>Total Contributions</b>	<b>558,038</b>	<b>625,592</b>	<b>250,235</b>	<b>35,911</b>	<b>1,469,776</b>
Investment Income (Loss):					
Net Increase in Fair Value of Investments	1,885,083	1,284,075	51,438	59,543	3,280,139
Interest and Dividends	292,499	179,427	-	427	472,353
	2,177,582	1,463,502	51,438	59,970	3,752,492
Less Investment Expense	(32,163)	(13,720)	(11)	-	(45,894)
<b>Net Investment Income</b>	<b>2,145,419</b>	<b>1,449,782</b>	<b>51,427</b>	<b>59,970</b>	<b>3,706,598</b>
Other Additions					
Other Operating Revenues	15,857	2,836	51,852	-	70,545
<b>Total Other Additions</b>	<b>15,857</b>	<b>2,836</b>	<b>51,852</b>	<b>-</b>	<b>70,545</b>
<b>Total Additions</b>	<b>2,719,314</b>	<b>2,078,210</b>	<b>353,514</b>	<b>95,881</b>	<b>5,246,919</b>
<b>DEDUCTIONS</b>					
Benefits and Claims	919,208	868,378	250,730	37,303	2,075,619
Retiree Healthcare Payments	-	-	-	-	-
Refunds	47,445	38,837	-	-	86,282
General and Administrative Expenses	10,549	16,618	2,645	-	29,812
Other Operating Expenses	-	-	961	1,005	1,966
Transfers Out	-	-	-	-	-
<b>Total Deductions</b>	<b>977,202</b>	<b>923,833</b>	<b>254,336</b>	<b>38,308</b>	<b>2,193,679</b>
<b>Change in Net Position</b>	<b>1,742,112</b>	<b>1,154,377</b>	<b>99,178</b>	<b>57,573</b>	<b>3,053,240</b>
<b>Net Position - Beginning, as Restated</b>	<b>12,875,084</b>	<b>10,191,699</b>	<b>288,857</b>	<b>429,775</b>	<b>23,785,415</b>
<b>Net Position - Ending</b>	<b>\$ 14,617,196</b>	<b>\$ 11,346,076</b>	<b>\$ 388,035</b>	<b>\$ 487,348</b>	<b>\$ 26,838,655</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 are presented in both the Governmental Funds and Proprietary Funds.

**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.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION EXTERNAL INVESTMENT TRUST FUNDS

June 30, 2014

(In Thousands)

	State Investment Council	State Treasurer	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,070	\$ 118,616	\$ 120,686
Investment in Local Government			
Investment Pool	-	66,754	66,754
Other Investment Pools	71,712	267,171	338,883
Receivables	953	236	1,189
<b>Total Assets</b>	<u>74,735</u>	<u>452,777</u>	<u>527,512</u>
<b>LIABILITIES</b>			
Due to Brokers	-	-	-
Intergovernmental Payables	-	-	-
Other Liabilities	1,549	-	1,549
<b>Total Liabilities</b>	<u>1,549</u>	<u>-</u>	<u>1,549</u>
<b>NET POSITION</b>			
Held in Trust for:			
External Investment Pool Participants	73,186	452,777	525,963
<b>Net Position</b>	<u>\$ 73,186</u>	<u>\$ 452,777</u>	<u>\$ 525,963</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION EXTERNAL INVESTMENT TRUST FUNDS

For the Year Ended June 30, 2014

(In Thousands)

	State Investment Council	State Treasurer	Total
<b>ADDITIONS</b>			
Pool Participant Deposits	\$ 5,475	\$ - *	\$ 5,475
Investment Income (Loss):			
Net Increase (Decrease) in			
Fair Value of Investments	(1,433)	(11,473) **	(12,906)
Interest and Dividends	10,434	1,837	12,271
<b>Total Additions</b>	<u>14,476</u>	<u>(9,636)</u>	<u>4,840</u>
<b>DEDUCTIONS</b>			
Pool Participant Withdrawals	-		-
General and Administrative Expenses	156	1,073	1,229
<b>Total Deductions</b>	<u>156</u>	<u>1,073</u>	<u>1,229</u>
<b>Change in Net Position</b>	14,320	(10,709)	3,611
<b>Net Position - Beginning</b>	58,866	463,486	522,352
<b>Net Position - Ending</b>	<u>\$ 73,186</u>	<u>\$ 452,777</u>	<u>\$ 525,963</u>

\* 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.

**Land Grant** – Under terms of the Fergusson Act of 1898 and the Enabling Act of 1910, certain lands held by the federal government were granted to the territory of New Mexico. The lands, totaling 13 million acres, are held in trust for the benefit of the public schools and other specific institutions. Only the portion of the fund that does not benefit the State is presented as a Private Purpose Trust Fund. Other portions of the fund that benefit the State are presented in both the Governmental Funds and Proprietary Funds. The fund is administered by the State Investment Council.

**Education Trust 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.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS

June 30, 2014  
(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Bartlett Trust
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ -	\$ 553,400	\$ 6,985	\$ 7,125	\$ -
Investment in State General Fund Investment Pool	2,244	64,689	-	-	158
Investments					
U.S. Government and Agency Securities	-	-	-	-	-
Corporate Equity Securities	-	-	-	-	-
Partnerships and Other Investments	-	-	-	-	-
Investment Pools	26,769	11,458,407	2,358,504	43,112	-
Receivables					
Brokers	-	140,806	-	155	-
Contributions	-	-	-	-	-
Accrued Interest and Other	-	21,576	1,053	228	-
Participant Loans	-	-	-	-	-
Other Receivables	-	7,763	5,273	-	-
<b>Total Assets</b>	<u>29,013</u>	<u>12,246,641</u>	<u>2,371,815</u>	<u>50,620</u>	<u>158</u>
<b>LIABILITIES</b>					
Investment in State General Fund Investment Pool -Deficit	14,074	-	-	-	-
Accounts Payable	-	-	-	-	-
Accrued Liabilities	-	-	964	-	-
Due to Beneficiaries	-	-	-	-	-
Due to Brokers	-	-	-	469	-
Other Liabilities	2,000	170,052	5,856	-	-
<b>Total Liabilities</b>	<u>16,074</u>	<u>170,052</u>	<u>6,820</u>	<u>469</u>	<u>-</u>
<b>NET POSITION</b>					
Held in Trust for:					
Other Purposes	12,939	12,076,589	2,364,995	50,151	158
<b>Net Position</b>	<u>\$ 12,939</u>	<u>\$ 12,076,589</u>	<u>\$ 2,364,995</u>	<u>\$ 50,151</u>	<u>\$ 158</u>

Children's Trust	Children's Trust Next Gen.	Total
\$ -	\$ -	\$ 567,510
4,030	523	71,644
-	-	-
-	-	-
-	-	-
1,224	1,224	13,889,240
-	-	140,961
-	-	-
-	-	22,857
-	-	-
15	-	13,051
<u>5,269</u>	<u>1,747</u>	<u>14,705,263</u>
-	-	14,074
-	-	-
-	-	964
-	-	-
-	-	469
-	-	177,908
<u>-</u>	<u>-</u>	<u>193,415</u>
5,269	1,747	14,511,848
<u>\$ 5,269</u>	<u>1,747</u>	<u>14,511,848</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, 2014

(In Thousands)

	Scholarship	Land Grant	Higher Education Savings	Water Trust	Bartlett Trust
<b>ADDITIONS</b>					
Member Contributions	\$ -	\$ -	\$ 719,974	\$ -	\$ -
Transfers In	-	-	-	-	-
Total Contributions	-	-	719,974	-	-
Investment Income:					
Net Increase (Decrease) in Fair Value of Investments	4,573	1,446,951	245,968	7,029	-
Interest and Dividends	359	886,669	44,753	619	-
	4,932	2,333,620	290,721	7,648	-
Less Investment Expense	-	-	(12,245)	-	-
Net Investment Income	4,932	2,333,620	278,476	7,648	-
Other Additions:					
Other Operating Revenues	-	-	-	-	-
Total Other Additions	-	-	-	-	-
<b>Total Additions</b>	<b>4,932</b>	<b>2,333,620</b>	<b>998,450</b>	<b>7,648</b>	<b>-</b>
<b>DEDUCTIONS</b>					
Distributions	4,000	450,521	760,358	4,000	-
Other Operating Expenses	72	31,220	-	33	-
Transfers Out	-	-	-	-	-
<b>Total Deductions</b>	<b>4,072</b>	<b>481,741</b>	<b>760,358</b>	<b>4,033</b>	<b>-</b>
<b>Change in Net Position</b>	<b>860</b>	<b>1,851,879</b>	<b>238,092</b>	<b>3,615</b>	<b>-</b>
<b>Net Position - Beginning, as Restated</b>	<b>12,079</b>	<b>10,224,710</b>	<b>2,126,903</b>	<b>46,536</b>	<b>158</b>
<b>Net Position - Ending</b>	<b>\$ 12,939</b>	<b>\$ 12,076,589</b>	<b>\$ 2,364,995</b>	<b>\$ 50,151</b>	<b>\$ 158</b>

Children's Trust	Children's Trust Next Gen.	Total
\$ -	\$ -	\$ 719,974
-	-	-
-	-	719,974
-	-	1,704,521
69	69	932,538
69	69	2,637,059
-	-	(12,245)
69	69	2,624,814
135	-	135
135	-	135
204	69	3,344,923
-	-	1,218,879
-	-	31,325
-	-	-
-	-	1,250,204
204	69	2,094,719
5,065	1,678	12,417,129
\$ 5,269	\$ 1,747	\$ 14,511,848

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS AGENCY FUNDS FINANCIAL STATEMENTS

**Agency Funds** – Agency funds report amounts which are held for other persons or governments in a fiduciary capacity before final distribution or resolution.

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION

### FIDUCIARY FUNDS

### COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

	Balance July 1, 2013, as Restated	Additions	Deletions	Balance June 30, 2014
<b>Assets</b>				
Cash and Cash Equivalents	\$ 513,993	\$ 947,595	\$ 957,850	\$ 503,738
Investment in State General Fund Investment Pool	1,119,108	12,072,412	12,055,479	1,136,041
Investment in Local Government Investment Pool	3,448	1,531	-	4,979
Investments	21,442	1,653	701	22,394
Receivables, Net	1,212,560	2,195,991	2,124,412	1,284,139
<b>Total Assets</b>	<u>\$ 2,870,551</u>	<u>\$ 15,219,182</u>	<u>\$ 15,138,442</u>	<u>\$ 2,951,291</u>
<b>Liabilities</b>				
Accounts Payable	\$ 1,582	\$ 1,293,243	\$ 1,293,266	\$ 1,559
Accrued Liabilities	530,873	23,796,261	24,226,818	100,316
Due to Other Parties	1,495,975	3,278,902	3,439,996	1,334,881
Intergovernmental Payables	313,327	1,040,355	721,612	632,070
Deposits Held in Trust	528,794	2,275,832	1,922,161	882,465
Undistributed Receipts	-	-	-	-
<b>Total Liabilities</b>	<u>\$ 2,870,551</u>	<u>\$ 31,684,593</u>	<u>\$ 31,603,853</u>	<u>\$ 2,951,291</u>

STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

# STATISTICAL SECTION



CARLSBAD CAVERNS  
SOURCE - [WWW.NEWMEXICOGOLFDESTINATIONS.COM](http://WWW.NEWMEXICOGOLFDESTINATIONS.COM)

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### INDEX TO STATISTICAL SECTION

The Statistical Section provides additional historical context and detail to aid in using the information in the financial statements, notes to the financial statements and required supplementary information for the primary government of the State of New Mexico in understanding and assessing the State's overall financial health.

#### Financial Trends Information

These schedules present trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.

Schedule A-1	Net Position by Component .....	248
Schedule A-2	Changes in Net Position .....	250
Schedule A-3	Fund Balances, Governmental Funds.....	256
Schedule A-4	Changes in Fund Balances, Governmental Funds.....	258

#### Revenue Capacity Information

These schedules contain information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Schedule B-1	Schedule of Revenues, State General Fund .....	260
Schedule B-2	Revenue Base.....	266
Schedule B-3	Revenue Payers by Industry – Taxable Sales, Services, and Use Tax Purchases .....	268
Schedule B-4	Revenue Payers – Personal Income Tax .....	269
Schedule B-5	Personal Income Tax Rates.....	270

#### Debt Capacity Information

These schedules present information to help the reader understand and assess the State's levels of outstanding debt and the State's ability to issue additional debt in the future.

Schedule C-1	Ratios of Outstanding Debt by Type.....	272
Schedule C-2	Long-Term Liabilities .....	274
Schedule C-3	Legal Debt Margin .....	276
Schedule C-4	Statutory Debt Limit – Severance Tax Bonds.....	278
Schedule C-5	Pledged Revenue Bond Coverage.....	280

#### Demographics and Economic Information

These schedules contain demographic and economic indicators to help the reader to understand the environment within which the State's financial activities take place.

Schedule D-1	Demographic and Economic Indicators .....	282
Schedule D-2	Principal Employers.....	283
Schedule D-3	Composition of Labor Force .....	284
Schedule D-4	Public Higher Education Enrollment .....	285

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

### INDEX TO STATISTICAL SECTION

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#### Operating Information

These schedules offer operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

Schedule E-1	Full-Time Equivalent State Employees by Function .....	288
Schedule E-2	Operating Indicators by Function.....	290
Schedule E-3	Capital Assets Statistics by Function .....	296

#### Other Information

These graphs and schedules offer a historical view of expenditures in constant dollars.

Schedule F-1	Expenditures – Historical and Constant Dollars .....	298
Schedule F-2	Per Capita Expenditures – Historical and Constant Dollars.....	299

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.



# STATE OF NEW MEXICO

## NET POSITION BY COMPONENT

Last Ten Fiscal Years  
(In Thousands)

	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>

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**SCHEDULE A-1**

(Accrual Basis of Accounting)

<b>Fiscal Year</b>				
<b>2009, as Restated</b>	<b>2008, as Restated</b>	<b>2007, as Restated</b>	<b>2006</b>	<b>2005</b>
\$ 6,995,306	\$ 6,204,269	\$ 5,516,914	\$ 5,724,003	\$ 6,689,355
4,530,761	7,558,292	8,828,955	6,427,635	5,282,593
606,498	486,879	214,145	752,605	762,177
<u>\$ 12,132,565</u>	<u>\$ 14,249,440</u>	<u>\$ 14,560,014</u>	<u>\$ 12,904,243</u>	<u>\$ 12,734,125</u>
\$ 1,381,260	\$ 1,090,692	\$ 940,608	\$ 945,940	\$ 885,520
1,853,252	2,610,808	2,422,434	2,145,306	1,391,203
659,451	471,516	657,530	489,752	979,918
<u>\$ 3,893,963</u>	<u>\$ 4,173,016</u>	<u>\$ 4,020,572</u>	<u>\$ 3,580,998</u>	<u>\$ 3,256,641</u>
\$ 8,376,566	\$ 7,294,961	\$ 6,457,522	\$ 6,669,943	\$ 7,574,875
6,384,013	10,169,100	11,251,389	8,572,941	6,673,796
1,265,949	958,395	871,675	1,242,357	1,742,095
<u>\$ 16,026,528</u>	<u>\$ 18,422,456</u>	<u>\$ 18,580,586</u>	<u>\$ 16,485,241</u>	<u>\$ 15,990,766</u>

# STATE OF NEW MEXICO

## CHANGES IN NET POSITION

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012, as Restated	2011, as Restated	2010
<b>Program Expenses</b>					
Governmental Activities:					
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
Provision for Potential Loss -					
State General Fund Investment Pool	-	-	101,735	-	-
Indian Water Settlement	-	-	91,400	-	-
<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>
Business-type Activities:					
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
<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>

# In fiscal year 2011, the New Mexico Lottery Authority was determined to be a discrete component unit. Prior to fiscal year 2011, the New Mexico Lottery Authority was considered to be a blended component unit and was presented as a nonmajor proprietary fund.

+In 2010, the President of the United States signed into law the American Recovery and Reinvestment Act (ARRA) of 2010. The State accounts for all ARRA revenue and expenditures under fund 89000, which is classified as a special revenue fund. Under ARRA, the State received federal unemployment monies that were accounted for in fund 89000. The Unemployment expenditures reported in the governmental activities represent funds from ARRA.

\*In fiscal year 2006, the Unemployment fund was determined to be a nonmajor propriety fund.

**SCHEDULE A-2**

(Accrual Basis of Accounting)

<b>Fiscal Year</b>				
<b>2009, as Restated</b>	<b>2008, as Restated</b>	<b>2007, as Restated</b>	<b>2006, as Restated</b>	<b>2005, as Restated</b>
\$ 1,313,985	\$ 1,020,981	\$ 921,198	\$ 869,013	\$ 882,809
216,328	215,727	263,457	202,330	185,303
939,111	999,407	1,126,085	1,027,618	877,638
252,343	231,571	215,954	194,452	184,319
27,766	22,236	22,079	14,052	12,412
505,599	453,297	451,320	390,557	378,394
132,021	119,865	115,717	97,956	88,722
5,297,968	4,854,810	4,471,413	4,055,602	3,729,641
3,277,536	3,221,028	2,987,212	2,902,753	2,637,052
1,986	-	-	-	-
117,338	175,364	547,366	92,505	125,476
-	-	-	-	-
-	-	-	-	-
<u>12,081,981</u>	<u>11,314,286</u>	<u>11,121,801</u>	<u>9,846,838</u>	<u>9,101,766</u>
2,668,110	2,921,387	2,273,301	2,142,898	1,996,827
334,740	309,955	283,995	259,513	247,248
863	8,433	429	565	328
101,750	106,997	113,963	113,721	102,512
26,908	24,459	19,477	21,511	19,408
368,957	159,776	120,931 *	109,936	129,422
20,025	19,381	17,626	17,639	15,931
9,909	10,347	9,643	10,154	9,880
<u>3,531,262</u>	<u>3,560,735</u>	<u>2,839,365</u>	<u>2,675,937</u>	<u>2,521,556</u>
<u>\$ 15,613,243</u>	<u>\$ 14,875,021</u>	<u>\$ 13,961,166</u>	<u>\$ 12,522,775</u>	<u>\$ 11,623,322</u>

# STATE OF NEW MEXICO

## CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012, as Restated	2011	2010
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services					
General Control	\$ 796,337	\$ 784,337	\$ 305,992	\$ 187,280	196,030
General Government	-	-	-	-	-
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
Unemployment Benefits	-	-	-	-	-
Interest on Long-term Debt	-	-	-	-	-
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	-	-
Retiree Health Care	-	-	-	-	-
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
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>

# 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.

## SCHEDULE A-2 (Continued)

(Accrual Basis of Accounting)

		Fiscal Year				
		2009, as Restated	2008, as Restated	2007, as Restated	2006, as Restated	2005, as Restated
\$	246,637	\$ 381,779	\$ 804,054	\$ 865,759	\$ 551,802	
	-	-	-	-	-	
	174,137	160,091	101,262	109,033	69,493	
	162,366	146,165	24,988	26,906	17,149	
	206,442	167,600	5,555	5,981	3,812	
	-	-	-	-	-	
	494,388	409,075	50,527	54,404	34,675	
	110,738	107,218	62,983	67,816	43,223	
	101,945	86,810	73,499	79,139	50,440	
	2,071	1,170	82,553	88,888	56,654	
	-	-	-	-	-	
	-	-	-	-	-	
	4,272,942	3,715,696	3,416,802	3,283,620	3,268,985	
	388,792	311,661	290,317	323,013	275,053	
	<u>6,160,458</u>	<u>5,487,265</u>	<u>4,912,540</u>	<u>4,904,559</u>	<u>4,371,286</u>	
	1,104,240	997,629	768,176	1,316,416	1,296,603	
	320,132	293,758	288,168	260,972	245,390	
	142,316	147,152	148,080	150,043	134,469	
	-	-	69	155	4,914	
	15,650	15,022	16,720	19,265	16,149	
	35	-	103,718	94,289	85,858	
	-	-	-	-	-	
	14,489	12,763	15,632	15,892	14,629	
	8,812	9,312	8,955	9,364	9,328	
	692,833	454,131	650,982	120,205	35,418	
	29,682	73,918	99,347	28,934	30,553	
	<u>2,328,189</u>	<u>2,003,685</u>	<u>2,099,847</u>	<u>2,015,535</u>	<u>1,873,311</u>	
\$	<u>8,488,647</u>	<u>7,490,950</u>	<u>7,012,387</u>	<u>6,920,094</u>	<u>6,244,597</u>	
\$	(5,921,523)	(5,827,021)	(6,209,261)	(4,942,279)	(4,730,480)	
	<u>(1,203,073)</u>	<u>(1,557,050)</u>	<u>(739,518)</u>	<u>(660,402)</u>	<u>(648,245)</u>	
\$	<u><u>(7,124,596)</u></u>	<u><u>(7,384,071)</u></u>	<u><u>(6,948,779)</u></u>	<u><u>(5,602,681)</u></u>	<u><u>(5,378,725)</u></u>	

# STATE OF NEW MEXICO

## CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2013	2012, as Restated	2011
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,236,674	\$ 1,236,015	\$ 1,236,015	\$ 1,189,273	1,088,300
Corporate Income Tax	196,762	277,029	277,029	270,118	238,452
Sales and Use Tax	2,133,540	1,985,601	1,985,601	522,847	444,717
Other	2,048,944	1,736,620	1,736,620	3,362,391	3,145,105
Investment Income	1,351,182	1,208,035	1,208,035	708,673	1,618,785
Other Revenue (Expense)	355,202	271,525	271,525	304,819	103,917
Special Item - Potential Loss SGFIP	(30,000)	-	-	-	-
Transfers	(687,979)	(647,222)	(647,222)	(544,880)	(704,549)
<b>Total Governmental Activities</b>	<u>6,604,325</u>	<u>6,067,603</u>	<u>6,067,603</u>	<u>5,813,241</u>	<u>5,934,727</u>
Business-type Activities:					
Taxes					
Other Taxes	-	-	-	-	207,140
Non-Operating Grants and Contracts	-	-	-	-	-
Investment Income (Loss)	220,411	214,413	214,413	70,774	261,972
Other Revenue	140,737	139,051	139,051	27,713	75,506
Transfers	687,979	647,222	647,222	629,645	704,549
<b>Total Business-type Activities</b>	<u>1,049,127</u>	<u>1,000,686</u>	<u>1,000,686</u>	<u>728,132</u>	<u>1,249,167</u>
<b>Total Primary Government</b>	<u>\$ 7,653,452</u>	<u>\$ 7,068,289</u>	<u>\$ 7,068,289</u>	<u>\$ 6,541,373</u>	<u>7,183,894</u>
<b>Change in Net Position</b>					
Governmental Activities	\$ 759,958	\$ 288,078	\$ 168,767	\$ 765,895	279,606
Business-type Activities	267,290	131,986	251,762	(310,252)	174,965
<b>Total Primary Government</b>	<u>\$ 1,027,248</u>	<u>\$ 420,064</u>	<u>\$ 420,529</u>	<u>\$ 455,643</u>	<u>454,571</u>

## SCHEDULE A-2 (Continued)

(Accrual Basis of Accounting)

2010	Fiscal Year			
	2009, as Restated	2008, as Restated	2007, as Restated	2006, as Restated
956,560	\$ 918,090	\$ 1,618,406	\$ 1,520,214	\$ 1,543,262
125,101	192,487	403,525	453,857	374,957
737,996	1,831,946	397,894	403,909	388,739
2,547,648	1,864,838	3,358,466	2,993,233	2,401,213
1,252,935	(373,965)	595,463	1,622,183	1,203,881
183,159	134,477	(114,555)	276,242	(264,596)
-	-	-	-	-
(723,795)	(763,662)	(692,490)	(560,187)	(533,035)
<u>5,079,604</u>	<u>3,804,211</u>	<u>5,566,709</u>	<u>6,709,451</u>	<u>5,114,421</u>
188,465	193,380	-	-	-
-	-	-	-	-
220,917	(188,463)	170,050	318,922	129,014
103,066	93,204	424,018	299,983	259,303
723,795	763,662	692,490	560,187	533,035
<u>1,236,243</u>	<u>861,783</u>	<u>1,286,558</u>	<u>1,179,092</u>	<u>921,352</u>
<u>6,315,847</u>	<u>\$ 4,665,994</u>	<u>\$ 6,853,267</u>	<u>\$ 7,888,543</u>	<u>\$ 6,035,773</u>
(841,919)	\$ (2,022,810)	\$ (642,552)	\$ 1,767,172	\$ 383,941
33,170	(695,267)	547,040	518,690	273,107
<u>(808,749)</u>	<u>\$ (2,718,077)</u>	<u>\$ (95,512)</u>	<u>\$ 2,285,862</u>	<u>\$ 657,048</u>



# STATE OF NEW MEXICO

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012	2011 as Restated	2010, as Restated
General Fund					
Pre-GASB 54 Implementation					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Post-GASB 54 Implementation					
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>
All Other Governmental Funds					
Pre-GASB 54 Implementation					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:					
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds (Deficit)	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
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>

## SCHEDULE A-3

(Modified Accrual Basis of Accounting)

		Fiscal Year				
2009, as Restated	2008, as Restated	2007	2006			
\$ 13,478	\$ 33,455	\$ 72,979	\$ 76,990	\$ 69,687		
464,260	804,311	681,061	859,338	732,395		
-	-	-	-	-		
-	-	-	-	-		
-	-	-	-	-		
-	-	-	-	-		
<u>\$ 477,738</u>	<u>\$ 837,766</u>	<u>\$ 754,040</u>	<u>\$ 936,328</u>	<u>\$ 802,082</u>		
\$ 5,544,836	\$ 7,961,168	\$ 6,672,312	\$ 5,516,982	\$ 5,253,182		
593,975	576,290	898,371	685,478	422,245		
5,962	(61,482)	114,637	224,278	36,745		
255,285	55,977	1,542	1,147	621,143		
-	-	-	-	-		
-	-	-	-	-		
-	-	-	-	-		
-	-	-	-	-		
<u>\$ 6,400,058</u>	<u>\$ 8,531,953</u>	<u>\$ 7,686,862</u>	<u>\$ 6,427,885</u>	<u>\$ 6,333,315</u>		

# STATE OF NEW MEXICO

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012	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
Licenses, Fees, and Permits	364,594	364,371	361,671	356,897	212,328
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
Federal	5,338,059	4,981,084	5,035,279	5,558,515	5,722,781
Other Revenues	363,411	332,323	212,326	135,360	179,906
<b>Total Revenues</b>	<u>14,023,702</u>	<u>12,890,659</u>	<u>12,445,949</u>	<u>13,287,915</u>	<u>12,461,918</u>
<b>Expenditures</b>					
Current:					
General Control	403,590	494,668	413,807	376,279	421,810
Culture, Recreation, and Natural Resources	185,317	193,639	223,858	211,032	210,552
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
Health and Human Services	6,270,002	5,756,574	5,625,669	5,623,871	5,907,586
Education	3,220,213	3,214,923	3,117,042	3,180,447	3,325,183
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:					
Interest	150,738	130,755	249,345	227,115	139,666
Principal	407,074	317,991	139,847	347,486	332,447
Bond Issuance Costs	-	-	204	10,225	7,023
Advance Refunding Escrow	-	-	-	-	-
Provision for Potential Loss in the State General Fund Investment Pool	-	-	101,735	-	-
<b>Total Expenditures</b>	<u>12,727,133</u>	<u>12,114,062</u>	<u>11,825,776</u>	<u>11,824,718</u>	<u>12,316,422</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,296,569</u>	<u>776,597</u>	<u>620,173</u>	<u>1,463,197</u>	<u>145,496</u>
<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
Note Proceeds	-	-	-	2,025	80,534
Refunding Bond Issue	-	220,400	75,715	776,220	174,990
Payment to Refunded Bond Escrow Agent	-	(261,769)	(88,898)	(668,590)	(72,570)
Proceeds from the Sale of Capital Assets	2,053	1,950	5,208	1,420	1,154
Nonoperating Revenues (Expenditures)	-	(5,211)	-	-	-
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)
<b>Total Other Financing Sources (Uses)</b>	<u>(271,112)</u>	<u>(501,634)</u>	<u>(492,702)</u>	<u>(752,700)</u>	<u>(245,998)</u>
<b>Special Item</b>					
Special Item - Potential Loss - SGFIP	(30,000)	-	-	-	-
<b>Total Special Items</b>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing and Special Items</b>	<u>(301,112)</u>	<u>(501,634)</u>	<u>(492,702)</u>	<u>(752,700)</u>	<u>(245,998)</u>
<b>Net Change in Fund Balances</b>	<u>\$ 995,457</u>	<u>\$ 274,963</u>	<u>\$ 127,471</u>	<u>\$ 710,497</u>	<u>\$ (100,502)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.6%	3.9%	3.5%	5.2%	4.1%

## SCHEDULE A-4

(Modified Accrual Basis of Accounting)

		Fiscal Year				
2009, as Restated	2008, as Restated	2007	2006	2005		
\$ 4,769,862	\$ 5,778,291	\$ 5,360,317	\$ 4,701,612	\$ 4,122,934		
288,697	218,066	202,897	212,590	98,114		
(375,149)	572,015	1,617,035	1,200,119	991,789		
654,578	730,175	571,919	623,131	499,319		
69,934	66,159	57,883	151,759	229,816		
4,661,734	4,027,357	3,708,912	3,606,240	3,543,855		
129,301	224,605	148,132	220,093	233,804		
<u>10,198,957</u>	<u>11,616,668</u>	<u>11,667,095</u>	<u>10,715,544</u>	<u>9,719,631</u>		
430,195	592,814	546,890	488,674	852,544		
200,747	201,324	249,460	190,662	175,341		
372,406	409,321	623,619	515,262	374,151		
246,565	226,465	209,601	188,703	178,863		
26,401	20,876	20,564	13,940	12,313		
485,937	438,744	437,857	373,973	359,980		
129,504	118,611	112,887	96,071	87,008		
5,291,005	4,851,140	4,527,036	4,043,961	3,790,976		
3,276,575	3,214,688	3,083,174	2,901,712	2,636,367		
1,986	-	-	-	-		
-	-	-	-	-		
-	-	-	-	-		
864,676	727,171	502,040	491,493	371,535		
113,284	171,673	547,366	92,556	125,476		
230,504	175,043	903,289	1,106,838	1,190,529		
984	932	397	445	3,870		
-	-	-	-	651		
-	-	-	-	-		
<u>11,670,769</u>	<u>11,148,802</u>	<u>11,764,180</u>	<u>10,504,290</u>	<u>10,159,604</u>		
<u>(1,471,812)</u>	<u>467,866</u>	<u>(97,085)</u>	<u>211,254</u>	<u>(439,973)</u>		
196,330	220,270	1,468,650	795,012	1,535,043		
28,082	9,120	-	-	18,977		
-	-	-	-	-		
-	490,950	-	-	-		
(95,290)	(498,480)	-	-	(75,077)		
-	-	-	-	-		
-	-	137,964	6,885	-		
8,119,988	7,191,186	6,179,320	5,888,308	5,217,701		
(9,269,658)	(7,906,532)	(6,746,776)	(6,425,666)	(5,725,723)		
<u>(1,020,548)</u>	<u>(493,486)</u>	<u>1,039,158</u>	<u>264,539</u>	<u>970,921</u>		
-	-	-	-	-		
-	-	-	-	-		
<u>(1,020,548)</u>	<u>(493,486)</u>	<u>1,039,158</u>	<u>264,539</u>	<u>970,921</u>		
<u>\$ (2,492,360)</u>	<u>\$ (25,620)</u>	<u>\$ 942,073</u>	<u>\$ 475,793</u>	<u>\$ 530,948</u>		
<u>3.2%</u>	<u>3.3%</u>	<u>12.9%</u>	<u>12.0%</u>	<u>13.4%</u>		

# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND

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
Franchise Receipts	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	1,451,733	1,077,952	1,151,866		1,042,323	1,020,104
Final Settlements	179,595	517,862	355,734		382,690	337,782
Less:						
Transfer - Retiree Health Care	(23,296)	(21,876)	(19,853)		(18,047)	(15,935)
Transfer - PIT Suspense and Others	(345,877)	(340,381)	(346,289)		(352,633)	(384,055)
Refunds - TAA Suspense					-	-
Net Personal Income Taxes	<u>1,262,155</u>	<u>1,233,557</u>	<u>1,141,458</u>		<u>1,054,333</u>	<u>957,896</u>
Corporate Taxes	-	267,157	281,047		229,818	125,101
Less Refunds					-	-
Net Corporate Income Taxes	<u>-</u>	<u>267,157</u>	<u>281,047</u>		<u>229,818</u>	<u>125,101</u>
Estate Taxes	-	-	-		12	(1)
Fiduciary Taxes	-	7,388	9,011		42,589	(1,336)
<b>Total Income Taxes</b>	<u>1,262,155</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>4,333,530</u>	<u>4,344,207</u>	<u>4,315,944</u>		<u>4,083,073</u>	<u>3,530,536</u>

**SCHEDULE B-1**

		<b>Fiscal Year</b>							
		<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>			
\$	1,831,946	\$	1,835,572	\$	1,840,489	\$	1,689,838	\$	1,512,483
	69,947		63,778		61,352		51,835		44,117
	49,580		48,115		46,775		48,405		48,477
	25,837		25,093		26,726		29,340		25,173
	121,893		109,825		108,044		103,081		95,464
	30,809		21,109		19,929		24,589		27,157
	614		660		1,378		362		897
	532		936		384		411		537
	100,497		127,622		131,254		121,870		118,919
	69,207		56,149		70,893		56,677		46,353
	4,901		7,541		6,036		19,948		26,018
	(1,241)		1,957		410		-		-
	104		104		101		99		100
	534		652		751		581		219
	112		152		22		33		82
	<u>2,305,272</u>		<u>2,299,265</u>		<u>2,315,104</u>		<u>2,147,069</u>		<u>1,945,996</u>
	982,766		1,014,975		972,374		942,470		888,168
	387,901		546,498		516,122		471,952		446,945
	(14,996)		(15,704)		(9,647)		(8,453)		(7,623)
	(450,902)		(344,184)		(299,375)		(373,974)		(247,158)
	(365)		(16,206)		(7,868)		(13,784)		(6,142)
	<u>904,404</u>		<u>1,185,379</u>		<u>1,171,606</u>		<u>1,018,211</u>		<u>1,074,190</u>
	253,345		479,447		498,413		410,377		265,999
	(60,858)		(75,922)		(38,533)		(33,192)		(23,537)
	<u>192,487</u>		<u>403,525</u>		<u>459,880</u>		<u>377,185</u>		<u>242,462</u>
	36		40		78		3,138		4,925
	13,650		13,011		8,597		12,960		11,825
	<u>1,110,577</u>		<u>1,601,955</u>		<u>1,640,161</u>		<u>1,411,494</u>		<u>1,333,402</u>
	370,354		557,332		420,254		483,240		381,302
	18,260		24,065		19,916		22,564		17,822
	11,237		11,641		10,767		9,151		6,547
	40,341		30,618		35,627		26,841		21,728
	<u>440,192</u>		<u>623,656</u>		<u>486,564</u>		<u>541,796</u>		<u>427,399</u>
	<u>3,856,041</u>		<u>4,524,876</u>		<u>4,441,829</u>		<u>4,100,359</u>		<u>3,706,797</u>

# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND (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>4,385,197</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>

**SCHEDULE B-1 (Continued)**

Fiscal Year				
2009	2008	2007	2006	2005
\$ 590	\$ 648	\$ 652	\$ 674	\$ 728
2,821	2,997	2,955	2,841	2,810
3,627	3,593	4,195	3,509	3,541
3,148	3,046	3,011	3,073	2,845
4,883	5,393	4,014	8,339	4,070
6,052	7,648	7,369	6,825	6,800
420	609	302	327	322
17,031	16,946	15,824	14,840	13,830
11,333	9,407	10,182	8,064	8,923
-	158	172	290	175
34	75	137	11	38
159	156	146	139	142
-	-	-	39	41
-	-	-	-	-
<u>50,098</u>	<u>50,676</u>	<u>48,959</u>	<u>48,971</u>	<u>44,265</u>
<u>3,906,139</u>	<u>4,575,552</u>	<u>4,490,788</u>	<u>4,149,330</u>	<u>3,751,062</u>
433,497	390,484	364,697	354,156	350,285
67,754	114,975	87,307	77,935	34,386
191,292	177,172	170,973	171,798	173,249
<u>692,543</u>	<u>682,631</u>	<u>622,977</u>	<u>603,889</u>	<u>557,920</u>
507,229	45,085	501,124	556,541	445,004
36,442	611,182	50,410	52,696	42,044
<u>543,671</u>	<u>656,267</u>	<u>551,534</u>	<u>609,237</u>	<u>487,048</u>



# STATE OF NEW MEXICO

## SCHEDULE OF REVENUES, STATE GENERAL FUND (CONTINUED)

Last Ten Fiscal Years  
(In Thousands)

	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
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
Legislative Receipts	18	35	20	46	29
Workmen's Compensation Fees	268	4	4	15	-
Law Enforcement Protection	3,936	4,576	8,291	9,089	9,920
Small County Assistance	3,748	1,537	3,576	3,346	-
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>\$ 5,908,831</u>	<u>\$ 5,784,525</u>	<u>\$ 5,847,373</u>	<u>5,506,083</u>	<u>\$ 5,207,992</u>

**SCHEDULE B-1 (Continued)**

		<b>Fiscal Year</b>							
		<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>			
\$	8,551	\$	2,253	\$	1,237	\$	1,272	\$	1,181
	65,385		66,560		56,158		49,520		41,263
	23		20		18		18		19
	6,873		7,019		6,053		5,704		5,894
	8,756		9,110		8,086		8,425		8,243
	1,068		1,170		865		661		576
	1,202		1,208		1,042		986		1,032
	614		686		56		728		721
	54		44		59		38		59
	70		80		67		10		21
	6,953		6,699		6,838		8,593		7,042
	4,013		7,943		-		-		1,563
	13,538		-		12,291		12,501		13,456
	533		430		404		389		595
	-		-		-		-		447
	<u>117,633</u>		<u>103,222</u>		<u>93,174</u>		<u>88,845</u>		<u>82,112</u>
	33,942		45,024		51,210		42,209		44,653
	<u>331,995</u>		<u>66,000</u>		<u>38,880</u>		<u>45,030</u>		<u>82,589</u>
	<u>365,937</u>		<u>111,024</u>		<u>90,090</u>		<u>87,239</u>		<u>127,242</u>
	<u>1,719,784</u>		<u>1,553,144</u>		<u>1,357,775</u>		<u>1,389,210</u>		<u>1,254,322</u>
\$	<u><u>5,625,923</u></u>	\$	<u><u>6,128,696</u></u>	\$	<u><u>5,848,563</u></u>	\$	<u><u>5,538,540</u></u>	\$	<u><u>5,005,384</u></u>

# STATE OF NEW MEXICO

## REVENUE BASE

Last Ten Calendar Years  
(In Thousands)

	Calendar Year				
	2014	2013	2012	2011	2010
<b>Taxable Gross Receipts</b>					
Agriculture, Forestry and Fishing	\$ 54,047	\$ 61,294	\$ 57,791	59,602	\$ 51,681
Mining	2,998,455	3,668,701	3,431,242	3,239,185	1,860,940
Construction	4,257,409	5,562,314	5,271,994	5,326,763	3,982,945
Manufacturing	1,607,519	2,015,743	1,833,576	1,643,653	1,038,527
Transportation	543,996	780,150	686,364	679,289	546,715
Communications and Utilities	1,908,054	4,907,802	4,803,345	4,648,079	3,445,649
Wholesale Trade	1,790,115	2,335,113	2,280,235	2,207,054	1,573,254
Retail Trade	9,268,342	12,160,633	12,024,304	11,912,593	9,292,428
Finance, Insurance and Real Estate	1,106,611	1,377,056	1,218,396	1,131,560	784,486
Services and Other	15,112,166	17,413,350	17,395,771	17,558,765	14,674,794
Public Administration	378,243	622,335	597,549	692,754	151,857
Total Taxable Gross Receipts	\$ 39,024,957	\$ 50,904,491	\$ 49,600,567	49,099,297	\$ 37,403,276
State Gross Receipts Tax Rate	5.1%	5.1%	5.1%	# 5.1%	5.3%
<b>Personal Income by Industry</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
Total Personal Income	\$ 78,428	\$ 75,811	\$ 73,224	72,013	\$ 67,711
Highest Income Tax Rate	4.9%	4.9%	4.9%	4.9%	4.9%

<sup>1</sup>Other income includes dividends, interest, rents, residence adjustment, government transfers to individuals, and deductions for insurance contributions from the SQ5N report prepared by the Bureau of Economic Analysis.

Source: New Mexico Department of Taxation and Revenue Department, RP80 NAICS.

Department of Commerce Bureau of Economic Analysis, SQ5N - Personal Income by Major Source and Earnings by Major NAICS Industry Report.

**SCHEDULE B-2**

Calendar Year				
2009, as Restated	2008	2007	2006	2005
\$ 62,842	\$ 83,216	\$ 84,941	\$ 81,043	\$ 83,895
1,866,669	2,473,548	2,162,156	2,063,727	1,626,594
6,019,441	7,407,837	7,546,822	7,402,413	6,038,563
1,110,799	1,340,101	1,373,810	1,296,135	1,058,988
625,733	646,162	577,428	500,233	399,323
3,470,163	3,396,282	3,298,025	3,166,151	2,953,396
1,926,673	2,632,017	2,583,579	2,702,003	2,419,634
11,883,094	12,610,702	12,884,778	11,826,522	11,067,204
1,107,662	1,106,311	1,198,885	1,047,208	955,373
21,364,218	18,953,106	17,201,063	16,085,796	14,679,218
180,217	191,262	521,733	460,533	469,556
<u>\$ 49,617,511</u>	<u>\$ 50,840,544</u>	<u>\$ 49,433,220</u>	<u>\$ 46,631,764</u>	<u>\$ 41,751,744</u>
<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>
\$ 3,166	\$ 2,999	\$ 2,900	\$ 2,768	\$ 2,580
1,250	1,087	1,129	1,125	1,125
8,678	7,660	7,497	7,584	7,692
575	812	581	414	659
108	112	124	127	120
1,891	2,037	1,904	1,820	1,477
468	431	395	372	360
2,840	3,390	3,050	3,102	2,776
2,094	2,341	2,658	2,468	2,264
1,426	1,565	1,442	1,373	1,249
3,190	3,442	3,194	3,053	2,940
1,220	1,346	1,249	1,201	1,125
1,220	914	865	834	753
2,065	2,211	2,316	2,250	2,150
9,077	11,367	9,181	8,906	7,827
27,407	24,370	21,164	20,734	18,896
<u>\$ 66,675</u>	<u>\$ 66,084</u>	<u>\$ 59,649</u>	<u>\$ 58,131</u>	<u>\$ 53,993</u>
<u>4.9%</u>	<u>5.3%</u>	<u>5.3%</u>	<u>5.7%</u>	<u>6.8%</u>

# 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 2014 <sup>1</sup>				Calendar Year 2005			
	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	4,086	0.4%	\$ 54,047	0.1%	1,297	0.5%	\$ 83,895	0.2%
Mining	9,752	1.0%	2,998,455	7.7%	1,899	0.7%	1,626,594	3.9%
Construction	101,298	10.6%	4,257,409	10.9%	32,880	11.7%	6,038,563	14.5%
Manufacturing	42,542	4.4%	1,607,519	4.1%	10,950	3.9%	1,058,988	2.5%
Transportation	13,402	1.4%	543,996	1.4%	3,200	1.1%	399,323	1.0%
Communications and Utilities	7,309	0.8%	1,908,054	4.9%	13,015	4.7%	2,953,396	7.1%
Wholesale Trade	53,838	5.6%	1,790,115	4.6%	16,976	6.1%	2,419,634	5.8%
Retail Trade	198,243	20.7%	9,268,342	23.8%	58,687	20.9%	11,067,204	26.5%
Finance, Insurance and Real Estate	46,800	4.9%	1,106,612	2.8%	-	0.0%	955,373	2.3%
Services and Other	479,048	50.0%	15,112,166	38.7%	-	0.0%	14,679,218	35.2%
Public Administration	1,922	0.3%	378,243	1.0%	-	0.0%	469,556	1.0%
Total Number of Outlets and Total Taxable Gross Revenues	<u>958,240</u>	<u>100.2%</u>	<u>\$ 39,024,958</u>	<u>100.0%</u>	<u>138,904</u>	<u>49.6%</u>	<u>\$ 41,751,744</u>	<u>100.0%</u>
State Gross Receipts Tax Rate	<u>5.1%</u>				<u>5.0%</u>			

<sup>1</sup>Data for 2014 is based on fiscal year.

Source: New Mexico Department of Taxation and Revenue, Report 80 NAICS code version, <http://www.tax.state.nm.us/pubs/rp806d.htm>

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	2012*				2003			
	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	19,740	2.2%	\$ 1,996,079	38.3%	8,850	1.1%	\$ 845,745	26.1%
\$100,000 - \$199,999	77,390	8.5%	1,387,069	26.6%	39,729	4.9%	780,600	24.1%
\$75,000 - \$99,999	67,740	7.4%	617,804	11.9%	45,897	5.6%	443,474	13.7%
\$50,000 - \$74,999	112,210	12.4%	626,556	12.0%	92,633	11.4%	532,855	16.4%
\$49,999 and lower	628,280	69.5%	579,039	11.1%	626,622	77.0%	640,621	19.7%
Total	905,360	100.0%	\$ 5,206,547	99.9%	813,731	100.0%	\$ 3,243,295	100.0%

\* At the time of the preparation of the 2014 New Mexico State CAFR, the 2013 and 2014 information was not available.

Source: United States Department of the Treasury, Internal Revenue Service, Tax Year 2012: 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	
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	3.4%
2009	4.9%	16,000	24,000	24,000	1.7%
2008	4.9%	16,000	24,000	24,000	1.8%
2007	5.3%	16,000	24,000	24,000	1.6%
2006	5.3%	16,000	24,000	24,000	2.2%
2005	5.7%	16,000	24,000	24,000	2.1%

\* Only partial data was available at the time of publication

Source: New Mexico Department of Taxation and Revenue

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# STATE OF NEW MEXICO

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010, as Restated
<b>Governmental Activities</b>					
General Obligation	\$ 311,270	\$ 372,700	\$ 296,890	\$ 379,228	\$ 423,854
Enhanced E-911 Revenue Bonds	-	-	-	-	-
Severance Tax Bonds	760,080	683,275	798,740	884,320	1,020,550
Revenue Bonds	1,520,839	1,562,240	1,723,061	1,859,403	1,703,481
Total Government	<u>2,592,189</u>	<u>2,618,215</u>	<u>2,818,691</u>	<u>3,122,951</u>	<u>3,147,885</u>
<b>Business-type Activities*</b>					
Revenue Bonds	808,463	827,812	840,831	832,306	866,692
Capital Leases	1,919	1,060	1,292	919	248
Total Primary Government	<u>810,382</u>	<u>828,872</u>	<u>842,123</u>	<u>833,225</u>	<u>866,940</u>
Total Debt	<u>\$ 3,402,571</u>	<u>\$ 3,447,087</u>	<u>\$ 3,660,814</u>	<u>\$ 3,956,176</u>	<u>\$ 4,014,825</u>
New Mexico Personal Income	\$ 78,428,000	\$ 73,159,160	\$ 73,159,160	\$ 71,993,000	\$ 71,993,000
Debt as a Percentage of Personal Income	4.3%	4.7%	5.0%	5.5%	5.6%
New Mexico Population	2,086	2,085	2,086	2,066	2,066
General Obligation Debt Per Capita	\$ 149	\$ 179	\$ 142	\$ 184	\$ 205
Total Long-Term Debt Per Capita	\$ 1,631	\$ 1,653	\$ 1,755	\$ 1,915	\$ 1,943

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.

## SCHEDULE C-1

Fiscal Year				
2009, as Restated	2008, as Restated	2007, as Restated	2006, as Restated	2005, as Restated
\$ 453,730	\$ 388,318	\$ 371,129	\$ 273,280	\$ 315,925
-	-	745	1,455	2,130
626,715	738,687	669,686	577,935	512,180
1,707,996	1,790,900	1,829,528	1,453,057	1,559,535
<u>2,788,441</u>	<u>2,917,905</u>	<u>2,871,088</u>	<u>2,305,727</u>	<u>2,389,770</u>
802,924	833,836	699,319	719,799	594,685
2,025	1,711	2,330	2,713	3,042
<u>804,949</u>	<u>835,547</u>	<u>701,649</u>	<u>722,512</u>	<u>597,727</u>
<u>\$ 3,593,390</u>	<u>\$ 3,753,452</u>	<u>\$ 3,572,737</u>	<u>\$ 3,028,239</u>	<u>\$ 2,987,497</u>
\$ 65,648,333	\$ 66,337,250	\$ 62,001,991	\$ 58,131,416	\$ 53,992,896
5.5%	5.7%	5.8%	5.2%	5.5%
2,010	1,984	2,059	2,014	1,969
\$ 226	\$ 196	\$ 180	\$ 136	\$ 160
\$ 1,788	\$ 1,892	\$ 1,735	\$ 1,504	\$ 1,517

# STATE OF NEW MEXICO

## LONG-TERM LIABILITIES

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012, As Restated	2011	2010, As Restated
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 311,270	\$ 372,700	\$ 296,890	\$ 379,228	\$ 423,854
Severance Tax Bonds	760,080	683,275	798,740	884,320	1,020,550
Revenue Bonds	1,520,839	1,562,240	1,723,061	1,859,403	1,703,481
Bond Premium, Discount, Net *	252,771	234,954	236,190	-	-
Deferred Loss on Refunding, Net *	96,042	(91,257)	(81,982)	-	-
Notes Payable	1,581	1,598	2,454	3,715	124,205
Claims and Judgments	259,855	348,753	433,547	225,248	222,821
Reserve for Losses	100,000	-	-	-	-
Compensated Absences	62,339	61,201	60,946	63,934	73,483
Pollution Remediation Obligation	47,129	53,373	55,694	86,741	86,289
Other	212,200	252,003	330,217	-	501
Total Governmental Activities	<u>3,624,106</u>	<u>3,478,840</u>	<u>3,855,757</u>	<u>3,502,589</u>	<u>3,655,184</u>
<b>Business-type Activities</b>					
Revenue Bonds	808,463	827,812	840,831	832,306	866,692
Bond Premium, Discount, Net *	15,429	17,010	8,831	-	-
Capital Leases	1,919	1,060	1,292	919	238
Compensated Absences	80,180	77,777	96,219	99,689	93,997
Reserve for Losses	69,988	65,471	65,472	63,406	63,901
Other	184,094	79,083	56,173	52,750	45,126
Total Business-type Activities	<u>1,160,073</u>	<u>1,068,213</u>	<u>1,068,818</u>	<u>1,049,070</u>	<u>1,069,954</u>
Total Primary Government Long-term Liabilities	<u>\$ 4,784,179</u>	<u>\$ 4,547,053</u>	<u>\$ 4,924,575</u>	<u>\$ 4,551,659</u>	<u>\$ 4,725,138</u>

Note: Details regarding the liabilities listed above can be found in Note 8, Changes in Long-term Liabilities in the financial statements.

\* In prior years, bond premium, discount, and loss on refunding was not stated separately.

**SCHEDULE C-2**

<b>Fiscal Year</b>				
<b>2009, As Restated</b>	<b>2008, As Restated</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 481,812	\$ 388,318	\$ 371,874	\$ 315,925	\$ 246,375
626,715	738,687	669,686	577,935	512,180
1,729,205	1,790,900	1,829,528	1,453,057	1,559,535
-	-	-	-	-
-	-	-	-	-
43,781	2,943	-	-	-
217,426	238,714	44,826	48,466	44,666
-	-	13,305	13,743	71,466
73,757	68,898	62,658	60,194	56,040
7,992	8,813	-	-	-
100	251	75,393	63,318	7,155
<u>3,180,788</u>	<u>3,237,524</u>	<u>3,067,270</u>	<u>2,532,638</u>	<u>2,497,417</u>
809,215	833,836	699,453	719,799	594,685
-	-	-	-	-
2,075	1,711	2,330	2,713	3,042
87,747	67,466	61,211	57,648	49,118
70,286	63,090	-	-	-
50,538	29,705	97,657	95,072	27,366
<u>1,019,861</u>	<u>995,808</u>	<u>860,651</u>	<u>875,232</u>	<u>674,211</u>
<u>\$ 4,200,649</u>	<u>\$ 4,233,332</u>	<u>\$ 3,927,921</u>	<u>\$ 3,407,870</u>	<u>\$ 3,171,628</u>

# STATE OF NEW MEXICO

## LEGAL DEBT MARGIN

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
Net Taxable Value of Property					
Subject to Taxation	\$ 56,735,505	\$ 54,726,006	\$ 54,490,961	\$ 51,040,955	\$ 55,046,209
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	<u>567,355</u>	<u>547,260</u>	<u>544,910</u>	<u>510,410</u>	<u>550,462</u>
General Obligation Bonds	311,270	372,700	296,890	355,500	398,580
Enhanced E-911 Bonds	-	-	-	-	-
Total General Debt Outstanding	<u>311,270</u>	<u>372,700</u>	<u>296,890</u>	<u>355,500</u>	<u>398,580</u>
Legal Debt Margin	<u>\$ 256,085</u>	<u>\$ 174,560</u>	<u>\$ 248,020</u>	<u>\$ 154,910</u>	<u>\$ 151,882</u>
Legal Debt Margin as a Percentage of the Debt Limit	<u>45.1%</u>	<u>31.9%</u>	<u>45.5%</u>	<u>30.4%</u>	<u>27.6%</u>

**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.

**SCHEDULE C-3**

<b>Fiscal Year</b>				
<b>2009, As Restated</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 50,463,804	\$ 47,261,516	\$ 42,985,028	\$ 38,910,768	\$ 35,890,023
1.0%	1.0%	1.0%	1.0%	1.0%
<u>504,638</u>	<u>472,615</u>	<u>429,850</u>	<u>389,108</u>	<u>358,900</u>
453,730	388,318	371,874	274,735	318,055
-	-	762	1,521	2,277
<u>453,730</u>	<u>388,318</u>	<u>372,636</u>	<u>276,256</u>	<u>320,332</u>
<u>\$ 50,908</u>	<u>\$ 84,297</u>	<u>\$ 57,214</u>	<u>\$ 112,852</u>	<u>\$ 38,568</u>
<u>10.1%</u>	<u>17.8%</u>	<u>13.3%</u>	<u>29.0%</u>	<u>10.7%</u>

# STATE OF NEW MEXICO

## STATUTORY DEBT LIMIT – SEVERANCE TAX BONDS

Last Ten Fiscal Years  
(In Thousands)

	Fiscal Year				
	2014	2013	2012	2011	2010
Annual Deposits into Severance Tax Bonding Fund	\$ 414,956	\$ 426,821	\$ 504,734	\$ 398,576	\$ 374,228
50.0% of Annual Deposits	207,478	213,411	252,367	199,288	187,114
Statutory Debt Limit Amount	<u>207,478</u>	<u>213,411</u>	<u>252,367</u>	<u>199,288</u>	<u>187,114</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>\$ 90,824</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>

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.

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**SCHEDULE C-4**

<b>Fiscal Year</b>				
<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
550,222	\$ 573,595	\$ 508,508	\$ 532,386	\$ 405,541
<u>275,111</u>	<u>286,798</u>	<u>254,254</u>	<u>266,193</u>	<u>202,771</u>
<u>275,111</u>	<u>286,798</u>	<u>254,254</u>	<u>266,193</u>	<u>202,771</u>
<u>12,433</u>	<u>158,564</u>	<u>72,886</u>	<u>69,902</u>	<u>68,204</u>
<u>262,678</u>	<u>\$ 128,234</u>	<u>\$ 181,368</u>	<u>\$ 196,291</u>	<u>\$ 134,567</u>
<u>95.5%</u>	<u>44.7%</u>	<u>71.3%</u>	<u>73.7%</u>	<u>66.4%</u>



# STATE OF NEW MEXICO

## PLEDGED REVENUE BOND COVERAGE

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>				
2014	\$ 414,956	\$ 224,525	\$ 55,539	1.5
2013	426,821	115,465	33,969	2.9
2012	504,734	128,013	24,304	3.3
2011	398,576	145,546	28,497	2.3
2010	374,234	154,858	23,357	2.1
2009	550,222	113,637	20,555	4.1
2008	573,595	116,365	20,561	4.2
2007	510,140	78,417	14,588	5.5
2006	996,911	93,463	13,691	9.3
2005	817,872	72,130	15,218	9.4
<b>Highway Infrastructure Bonds</b>				
2014	\$ 385,116	\$ 106,610	\$ 71,053	2.2
2013	411,003	138,848	76,561	1.9
2012	785,000	243,060	220,698	1.7
2011	719,811	71,450	79,742	4.8
2010	719,811	75,795	84,697	4.5
2009	726,430	75,500	88,574	4.4
2008	674,453	72,468	92,691	4.1
2007	651,635	75,295	73,162	4.4
2006	713,255	81,130	77,103	4.5
2005	631,388	70,861	39,739	5.7
<b>Energy and Minerals Bonds</b>				
2014	\$ 13,652	\$ 2,863	\$ 645	3.9
2013	8,826	1,819	604	3.6
2012	4,900	1,738	647	2.1
2011	2,578	1,546	395	1.3
2010	2,578	1,487	755	1.1
2009	3,730	1,429	809	1.7
2008	4,085	1,398	865	1.8
2007	3,911	1,351	908	1.7
2006	4,369	1,315	1,254	1.7
2005	3,527	1,271	978	1.6

N/A Data not available.

Sources: New Mexico Taxation and Revenue Department, Financial Distributions Bureau  
 New Mexico Department of Finance and Administration, Board of Finance  
 New Mexico Department of Transportation audited financial statements  
 New Mexico Energy, Minerals and Natural Resources audited financial statements  
 New Mexico Department of Finance and Administration, Administrative Services Division

SCHEDULE C-5

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
<b>Cultural Affairs Bonds and Loan</b>				
2014	\$ 455	\$ 459	\$ 224	0.7
2013	1,100	1,432	256	0.7
2012	805	396	170	1.4
2011	795	385	178	1.4
2010	776	374	186	1.4
2009	1,000	364	193	1.8
2008	1,000	356	199	1.8
2007	702	349	204	1.3
2006	511	143	205	1.5
2005	506	142	205	1.5
<b>Miners' Colfax Medical Center Bonds</b>				
2014	\$ 6,386	\$ 770	\$ 509	5.0
2013	6,386	770	509	5.0
2012	6,302	744	535	4.9
2011	6,291	718	559	4.9
2010	6,000	694	581	4.7
2009	4,200	673	611	3.3
2008	5,500	653	619	4.3
2007	5,100	602	668	4.0
2006	4,200	580	690	3.3
2005	4,500	550	725	3.5
<b>State Fair (EXPO) Bonds</b>				
2014	\$ 1,070	\$ 628	\$ 70	1.5
2013	1,070	628	70	1.5
2012	1,100	607	79	1.6
2011	1,000	587	98	1.5
2010	1,000	570	115	1.5
2009	1,000	554	130	1.5
2008	800	541	143	1.2
2007	750	531	154	1.1
2006	770	209	157	2.1
2005	720	775	35	0.9
<b>Spaceport Authority Bonds</b>				
2014	\$ 6,207	\$ 2,710	\$ 2,938	1.1
2013	6,258	2,625	3,022	1.1
2012	5,900	2,565	3,066	1.0
2011	6,200	1,905	2,679	1.4
2010	6,200	2,025	2,204	1.5
Debt not issued in prior years.				

# STATE OF NEW MEXICO

## DEMOGRAPHIC AND ECONOMIC INDICATORS

## SCHEDULE D-1

Last Ten Fiscal Years

<b>Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Schooling (Pop=25 Yrs &amp; &gt;)</b>	<b>Public School Enrollment</b>
2014	2,085,572	\$ 78,428,000,000	\$ 37,605	36.8	N/A	339,219
2013	2,085,287	73,159,160,000	35,083	36.8	N/A	338,223
2012	2,085,538	73,159,160,000	35,079	36.8	N/A	337,225
2011	2,065,932	71,993,000,000	34,848	36.7	N/A	328,591
2010	2,059,179	69,435,000,000	33,720	36.6	12.4	330,142
2009	2,009,671	66,745,000,000	33,212	35.5	12.4	323,882
2008	1,984,356	66,337,250,000	33,430	35.8	12.3	329,261
2007	2,059,075	62,001,991,000	30,112	35.7	12.3	326,525
2006	2,014,006	58,131,416,000	28,864	35.3	12.3	321,663
2005	1,969,291	53,992,896,000	27,417	36.1	12.3	320,452

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.

Note: Personal Income, Per capita Personal Income and median Age data are as of 2014 data. 2013 population data represents estimates based on the 2010 census.

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.

# STATE OF NEW MEXICO

## PRINCIPAL EMPLOYERS

## SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2013			Calendar Year 2003		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
State of New Mexico (total offices and departments)	21,832	1	2.5%	21,072	3	2.7%
UNM (Campuses, Hospital, Medical Group)	21,320	2	2.5%	23,327	1	3.0%
Albuquerque Public Schools	14,810	3	1.7%	11,700	4	1.5%
New Mexico State University	12,737	4	1.5%	8,084	5	1.0%
CNM	11,777	5	1.4%	1,809	17	0.2%
KAFB (DOD, Act.Duty, Civil Svc., excludes SNL)	10,125	6	1.2%	22,365	2	2.9%
Sandia National Laboratories	8,400	7	1.0%	6,831	9	0.9%
Los Alamos National Laboratories	7,949	8	0.9%	7,500	6	1.0%
Presbyterian Healthcare	6,965	9	0.8%	7,000	7	0.9%
City of Albuquerque	6,940	10	0.8%	6,940	8	0.9%
White Sands Missile Range	6,636	11	0.8%	3,940	12	0.5%
Wal-Mart	5,400	12	0.6%	2,348	14	0.3%
Lovelace Health Systems	4,000	13	0.5%	5,500	10	0.7%
Intel Corporation	3,300	14	0.4%	5,400	11	0.7%
Las Cruces Public Schools	3,000	15	0.3%	N/A	N/A	N/A
Eastern New Mexico University	2,955	16	0.3%	N/A	N/A	N/A
Bernalillo County	2,648	17	0.3%	1,467	19	0.2%
Smith's Food & Drug Stores	2,350	18	0.3%	2,242	15	0.3%
Raymond G. Murphy VA Medical Center	2,300	19	0.3%	1,712	18	0.2%
New Mexico Highlands University	2,165	20	0.3%	N/A	N/A	N/A
New Mexico Veteran's Affairs Health Care System	2,100	21	0.2%	N/A	N/A	N/A
Santa Fe Public Schools	2,027	22	0.2%	1,850	16	0.2%
Christus St. Vincent Regional Medical Center	2,000	23	0.2%	1,450	20	0.2%
Rio Rancho Public Schools	2,000	24	0.2%	N/A	N/A	N/A
PNM Resources	1,909	25	0.2%	2,700	13	0.3%
<b>Total Employees of Principal Employers</b>	<b>167,645</b>		<b>19.5%</b>	<b>145,237</b>		<b>18.7%</b>

Sources: NMNETLINKS

Data for 2014 was not available.

# STATE OF NEW MEXICO

## COMPOSITION OF LABOR FORCE

Last Ten Calendar Years

	Calendar Year				
	2014	2013	2012	2011	2010
<b>Nonagricultural Jobs</b>					
Government	194,400	188,300	182,297	195,100	192,746
Mining	28,200	26,800	23,959	21,300	17,834
Construction	42,600	40,600	41,116	43,400	43,509
Manufacturing	27,000	27,300	29,672	29,400	28,693
Trade, Transportation and Utilities	142,700	136,800	134,061	133,300	130,652
Information	13,600	12,300	13,523	14,400	14,720
Financial Activity	35,900	34,100	35,547	32,500	21,813
Professional and Business Services	97,900	96,800	92,746	100,500	109,360
Education and Health Services	130,900	123,200	114,233	121,700	108,458
Leisure and Hospitality	86,200	85,000	86,269	86,300	83,079
Other Services	29,100	27,200	20,970	28,600	20,810
<b>Total Nonagricultural Jobs</b>	<b>828,500</b>	<b>798,400</b>	<b>774,393</b>	<b>806,500</b>	<b>771,674</b>
Civilian Labor Force	918,206	935,890	943,092	942,386	961,006
Total Employed	858,149	871,299	871,665	868,801	879,921
Unemployed	60,057	64,591	71,427	73,585	81,084
Unemployment Rate	6.5%	6.9%	7.6%	7.8%	7.0%
Seasonally Adjusted Rate	6.1%	6.8%	7.0%	7.8%	8.4%

Source: New Mexico Department of Workforce Solutions

## SCHEDULE D-3

Calendar Year				
2009, as Restated	2008, as Restated	2007	2006	2005
189,470	187,723	186,955	183,436	181,088
17,581	21,078	19,347	18,624	16,860
47,731	57,356	59,966	59,191	54,356
30,013	35,035	37,606	37,659	36,306
134,337	143,162	142,935	139,875	138,417
14,721	15,970	17,327	15,859	14,651
22,144	33,350	33,822	33,870	33,617
112,599	108,484	109,233	102,361	92,472
106,613	102,859	99,639	96,060	93,236
84,167	86,625	89,249	86,621	83,763
21,413	22,846	21,869	21,817	21,362
<u>780,789</u>	<u>814,488</u>	<u>817,948</u>	<u>795,373</u>	<u>766,128</u>
956,124	959,458	863,518	846,790	826,405
887,667	919,466	830,424	807,063	778,233
68,457	39,992	33,094	39,727	48,172
7.2%	4.2%	3.5%	4.2%	5.3%
7.2%	4.2%	3.8%	4.7%	5.8%

# STATE OF NEW MEXICO

## PUBLIC HIGHER EDUCATION ENROLLMENT

Last Ten Academic Years

	Academic Year				
	2013-14	2012-13	2011-12	2010-11	2009-10
Eastern New Mexico University	6,489	6,862	6,874	6,587	6,245
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 <sup>2</sup>	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 <sup>2</sup>	N/A	N/A	N/A	N/A	N/A
San Juan Community 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>

<sup>1</sup> Albuquerque Technical Vocational Institute's name changed to Central New Mexico Community College

<sup>2</sup> In the 2005 - 2006 year, Northern New Mexico College was accredited as a four-year institution

Sources: New Mexico Higher Education Department, "CapitalProjects Fall2001 Fall2013", Contract Anita Gavin, NMHED  
Information can also be found at <http://www.hed.state.nm.us/researchers/student-enrollment.aspx>

**SCHEDULE D-4**

<b>Academic Year</b>				
<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
5,635	5,513	5,549	5,822	5,297
2,614	2,557	2,540	2,217	1,628
1,520	1,479	1,471	1,504	1,465
21,065	19,952	19,119	18,745	18,674
1,236	1,220	1,131	1,138	N/A
24,854	24,248	24,071	24,447	23,928
1,837	1,815	1,766	1,878	1,575
<u>58,761</u>	<u>56,784</u>	<u>55,647</u>	<u>55,751</u>	<u>52,567</u>
13,522	12,389	12,264	12,482	12,448
1,535	1,532	1,606	1,773	1,839
914	947	825	936	916
668	474	372	341	286
1,602	1,734	1,722	1,597	1,660
540	558	563	544	515
N/A	N/A	N/A	N/A	1,003
4,299	4,166	4,109	4,196	4,259
2,186	2,006	1,992	2,067	1,958
<u>25,266</u>	<u>23,806</u>	<u>23,453</u>	<u>23,936</u>	<u>24,884</u>
<u>84,027</u>	<u>80,590</u>	<u>79,100</u>	<u>79,687</u>	<u>77,451</u>



# STATE OF NEW MEXICO

## FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2014	2013	2012	2011	2010
General Government					
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
Human Services and Youth Corrections	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
Health and Environment					
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	2,502.5	2,504.5	2,756.5
<b>Total Full-Time Equivalent State Employees</b>	<b>25,496.3</b>	<b>25,591.9</b>	<b>25,889.6</b>	<b>26,116.4</b>	<b>27,120.1</b>
Change	-0.4%	-1.2%	-0.9%	-3.8%	0.8%

Source: New Mexico Legislative General Appropriation Act for each fiscal year's annual appropriation.

Note: During 2006, Adult Protective Services Division was moved to Aging and Long-Term Services Department from Children, Youth, and Families Department.

## SCHEDULE E-1

Fiscal Year				
2009	2008	2007	2006	2005
1,315.3	1,311.3	1,231.1	1,220.8	1,245.3
1,206.0	1,241.7	1,124.7	1,109.7	1,010.7
4,325.1	4,375.1	4,100.1	3,985.1	3,779.8
2,538.5	2,538.5	2,473.5	2,326.0	2,295.0
1,574.5	1,595.6	1,520.1	1,476.1	1,449.5
3,477.0	3,481.0	3,175.3	2,988.3	2,905.8
4,138.0	4,141.0	4,065.5	4,014.5	3,866.8
720.5	720.5	664.5	647.5	640.5
225.0	225.0	225.0	225.0	225.0
696.5	696.5	674.0	672.0	651.5
993.3	1,041.3	1,002.8	957.7	870.7
551.0	586.0	565.5	561.5	555.0
1,955.3	1,960.1	2,110.2	1,893.7	1,874.4
423.2	427.8	391.8	386.3	333.9
<u>2,756.5</u>	<u>2,756.5</u>	<u>2,673.5</u>	<u>2,673.5</u>	<u>2,673.5</u>
<u>26,895.7</u>	<u>27,097.9</u>	<u>25,997.6</u>	<u>25,137.7</u>	<u>24,377.4</u>
<u>-0.8%</u>	<u>4.1%</u>	<u>3.3%</u>	<u>3.0%</u>	<u>2.4%</u>

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>General Government</b>					
<b>Operations</b>					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) <sup>5 7 8 11</sup>	30th	30th	50 <sup>th</sup>	49 <sup>th</sup>	81 <sup>st</sup>
<b>Taxation</b>					
% of Electronically Filed Personal Income Tax Returns <sup>5 6 9 14</sup>	90%	85%	82%	63%	55%
% of Motor Vehicle Registrations Issued (with Liability Insurance) <sup>5 6 14</sup>	91%	91%	92%	91%	91%
Amount of Delinquent Property Tax Collected and Distributed to Counties (New Measure Fiscal Year 2009, \$ Millions) <sup>8 10 14</sup>	13.5	12.4	11	7	5
<b>Regulation</b>					
# of Vehicular Port Traffic at New Mexico Ports <sup>5 7 10 14</sup>	1,279,179	824,824	766,671	830,000	434,061
Nursing Licenses Issued <sup>5 7 10</sup>	14,551	15,081	14,500	13,576	NA
Tri-Annual Physician Licenses Issued <sup>5 7 10 14</sup>	3,945	3,661	3,000	2,707	2,403
Biennial Physician Assistant Licenses Issued <sup>5 7 10</sup>	436	398	225	262	230
<b>Public Safety</b>					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau <sup>5 7 10 14</sup>	18,202	11,564	35,500	25,000	18,013
# of Traffic Fatalities <sup>5 9 14</sup>	343	304	395	306	351
# of Driving While Intoxicated Fatalities <sup>5 9 14</sup>	137	120	169	89	147
# of Driving While Intoxicated Arrests <sup>5 7</sup>	N/A	N/A	2,479	3,309	4,311
<b>Education</b>					
<b>Public</b>					
# of High School Graduates <sup>1</sup>	25,170	25,903	20,594	N/A	NA
Student Dropout Rate for Grades 9 - 12 <sup>2</sup>	4.7%	4.7%	4.6%	N/A	NA
Public School Capital Outlay Allocation (\$ Millions) <sup>3 4</sup>	457	483	136	N/A	NA
<b>Higher</b>					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) <sup>8 10 14</sup>	43%	43%	40%	43%	NA
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years <sup>5 6 8 10 14</sup>	73%	72%	73%	71%	NA

## SCHEDULE E-2

<u>2009, as Restated</u>	<u>2008, as Restated</u>	<u>Fiscal Year 2007, as Restated</u>	<u>2006, as Restated</u>	<u>2005, as Restated</u>
49 <sup>th</sup>	49 <sup>th</sup>	41 <sup>st</sup>	82 <sup>nd</sup>	83 <sup>rd</sup>
51%	49%	37%	34%	30%
91%	89%	89%	87%	86%
5	NA	NA	NA	3
864,020	742,395	740,931	693,583	623,855
13,897	13,930	13,281	11,885	11,099
3,546	3,508	2,831	3,010	2,787
277	262	245	221	411
23,453	28,422	25,817	26,196	48,774
384	371	424	519	469
153	163	137	199	146
3,694	3,363	3,883	3,261	3,879
19,357	18,588	18,260	17,660	17,830
NA	5%	6%	5%	5%
153	137	160	242	280
43%	43%	42%	37%	39%
65%	66%	65%	65%	64%

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Health and Human Services</b>					
% of Children Receiving Services in Medicaid	80%	70%	70%	60%	60%
Managed Care <sup>5 6 10 14</sup>					
% of Child Support Collected of Support Owed <sup>5 6 9 14</sup>	56%	56%	57%	57%	58%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) <sup>5 7 8 10 14</sup>	360	132	173	300	190
% of Children Adopted within 24 Months of Entry into Foster Care <sup>5 7 8 10 14</sup>	32%	31%	35%	28	23%
% of Abused Children with Repeat Maltreatment <sup>5 6 9 14</sup>	1%	0%	700%	6%	NA
% of Preschoolers Fully Immunized <sup>5 6 9 14</sup>	72%	72%	76%	65%	70%
# of Operating School-Based Health Centers <sup>5 6 13 14</sup>	80	80	82	84	84
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) <sup>5 7</sup>	NA	NA	4	4	4
<b>Corrections</b>					
<b>Juvenile</b>					
% Juveniles Earning Education Credits While Incarcerated <sup>5 6</sup>	NA	NA	55%	47%	60%
% of Juveniles Who Complete Formal Probation <sup>5 6</sup>	NA	NA	90%	92%	90%
% of Juveniles Recommitted to a Youth Detention Facility <sup>5 6 9 14</sup>	10%	9%	12%	11%	80%
<b>Adult</b>					
Turnover Rate of Correctional Officers <sup>5 7 9 14</sup>	10%	8%	11%	13%	15%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) <sup>5 7 9 14</sup>	36%	28%	37%	35%	32%
% of Prisoners Reincarcerated within 36 Months After Release <sup>10 14</sup>	47%	47%	40%	40%	44%
<b>Culture and Recreation</b>					
# of Visits to Visitor Information Centers (Millions) <sup>5 7 8</sup>	NA	NA	1.3	1	1
# of Unique Website Visitor Sessions (Millions) <sup>5 7 8</sup>	NA	NA	2	3	2
Circulation Rate for New Mexico Magazine <sup>5 7 8 9 14</sup>	89,556	91,197	94,221	90,000	85,264
Attendance to Museum Exhibitions, Performances, Films, Programs <sup>5 7 8 10 14</sup>	851,101	826,912	830,000	845,000	827,281
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters <sup>5 7 8 10 14</sup>	87%	86%	80%	80%	87%
Fish Output from Hatchery System (in Pounds) <sup>5 7 8 10 14</sup>	634,779	621,721	592,247	455,000	485,375
# of Visitors to State Parks (Millions) <sup>5 6 8 9 14</sup>	4	3.8	4	4	5
<b>Natural Resources, Environment</b>					
# of Inspections of Oil and Gas Wells and Associated Facilities <sup>14</sup>	38,920	37,707	35,147	27,816	38,352
% of Required Mine Inspection Conducted <sup>5 7 8 14</sup>	100%	100%	100%	100%	100%
% of Abandoned Uranium Mines with Current Site Assessments <sup>5 7 8</sup>	NA	NA	50%	50%	70%
% of Landfills Meeting Groundwater Monitoring Requirements <sup>5 6 14</sup>	96%	100%	95%	97%	NA
# of Wildlife Habitat Acres Conserved or Enhanced <sup>8</sup>	N/A	999	100,000	65,000	106,138
# of Threatened/Endangered Species Monitored/Involved in Recovery Process <sup>5 7 8 10 14</sup>	35	39	35	35	46

**SCHEDULE E-2 (CONTINUED)**

<b>Fiscal Year</b>				
<b>2009, as Restated</b>	<b>2008, as Restated</b>	<b>2007, as Restated</b>	<b>2006, as Restated</b>	<b>2005, as Restated</b>
60%	64%	65%	55%	45%
59%	58%	56%	54%	52%
182	222	270	160	840
28%	36%	38%	33%	35%
6%	8%	7%	8%	7%
95%	81%	72%	78%	84%
84	84	65	66	34
4	3	4	4	4
38%	75%	84%	72%	42%
91%	90%	91%	90%	80%
10%	4%	13%	14%	17%
10%	13%	15%	21%	11%
40%	33%	38%	41%	38%
46	NA	NA	NA	NA
1	1	1	1	1
1	3	5	5	3
85,264	105,665	105,275	107,870	106,758
843,475	840,520	790,175	902,282	886,812
83%	83%	83%	85%	84%
423,501	451,337	410,579	441,707	477,665
5	5	4	4	4
38,318	35,169	NA	NA	NA
100%	99%	NA	NA	NA
23%	NA	NA	NA	NA
72%	61%	66%	71%	80%
76,861	132,00	110,621	106,921	NA
82	77	69	58	49

# STATE OF NEW MEXICO

## OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>Business, Labor, and Agriculture</b>					
% of Adults who Entered Employment in 1 <sup>st</sup> Quarter of Receiving Training Services <sup>5 9 14</sup>	70%	74%	72%	86%	57%
# of Rural Jobs Created <sup>5 6 9 14</sup>	1,562	1,440	1,542	958	1,446
# of Media Industry Worker Days <sup>5 6 9 14</sup>	189,782	216,461	143,046	181,366	142,524
Changed to "Direct Spending by Industry productions (\$ Millions) <sup>14</sup>	162	641	674	697	559
Economic Impact of Media Industry Productions (\$ Millions) <sup>5 6 9</sup>					
<b>Highways and Transportation</b>					
# of System wide Miles in Deficient Condition <sup>5 6 9 14</sup>	TBD	8128	3837	3,407	3,171
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled <sup>5 7 8 12</sup>	1.43	<1.5	<1.5	1	1
# of Statewide Improved Pavement Surface Miles <sup>5 6 9 14</sup>	2889	3139	>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>3</sup> Report of the Legislative Finance Committee to the 47th Legislature First Session, January 2006, Vol. I, Pg. 105

<sup>4</sup> New Mexico Public Schools Finance Authority

<sup>5</sup> Report of the Legislative Finance Committee to the 47th Legislature Second Session, January 2006, Vol. II, Pgs. 57, 63-65, 93, 105, 113, 117, 127, 130, 132, 137, 139, 161, 164, 166, 181, 192-193, 198-199, 201, 227, 242, 244, 249, 255, 258, 268, 274-276, 288, 295, 300-301, 306, 310, 315, 318, 325, 331, 345

<sup>6</sup> Report of the Legislative Finance Committee to the 48th Legislature First Session, January 2007, Vol. I, Pgs. 123, 128, 130-131, 133-134, 137-139, 142, 144-146

<sup>7</sup> Report of the Legislative Finance Committee to the 48th Legislature Second Session, January 2007, Vol. II, Pg. 35, 55, 110, 114, 126, 129, 131, 136, 153, 157, 161, 163, 171, 181, 191-92, 200, 226, 250, 259, 269, 297, 302-3, 307, 316-17, 321, 328, 335

<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, 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 Business, <http://www.chicagobusiness.com/article/20130110/NEWS07/130109847/pension-fund-rankings-by-state-were-no-50>

<sup>12</sup> [http://www.tripnet.org/docs/NM\\_Transportation\\_By\\_The\\_Numbers\\_T](http://www.tripnet.org/docs/NM_Transportation_By_The_Numbers_T)

<sup>13</sup> New Mexico Alliance for School-Based Health Care (NMA SBHC): <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

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; therefore, we are only able to provide five fiscal years of operating indicators at this time. 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 and replaced by different criteria.

NA Information not available.

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**SCHEDULE E-2 (CONTINUED)**

<b>Fiscal Year</b>				
<b>2009, as Restated</b>	<b>2008, as Restated</b>	<b>2007, as Restated</b>	<b>2006, as Restated</b>	<b>2005, as Restated</b>
83%	86%	85%	80%	74%
1,641	2,200	1,451	2,192	2,043
162,190	110,000	168,046	161,137	99,695
746	175	474	350	272
2,951	3,468	3,468	3,905	5,567
1	6	2	2	2
3,764	4,321	2,424	4,144	3,700



# STATE OF NEW MEXICO

## CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2014	2013	2012	2011	2010
<b>General Government</b>					
Buildings	110	110	110	110	110
<b>Public Safety</b>					
Buildings (not inc. POE'S)	29	29	29	29	9
Vehicles	921	921	921	935	935
Ports of Entry	16	16	16	16	14
<b>Health and Human Services</b>					
Buildings - General Administrative	34	34	34	34	34
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	253	253	253	253	253
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	11	11	11	11	11
Vehicles	426	426	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>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

Sources: New Mexico General Services Department, Property Control Division and Public Information Office ; New Mexico Game and Fish Department, Administrative Services Division; New Mexico Energy and Minerals Department, Administrative Services Division; New Mexico Department of Transportation, 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; State of New Mexico Report of the Legislative Finance Committee to the 47th Legislature Second Session, Vol. III, January 2015, pg. 23

**SCHEDULE E-3**

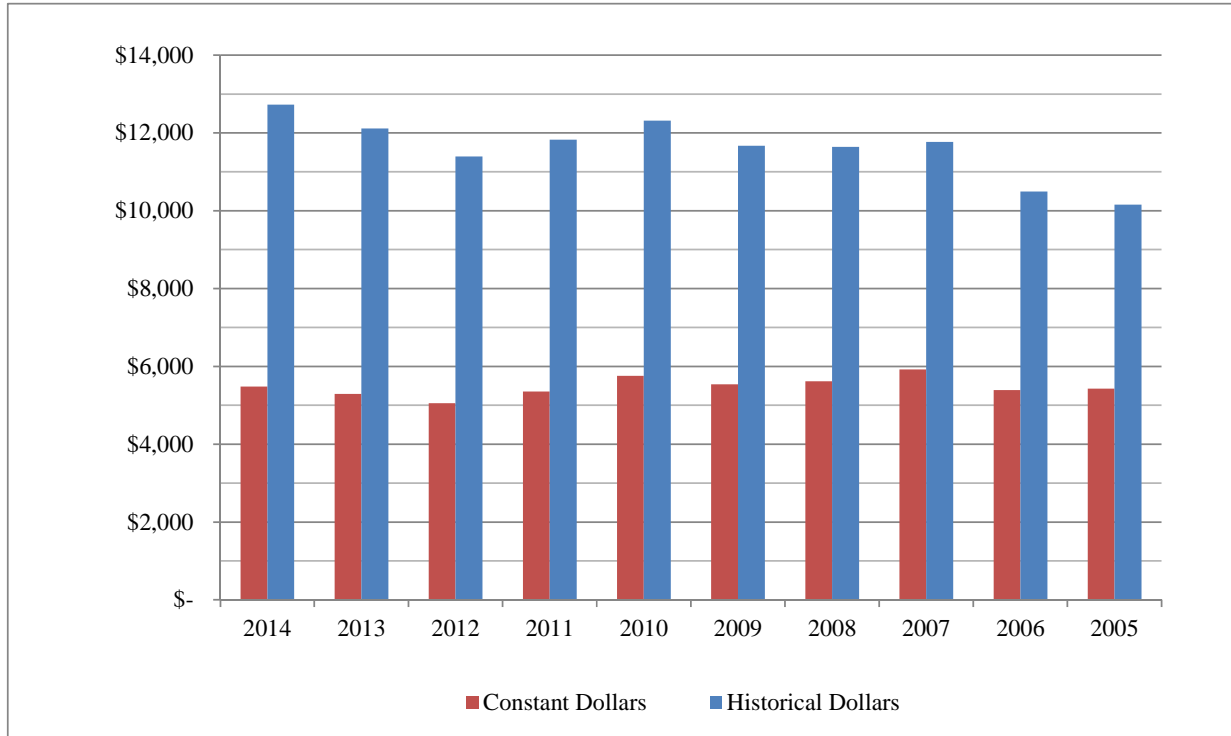
<b>Fiscal Year</b>				
<b>2009, as Restated</b>	<b>2008, as Restated</b>	<b>2007, as Restated</b>	<b>2006</b>	<b>2005</b>
110	101	104	99	99
8	7	7	7	7
983	926	989	990	1,056
14	13	13	13	13
34	32	32	33	33
3	3	3	3	3
253	248	248	255	255
7	7	7	7	7
11	11	11	11	11
440	417	382	385	343
330	326	322	321	321
369	379	300	353	370
57	57	61	69	77
8	8	8	8	8
6	6	7	6	5
387	383	340	336	323
35	34	34	33	32
171,241	171,241	166,000	166,000	166,000
6	6	6	6	6
26,688	30,417	30,417	29,952	29,456
6,300	6,531	6,421	6,421	6,421

# STATE OF NEW MEXICO

## EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

SCHEDULE F-1

Last Ten Fiscal Years



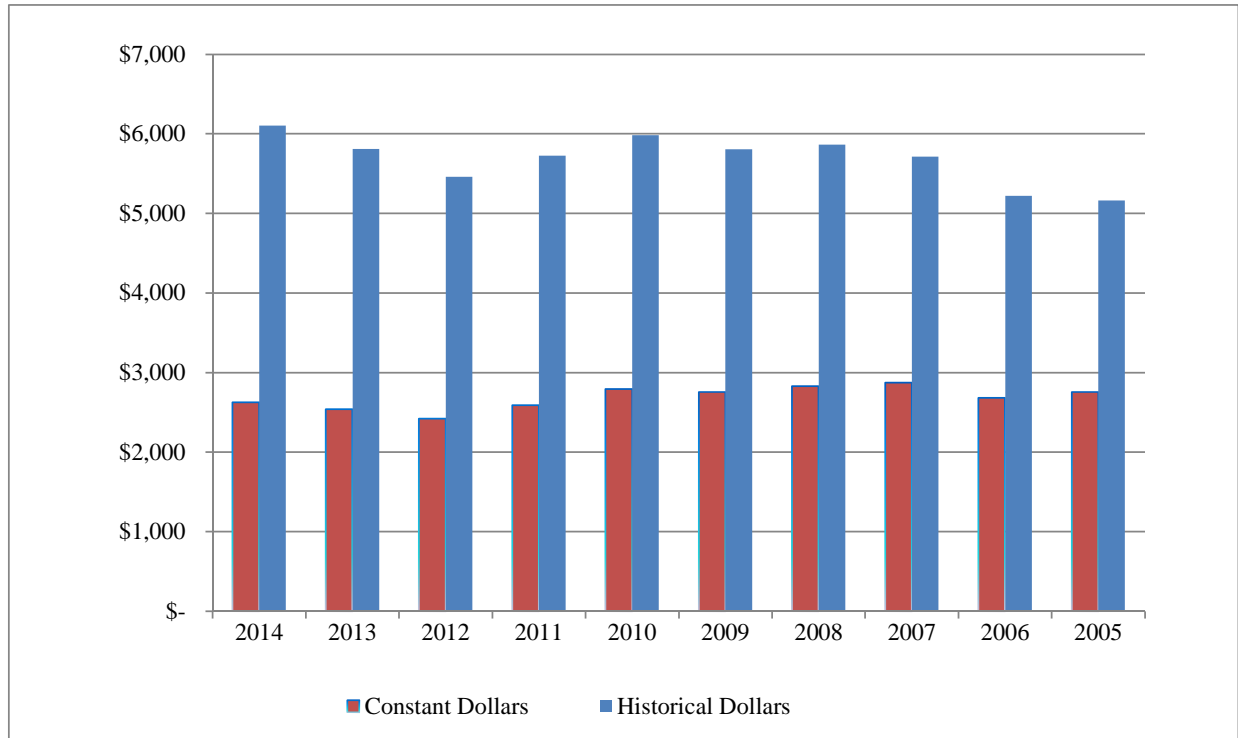
### Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2014	\$ 12,728	5.1%	\$ 5,479	3.4%
2013	12,114	6.4%	5,296	4.8%
2012	11,390	-3.7%	5,055	-5.6%
2011	11,825	-4.0%	5,357	-6.9%
2010	12,316	5.5%	5,757	3.9%
2009	11,671	0.3%	5,543	-1.3%
2008	11,640	-1.1%	5,619	-5.1%
2007	11,764	12.1%	5,922	9.8%
2006	10,495	3.3%	5,393	-0.7%
2005	10,160	19.2%	5,429	15.8%

# STATE OF NEW MEXICO

## PER CAPITA EXPENDITURES HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES Last Ten Fiscal Years

SCHEDULE F-2



### Per Capita Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2014	\$ 6,104	5.1%	\$ 2,627	3.4%
2013	5,809	6.4%	2,540	4.8%
2012	5,462	-4.6%	2,424	-6.5%
2011	5,724	-4.3%	2,593	-7.3%
2010	5,981	3.0%	2,796	1.4%
2009	5,807	-1.0%	2,758	-2.6%
2008	5,866	2.7%	2,832	-1.5%
2007	5,713	9.5%	2,876	7.2%
2006	5,220	1.1%	2,682	-2.7%
2005	5,161	16.9%	2,758	13.5%

## OTHER REPORTS



# CliftonLarsonAllen

## **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 Susana Martinez, Governor of the State of New Mexico  
Mr. Thomas Clifford, Ph.D., Secretary of the New Mexico Department of Finance  
and Administration,  
Mr. Ronald C. Spilman, State Controller of the New Mexico Department of Finance  
and Administration  
and  
Mr. Timothy Keller, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and each of the State's non-major enterprise funds, internal service funds, and each fiduciary fund type presented as supplementary information, and have issued our report thereon dated June 25, 2015. 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 disclaims opinions on certain financial statements because of the matters described in the "Bases for Disclaimer of Opinions" paragraph in our report starting on page 2.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the State, 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2013-001, 2013-002, 2013-005 and 2014-001.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
June 25, 2015

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

### Financial Statement Findings

#### 2013-001 - Book to Bank Reconciliation – General Fund Investment Pool – FCD (Material Weakness) - Repeated

**Condition:** The State General Fund Investment Pool balances had not been reconciled at the business unit and fund level since implementation of the Statewide Human Resources, Accounting and Management Reporting System (SHARE) in July 2006. In June 2012, the State Controller and Director of the Financial Control Division (the Division) commissioned a diagnostic report to assess the state of book to bank cash reconciliation and develop recommendations for remediating system and business process issues pertaining to the process. Key observations revealed by the report were:

1. Functionality available in the SHARE Treasury module was not fully used. Reconciliation functionality in PeopleSoft is premised on the concept that all system transactions have an associated GL accounting entry and that each bank transaction reconciles to the system transaction. This was not the case for the original configuration where some transactions were netted and others were not accounted for at all.
2. Business processes related to deposits, payments and cash management activities were not standardized across State agencies.
3. Absence or non-enforcement of a requirement that all bank transactions have a corresponding accounting entry. There were accounts where detail bank activity was not recorded or reconciled in the GL.
4. Appropriate end user training was not initially or continually provided to ensure that users were aware of the activities they perform in the system and the impact they have on the bank activity and the reconciliation process.
5. Bank account structure was suboptimal for managing and performing bank reconciliation.

**FY 2013 Update:** During fiscal year 2013, the State initiated the cash management remediation project which implemented the system configuration and business process changes necessary to perform a state-wide cash reconciliation that compares State of New Mexico bank transactions to book entries on a monthly basis. Since the State implemented reconciliation of fiscal agent bank activity in February 2013, a complete reconciliation of FY13 activity was not performed. In addition, the historical reconciliation of activity prior to the cash management remediation initiative remained outstanding.

**FY 2014 Update:** As of June 30, 2014, the State still lacks a process to reconcile the actual investment pool balances to the participant claims on that pool to determine the extent of required adjustments against the State General Fund Investment Pool.

**Criteria:** Section 6-5-2.1(J) NMSA 1978 requires the Division to perform monthly reconciliations with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

**Cause:** Banking and business process design and configuration for SHARE implementation were flawed and did not incorporate the full functionality of the system. In addition, system configuration and roll-out allowed for inconsistent business processes across agencies and accommodated numerous manual and customized processes. Over time, there have been attempts to perform reconciliations, however with numerous inconsistent business processes and customizations across agencies and the incomplete implementation of SHARE, the Division was unsuccessful in performing complete reconciliations.



# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

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### Financial Statement Findings (Continued)

#### 2013-001 - Book to Bank Reconciliation – General Fund Investment Pool – FCD (Material Weakness) – Repeated (Continued)

**Effect:** While on-going current period reconciliation mitigates the risk of not detecting fraudulent activity, the absence of an accurate and timely since inception reconciliation and verification of individual agency balances prevents the State from knowing actual cash position of the State as a whole and by participant. As a result, the State is maintaining a \$100 million allowance for a potential loss related to the reconciliation of the State's General Investment Pool in the State's General Operating Reserve Fund. This issue drives the opinion disclaimer on the State's financial statements.

**Auditors' Recommendation:** We recognize the State has been and is working to address this issue with numerous cash management remediation initiatives. We recommend the State continue efforts until the issues are resolved and refine and establish policies and procedures to prevent future occurrences. Furthermore, we recommend the State make it a priority to determine the actual cash position of the State versus recorded agency claims prior to the completion of the cash remediation efforts.

**Management's Response:** Management agrees with this finding and recognizes independent bank reconciliation as an essential control.

The State of New Mexico deployed the Statewide Human Resource, Accounting and Management Reporting System (SHARE) in July 2006. When implemented, development of standardized business processes and restrictions on systems customizations were not part of the overall plan; as a result, post implementation effort was focused on systems stabilization and business process integration. Additionally, there were instances of incomplete or improper module implementation, all of which hindered efforts to embed a complete and accurate bank reconciliation process. Although efforts were undertaken between FY 2007 – FY 2010 to address these issues, they resulted in marginal success as needed SHARE configuration changes and State business process redesign efforts were not part of the scope. Given the noted limitations, a full reconciliation of statewide cash balances was not performed during the period beginning with SHARE implementation up until completion of the Cash Management Remediation Project.

As a result of the issues above, a Diagnostic of Cash Control was initiated in June 2012 and a Cash Management Remediation Project shortly thereafter. The State implemented the recommendations contained in the Cash Management Remediation Project in February 2013, including; modifying bank account structure, revising accounting procedures, developing system tools and building the organizational capability necessary to support an on-going monthly reconciliation process. As a result, an accurate reconciliation of bank to book balances at the State and Business Unit level is now functioning for current activities. Additional process changes identified during the project continue to be rolled out to support the ultimate goal of maintaining reconciled balances at a Business Unit and Fund level.

With respect to the historical balances, an effort was initiated and completed in FY15. Unfortunately during this undertaking it became apparent that there was not sufficient detailed information to perform a transactional reconciliation. As a result, the plan is to select a point forward date and accept audited participant claims on the State General Fund Investment Pool as definitive and taking any difference

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

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### Financial Statement Findings (Continued)

#### 2013-001 - Book to Bank Reconciliation – General Fund Investment Pool – FCD (Material Weakness) – Repeated (Continued)

between claims and actual investment pool balances to the State's Operating Reserve Fund. It is the State's intent to make this adjustment as soon as possible, but only after the recently developed model to reconcile actual investment pool balances to the participant claims on that pool has been tested and deemed accurate. This is aligned with the Audit recommendation of establishing policies and procedures to prevent future occurrences.

#### 2013-002 - Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) - Repeated

**Condition:** During the FY13 audit of the State's financial statements numerous issues surrounding the reporting and recording of interfund transactions were identified. During the FY14 audit, improvement related to interfund balances for agencies using SHARE was observed; however, accounting for interfund activity remained problematic and other issues were identified. The most significant issues regarding interfund, internal and intra-entity activity and balances are summarized below:

- Interfund/Internal Activity and Balances
  - The State was unable to reconcile all interfund transfers among entities that report within SHARE with supporting documentation for the period in which the transfers were recorded.
  - 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 using ERP software other than SHARE. The State does not have an effective process to identify and eliminate payables/receivables between these proprietary funds and other funds of the State.
  - 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 minimize the "grossing up" effect on 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 balances and activities of funds that are consolidated into a common fund on the State's financial statements. Furthermore, the State doesn't have a process to identify any federal/state funds that are passed through from one fund to another at the business unit level, yet consolidated at the State level, which may result in federal revenues and related expenses that are counted multiple times in the financial statements.
  - Residual balances between the primary government and fiduciary funds should be reported as receivable from/payable to external parties. The actual residual balances among the various funds do not indicate whether they are in balance or not.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

### Financial Statement Findings (Continued)

#### 2013-002 - Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) – Repeated (Continued)

- We noted instances of various sources of revenue that are recorded in the General Fund of the state as taxes or investment income, however, these sources appear to have already been recorded and classified as taxes or investment income in another fund of the State and such sources should be classified as transfers into the General Fund. The extent and pervasiveness of this issue in the financial statements is unknown.
- Intra-Entity Activity and Balances
  - The State does not have a process to ensure the reporting of all receivables and payables between the primary government and component units on a separate line in the State's financials as required. During the audit we identified \$183M in debt payable to a component unit of the state that was not recorded within the State's financial statements, of this only \$118M was disclosed on the component unit statements. In addition, a total of \$200M in loans to the State from the component unit was not disclosed on either the State's financials or the component unit's financials.
  - The State doesn't have a process to identify significant transactions between the primary government and component units to report the nature and amount of such transactions.

**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.

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.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

### Financial Statement Findings (Continued)

#### 2013-002 - Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) – Repeated (Continued)

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.

Per GASB 34 Para 128

- In addition to the financial statement information required by paragraph 126, the notes to the financial statements should disclose, for each major component unit, the nature and amount of significant transactions with the primary government and other component units.

**Cause:** Historically, financial reporting for the State has been de-centralized and each component of the State has established its own policies and procedures regarding the accounting treatment of interagency transactions, without regard for the State’s financials as a whole. In addition, the State Financial Reporting and Accountability Bureau (SFRAB), as the oversight entity, has not established or effectively communicated appropriate policies and procedures with all components of the State to ensure transactions are recorded in a consistent manner and that the necessary information is transmitted to the SFRAB.

**Effect:** The State is unable to properly prepare timely financial statements in accordance with generally accepted accounting principles. These issues led to the opinion modifications on the State’s financial statements.

**Auditors’ Recommendation:** We recommend the SFRAB evaluate the nature of all significant transactions among the various components of the State that comprise the interfund/internal/intra-entity activity and balances within the State’s financial statements and 1) determine the proper accounting treatment for the various types of transactions; 2) develop policies and procedures for all of these related transactions, which include proper recording in SHARE and year-end reporting packages from the non-SHARE entities; 3) communicate these procedures to all components of the State; and 4) establish procedures to monitor this activity monthly, which allow the SFRAB and the components to identify and address differences in these transactions among the components in a timely manner. In addition, the SFRAB shall establish procedures for properly consolidating and eliminating these transactions in the

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

### Financial Statement Findings (Continued)

#### 2013-002 - Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) – Repeated (Continued)

State's financial statements to properly report interfund/internal/intra-entity balances and activity for the State as a whole. This would include establishing procedures for identifying valid timing differences which may exist between components and which would be reconciling items between the State's financial statements and the component level financial statements.

**Management's Response:** Management agrees with this finding and has been modifying its accounting procedures used within the State's ERP system, SHARE, as well as procedures and requirements for entities that are part of the primary government or component units whose accounting processes are supported in systems other than SHARE. It is recognized that proper classification and subsequent eliminations can only be achieved if transactions are properly identified and classified. With that in mind the State has and continues to modify its accounting procedures to allow timely and compliant production of the CAFR and to eliminate all instances of multiple counting of transactions. Given the decentralized nature of the entities and different accounting systems there is a need for enhanced oversight of data provided by entities whose activities are accounted for outside of the State's EPR. To that end, incremental funding for FY16 has been received to increase the staffing of the SFRAB. This should reduce the number of entities each accountant is responsible for and allow for increased review, analysis and follow-up with the entities whose results are part of the CAFR.

#### 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 prepare financial statements for the State in accordance with generally accepted accounting principles. The following are some of the issues encountered during the audit which further illustrate the issues surrounding the internal control structure over financial reporting for the State in attempting to prepare financial statements in accordance with generally accepted accounting principles and the New Mexico State Audit Rule:

- Due to the issues noted with the Book to Bank reconciliation of the SGFIP, the Interfund/Internal/Intra-Entity Activity and Balances, and the financial information of the educational institutions, the SFRAB is unable to properly prepare timely and accurate financial statements for the State in accordance with generally accepted accounting principles.
- The SFRAB lacks documented policies and procedures related to the processes used in preparing the State's financial statements.
- State Financial Reporting has historically been de-centralized, in which the individual components of the State have determined the accounting treatment, the timing and recognition of transactions, and when implementation of new GASB statements would occur. The de-centralized approach fosters inconsistencies across agencies and complicates the State's financial statement consolidation process when transactions are consolidated into a single report for the State.
- We noted instances of activity and balances within SHARE but not in the financial statements of an audited entity.
- Inconsistent use of the chart of accounts within SHARE among the agencies.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

### Financial Statement Findings (Continued)

#### 2013-005 - Internal Control over Financial Reporting (Material Weakness) - Repeated (Continued)

- Excessive number of restatements and audit adjustments/reclassifications identified by the auditors and the SFRAB during the audit.
- During our review of the State's financial statements, various inconsistencies and/or misclassifications were identified and remain uncorrected.
- During the audit, we identified a potential component unit of the State which was not considered by the State or included in the State's financial statements. The State lacks adequate controls to ensure all potential component units of the State are identified, evaluated and reported as required.
- We noted the mapping of accounts within SHARE to the financial statement groupings was not always accurate or consistent with the amounts reported in the State's financial statements or the component financial statements.
- During the audit, we noted debt payable to a component unit of the State that was not recorded on the State's financial statements. Once identified, the State properly recorded the debt in the State's financial statements. However, the State lacks controls to ensure all debt and related debt payment activity of the State is properly recorded, to include tax intercept activity on debt not recorded on a stand-alone agency report.
- The State has not considered and prepared all necessary consolidating/eliminating journal entries required in the State's financial statements.

**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:** As identified in the FY13 audit, a primary factor contributing to the issues identified with the State's financial statement preparation process, is the cumbersome process used to produce the State's financial statements. The SFRAB utilizes data from SHARE and audited financial statements to produce the CAFR. Although the SFRAB has begun to address issues identified in the FY13 audit, the State's financial reporting is still very de-centralized among all components that are included in the State's financial statements. The use of SHARE among agencies can be inconsistent and incomplete. Furthermore, the SFRAB lacks documented policies and procedures surrounding the State's financial statements.

**Effect:** The State of New Mexico is unable to properly prepare financial statements in accordance with generally accepted accounting principles in a timely manner. Furthermore, these issues led to the opinion modifications on the State's financial statements.



# STATE OF NEW MEXICO

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## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

### Financial Statement Findings (Continued)

#### 2013-005 - Internal Control over Financial Reporting (Material Weakness) - Repeated (Continued)

**Recommendation:** Although the State faces many challenges in its effort to resolve the issues identified with the financial reporting process we did observe that improvement have been made since the FY13 audit. Furthermore, we are aware the State and SFRAB are currently working with a contractor to properly configure and engage the full functionality of SHARE and implement the Hyperion Software System, which will be critical to improve the reporting process and overall statewide financial reporting. Furthermore, we recognize that the process to completely address the deficiencies in the reporting process will be a gradual and evolutionary in nature consisting of constant refinements of the processes, procedures and system configuration over time. We recommend the SFRAB continue to work with the contractor to improve the functionality of SHARE and the implementation of the Hyperion Software System. In addition, the SFRAB should attempt to prioritize the issues with the State's financial reporting process and establish appropriate controls and procedures to resolve each deficiency in the reporting process.

**Management's Response:** Management agrees with this finding. The State has had a decentralized approach to the State's financial statement preparation process. After the FY13 audit, the SFRAB began to modify and develop accounting policies and procedures to facilitate CAFR preparation. However, the overall process for producing New Mexico's CAFR will require a comprehensive review and reengineering numerous processes, procedures and tools used.

For the first time, SHARE was the ultimate book of record for all state agencies in FY14 and the financial statements contained in the independent stand-alone audits matched the financial data in SHARE.

DFA secured funding during the 2014 legislative session to purchase software to enhance the timeliness and integrity of the financial information reported in the State's financial statements. During the 2015 legislative session, funding to configure and bring the software on-line was secured. Planning, design and implementation is slated for the last half of 2015 with expected application availability occurring during the end of the FY15 CAFR process. Additionally, included as part of the second phase of the Cash Management Remediation Project there are a number of upgrades to the SHARE general ledger business processes that should address some of the issues identified. That project is expected to be completed by the end of fiscal year 2016.

# STATE OF NEW MEXICO

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

### Financial Statement Findings (Continued)

#### 2014-001 Financial Reporting of the Educational Institutions (Material Weakness)

**Condition:** The State Educational Institutions consists of 10 constitutionally named institutions that are consolidated into a single proprietary fund type. While these entities are part of the primary government they do not use the State's ERP system and as a result the SFRAB is reliant upon the separate standalone reports from each institution to prepare the financial information for this fund. During the audit, we noted the following issues regarding the financial reporting of the educational institutions within the State's financial statements:

- The educational institutions of the State report fiduciary funds within their separate audited financial reports, these funds should also be reported in the State's financial statements included in the appropriate fiduciary fund types. These funds have never been included in the State's financial statements and are not reflected in the financial statements for June 30, 2014.
- During our analysis of the accounts payable of 4 significant business units of the State that are reported in the governmental funds, we identified \$20M in payables to the various educational institutions of the State. Although these entities are not on the same accounting software, they are reported under a single reporting entity and these payables should be reflected as receivable from other funds within the Educational Institutions Fund of the State. It's likely that these amounts are reported under accounts receivable; however, the State is uncertain as to this amount and the actual extent of interfund balances and activity between the Educational Institutions Fund of the State and all other fund types of the State to properly report and classify these balances and activity.
- During our analysis of the component financials and the combining schedule prepared by the SFRAB, we noted instances in which similar streams of revenues were inconsistently classified and presented among the component financial statements. When these were combined into one fund of the State, the result is possible material misclassifications and there is uncertainty as to the extent and pervasiveness of misclassifications within the financials statement balances and activities of the Educational Institutions Fund.

**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:** The reliance of the SFRAB on just standalone reports which are inconsistent among educational institutions and the absence of guidance provided to the educational institutions on the recording and classification of various financial statement balances and activity.



# STATE OF NEW MEXICO

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## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

### Financial Statement Findings (Continued)

#### 2014-001 Financial Reporting of the Educational Institutions (Material Weakness) (Continued)

**Effect:** The SFRAB is unable to prepare financial statements for the State of New Mexico 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:** We recommend the State work with the educational institutions and the State Auditor to establish consistent reporting requirements for the educational institutions to facilitate consolidation of the State's financial statements. Furthermore, we recommend the State establish a reporting package to include a standardized financial statement template in which each educational institution can populate based on their audited financial statements that can easily be consolidated by the SFRAB.

**Management's Response:** Management agrees with the finding. Given the decentralized approach used by the state and the latitude afforded to the Educational Institution including use of a different accounting systems there is a need for enhanced, more prescriptive reporting instructions and increased scrutiny over the data provided by these entities whose activities are accounted for outside of the State's ERP. Development of detailed reporting instructions and standard data submission templates will enhance data consistency and facilitate report preparation. Additionally, incremental funding for FY16 has been received to increase the staffing of the SFRAB. This should reduce the number of entities that each accountant is responsible for and allow for increased review, analysis and follow-up with the entities whose results comprise an important part of the State CAFR.

# **STATE OF NEW MEXICO**

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## **STATUS OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2014**

**2013-001 – Book to Bank Reconciliation – General Fund Investment Pool – FCD (Material Weakness) – Repeated and Updated**

**2013-002 – Interagency/Interfund Transactions (Material Weakness) – Repeated and Updated**

**2013-003 Governmental Fund Type Classifications (Material Weakness) – Resolved**

**2013-004 Budget Statements (Material Weakness) - Resolved**

**2013-005 Internal Control over Financial Reporting (Material Weakness) – Repeated and Updated**

# STATE OF NEW MEXICO

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## EXIT CONFERENCE YEAR ENDED JUNE 30, 2014

An exit conference was held with the State on June 18, 2015. 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

Tom Clifford, Cabinet Secretary, NM Department of Finance and Administration  
Duffy Rodriguez, Deputy Secretary, NM Department of Finance and Administration  
Stephanie Clarke, Deputy Secretary, NM Department of Finance and Administration  
Ron Spilman, Controller, NM Department of Finance and Administration  
Steve Gonzales, FCD-Deputy Director, NM Department of Finance and Administration  
Rena Herndon-Lopez, CAFR Unit Accountant, NM Department of Finance and Administration

### CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Principal  
Matt Bone, CPA, CGFM, CGMA, Principal

### 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 FLOWER - YUCCA



NM BIRD - ROADRUNNER



**NEW MEXICO DEPARTMENT  
OF  
FINANCE AND ADMINISTRATION**

**FINANCIAL CONTROL DIVISION  
BATAAN MEMORIAL BUILDING  
407 GALISTEO STREET  
SANTA FE, NM 87501**

NM COOKIE - BISCOCHITOS



NEW MEXICO TIE - BOLO

