

# STATE OF NEW MEXICO COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016



*NM STATE CAPITOL BUILDING*

*SOURCE - DREAMSTIME.COM*

**SUSANA MARTINEZ, GOVERNOR**

DOROTHY E. RODRIGUEZ  
CABINET SECRETARY

RONALD C. SPILMAN  
STATE CONTROLLER

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# INTRODUCTORY SECTION



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

*Susana Martinez*  
Governor

*Dorothy E. Rodriguez*  
Cabinet Secretary

*Ronald C. Spilman*  
State Controller

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

In accordance with Chapter 6-5-4.1 of the New Mexico Statutes Annotated 1978 (NMSA 1978), the Financial Control Division of the Department of Finance and Administration transmits the State of New Mexico's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016.

The CAFR presents the financial position and operating results of the State using generally accepted accounting principles (GAAP) applicable to state and local governments, as established by the Governmental Accounting Standards Board (GASB). The objective of the GASB reporting model is to provide a single, unified, transparent picture of the State's fiscal health. The basic financial statements and required supplemental information include a required narrative introduction, referred to as Management's Discussion and Analysis (MD&A). This transmittal letter complements the MD&A, which is located immediately following the independent auditors' report, and should be read in conjunction with it.

CliftonLarsonAllen LLP, an independent accounting firm, has audited the basic financial statements contained in this report. Their audit was conducted in accordance with the generally accepted government auditing standards and their auditor's report precedes the basic financial statements. The goal of an independent audit is to provide reasonable assurance that the State of New Mexico's basic financial statements for the fiscal year ended June 30, 2016 are free of material misstatement. Independent audit procedures include examining, on a test basis, supporting amounts and disclosures, assessing the accounting principles used, review of any significant estimates made by management, and evaluating the overall basic financial statement presentation. An audit also includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate under the circumstances, but not for expressing an opinion on the effectiveness of the State's internal controls over financial reporting. Accordingly, the independent auditor expressed no opinion with respect to internal controls over financial reporting.

Since the initial audit of the CAFR four years ago, numerous financial reporting issues have been identified and addressed, which has allowed subsequent audits to focus on new areas and identify new issues. The recasting of the Land Grant Permanent Fund from primarily a fiduciary fund to entirely a government fund during last year's cycle resulted in additional investigation and consultation with the Governmental Accounting Standards Board during the year. The review highlighted a weakness in the existing CAFR process, which aggregates agency level financial statements that may employ financial reporting conventions different from those used at the statewide level. Under statute (NMSA 12.6.3), each state agency must be audited annually, in the past, the CAFR consolidated these entities and made adjustments as necessary. While many of the accounting conventions used by agencies appear rational at a parochial level, they may not be aligned with the appropriate way of reporting the activity from a statewide perspective. Additionally, given reporting differences at the agency level, it was not possible, to ensure all required eliminations occurred. As a result, the audit firm was unable to obtain sufficient audit evidence to express an opinion on the financial statements.

Management is assessing options to address the matter, including a structured redesign of sub-entity financial reporting processes and transitioning from reliance upon aggregated agency audits to conducting a single comprehensive audit of the CAFR. The scope of the effort to remediate these issues is significant, as it will affect 160 individually audited entities. While the discovery of the problem is disappointing, it does not diminish the notable progress made in strengthening statewide controls, which includes the resolution of the cash reconciliation issue and progressive improvements in financial reporting that have occurred over the last four years.

## PROFILE OF STATE OF NEW MEXICO

New Mexico entered the union on January 6, 1912, becoming the forty-seventh state of the United States of America. 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 New Mexican landscape ranges from wide, rose-colored deserts to broken mesas to high, snow-capped peaks. The Sangre de Cristo Mountains, the southernmost part of the Rocky Mountains, run roughly north-south along the east side of the Rio Grande. New Mexico is divided into 33 counties. The State's major economic sectors include agriculture, energy production and mining, federal technology laboratories, tourism, and customer services. The State of New Mexico's estimated population was 2,081,015 as of July 2016.

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

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

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

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

## PENSION OBLIGATIONS

The State implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in Fiscal Year 2015. The purpose of the new statement was to improve the accounting and financial reporting of public employee pensions by state and local governments and enhance the usefulness of pension information. This change was limited to financial reporting and does not require any changes to the way actual employer plan contributions are determined. Employer contributions to the pension plans continue to be calculated per the requirements of the governing State statutes. GASB Statement No. 68 requires participating employers to recognize their proportionate share of the collective net pension liability. The State's share of the net pension liability, based on a measurement date of June 30, 2015, which is required to be recorded on the financial statements, is \$4.5 billion for the primary government an increase of \$0.6 billion.

## ECONOMIC CONDITIONS AND OUTLOOK

National economic growth has continued at the slow-to-moderate pace seen over the last few years, and the forecasts call for continued moderate growth. The recent presidential election has increased uncertainty over fiscal and healthcare policy, however unemployment rates continue to improve. The forecast predicts economic growth to continue throughout the forecast period; markets are poised for increased economic activity and rising interest rates.

Impacted by the sharp drop in energy prices, New Mexico's overall economic activity and employment declined in Fiscal Year 2016 and its real gross state product decreased 0.9 percent, after growing 4.0 percent in Fiscal Year 2015. General Fund revenues were 8.4 percent lower, after expanding 3.2 percent in the prior fiscal year.

As a result of lower energy prices, oil and natural gas related revenues declined by 30 percent in Fiscal Year 2016. In spite of lower prices, and rig counts that were 50 percent lower than one year prior, New Mexico natural gas production volumes remained steady and oil production surged 3.9 percent, to a level roughly double what the state produced just five years prior.

New Mexico's general sales tax revenue, which includes gross receipts tax and compensating tax, declined 7 percent in Fiscal Year 2016, comparable to the percentage decrease in taxable gross receipts, a broad-based measure of economic activity and the base for one-third of New Mexico's general Fund revenue. The revenue decline was largely attributable to the steep reduction in extraction activities, but was partially the result of a surge in claims for business tax credits and refunds.

Selective sales taxes, which include insurance premiums tax and motor vehicle excise tax, rose 9 percent due to the increase in insurance coverage and premiums under the Affordable Care Act and Medicaid expansion and an uptick in motor vehicle sales spurred on by low interest rates and gasoline prices. Income tax revenues fell 9.3 percent in Fiscal Year 2016, primarily the result of a 53 percent decline in corporate income tax receipts. Personal income tax revenues, a more significant and relatively stable revenue source for the state, comprising about one-fifth of General Fund revenue, were marginally lower than in Fiscal Year 2015.

Employment growth for the first half of Fiscal Year 2017 remained in positive territory as the employment losses in mining and energy-related sectors that began at the end of Fiscal Year 2015 stabilized, and employment gains in the health, leisure and hospitality, and other private sectors continued.

Taxable gross receipts have recovered somewhat in Fiscal Year 2017 due to a slight rebound in energy development with the recent improvement in prices and reduction in price volatility. Construction sector taxable gross receipts fell by 1.4 percent in the first half of Fiscal Year 2017, but have turned upwards towards the second half, averaging -0.4 percent through March. Residential construction and building permits continue to remain far below historic averages for New Mexico.

The consensus forecast calls for stronger General Fund revenue growth in Fiscal Year 2018 driven by a recovery in gross receipts tax revenue and higher permanent fund distributions. New Mexico employment is projected to show slight improvement in Fiscal Year 2018, while growth in state and national gross domestic product is expected to remain subdued.

## 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 (statewide property tax mill levy against all property in the state). Payment of severance tax bonds is 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 S&P Global.

## ACKNOWLEDGMENTS

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

Sincerely,

  
Dorothy E. Rodriguez  
Cabinet Secretary

  
Ronald C. Spilman  
State Controller

# STATE OF NEW MEXICO

## SELECTED STATE OFFICIALS

June 30, 2016

### Executive

**Susana Martinez, Governor**

**John A. Sanchez, Lieutenant Governor**

<b>Brad Winter</b> Secretary of State	<b>Timothy Keller</b> State Auditor	<b>Tim Eichenberg</b> State Treasurer	<b>Hector H. Balderas</b> Attorney General	<b>Aubrey Dunn</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 • **Lynda Lovejoy**, Public Regulation Commission • **Sandy Jones**, Public Regulation Commission

### Judicial

<b>Charles W. Daniels</b> Chief Justice of the Supreme Court	<b>Edward L. Chavez</b> Justice of the Supreme Court	<b>Petra Jimenez Maes</b> Justice of the Supreme Court	<b>Judith K. Nakamura</b> Justice of the Supreme Court	<b>Barbara Vigil</b> Justice of the Supreme Court
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- **Michael E. Vigil**, Chief Judge of the Court of Appeals • **James J. Wechsler, Sr.**, Judge of the Court of Appeals • **Michael D. Bustamante**, Judge of the Court of Appeals • **Jonathan B. Sutin**, Judge of the Court of Appeals • **Stephen G. French**, Judge of the Court of Appeals • **Roderick T. Kennedy**, Judge of the Court of Appeals • **Linda M. Vanzi**, Judge of the Court of Appeals • **Timothy L. Garcia**, Judge of the Court of Appeals • **M. Monica Zamora**, Judge of the Court of Appeals • **J. Miles Hanisee**, Judge of the Court of Appeals

### Legislative - Senate

<b>Mary Kay Papan</b> President Pro Tempore	<b>Michael S. Sanchez</b> Majority Floor Leader	<b>Stuart Ingle</b> Minority Floor Leader	<b>Michael Padilla</b> Majority Whip
<b>William H. Payne</b> Minority Whip			

### Legislative – House of Representatives

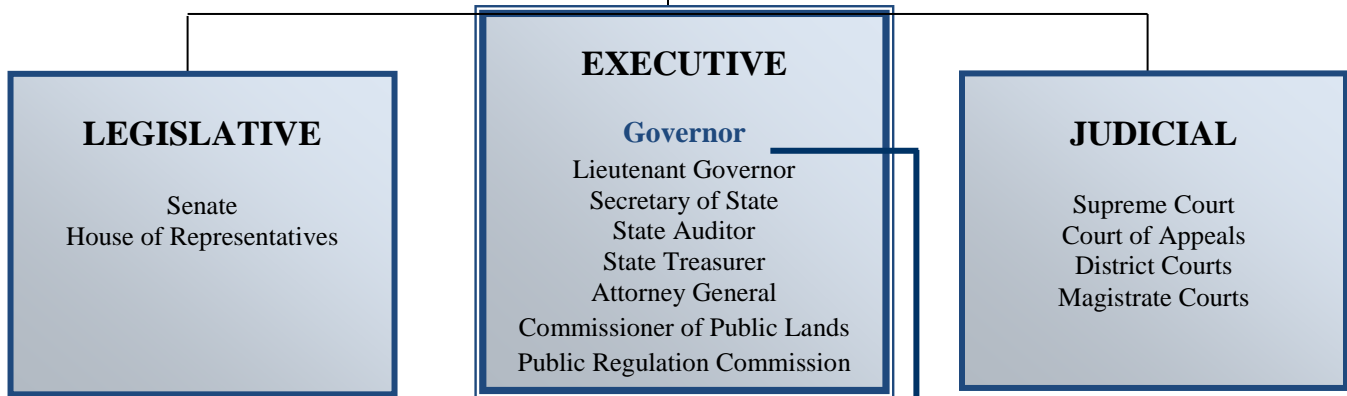
<b>Don L. Tripp</b> Speaker of the House	<b>Nate Gentry</b> Majority Floor Leader	<b>Brian Egolf</b> Minority Floor Leader	<b>Alonzo Baldonado</b> Majority Whip
<b>Sheryl Williams Stapleton</b> Minority Whip			

# STATE OF NEW MEXICO

## ORGANIZATIONAL CHART

June 30, 2016

Citizens of New Mexico



### **GOVERNOR'S CABINET**

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

STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

# FINANCIAL SECTION



ALBUQUERQUE INTERNATIONAL BALLOON FIESTA, ALBUQUERQUE, NEW MEXICO  
SOURCE - [WWW.THEWORLDFFESTIVAL.NET/](http://WWW.THEWORLDFFESTIVAL.NET/)

## INDEPENDENT AUDITORS' REPORT

The Honorable Susana Martinez, Governor of the State of New Mexico  
Ms. Dorothy E. Rodriguez, Acting 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 were engaged to audit 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, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on conducting the 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. Because of the matters described in the "Bases for Disclaimer of Opinions on All Opinion Units" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

The Honorable Susana Martinez, Governor of the State of New Mexico  
Ms. Dorothy E. Rodriguez, Acting 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

### ***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 all opinion units:

- D1.**The State was unable to adequately reconcile the governmental fund financial statements to the government-wide statements. The State is unable to substantiate all amounts included in the reconciliations between the statements. (see findings 2013-002 and 2013-005 in the schedule of findings and responses for additional details)
- D2.**The State was unable to substantiate some of the restatements included in the restatement note that discloses the restated balances. This resulted in various accounts and transactions not reported in accordance with generally accepted accounting principles (GAAP). The amount by which this departure would affect the assets, deferred outflows, liabilities, deferred inflows and equity of the financial statements has not been determined.
- D3.**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. In addition, the transfers as reported on the statement of activities should net to \$0 between governmental activities and business-type activities and currently report a \$253M net amount. This resulted in various accounts and transactions not reported in accordance with generally accepted accounting principles (GAAP). The amount by which this departure would affect the assets, deferred outflows, liabilities, deferred inflows and equity of the financial statements has not been determined. (see finding 2013-002 in the schedule of findings and responses for additional details)
- D4.**The financial statements of certain components have not been audited, and we were not engaged to audit these certain components as part of our audit of the State. Additionally, there were modified opinions on the audits of certain components of the State that impact the State's financial statements. Furthermore, the auditor's report within the agency audit of the New Mexico Public Education Department does not express an opinion on the aggregate discretely presented component units.
- D5.**The accounting policies applied in the separately issued department level financial statements for each component of the State lack consistency with the accounting

The Honorable Susana Martinez, Governor of the State of New Mexico  
Ms. Dorothy E. Rodriguez, Acting 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

policies applied in the State's financial statements. (see finding 2016-001 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 on All Opinion Units**

Because of the significance of the matters described in the “Bases for Disclaimer of  
Opinions on All Opinion Units” 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 referred to in the first paragraph.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the  
Management’s Discussion and Analysis (pages 9-26), Budgetary Comparison Schedule  
– General Fund and Notes to Budgetary Reporting (pages 194-202), Schedules of  
Changes in Net Pension Liability (pages 203-207), Schedules of Net Pension Liability  
(pages 208-212), Schedules of Employer Contributions (pages 213-222), Schedules of  
Investment Returns (pages 223-224), Schedule of Actuarial Methods and Assumptions –  
All Retirement Systems (page 225), Schedule of Funding Progress – Retiree Health Care  
Authority (page 226), Schedule of the State of New Mexico’s Proportionate Share of The  
Net Pension Liability (pages 228-233), and Schedule of the State’s Contributions (pages  
235-240), 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 were unable to apply certain limited procedures to the required  
supplementary information in accordance with auditing standards generally accepted in  
the United States of America, because of the matters described in the “Bases for  
Disclaimer Opinions on All Opinion Units” paragraph. We do not express an opinion or  
provide any assurance on the information.

The Honorable Susana Martinez, Governor of the State of New Mexico  
Ms. Dorothy E. Rodriguez, Acting 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

Supplementary and Other Information

We were engaged for the purpose of forming opinions on the State's financial statements as a whole. 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 7, 2017 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 7, 2017

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# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### INTRODUCTION

The following Management's Discussion and Analysis (MD&A) is required supplementary information to the State of New Mexico's financial statements. It describes and analyzes the financial performance and position of the state, and also provides an overview of the State's activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section. The subsequent information is highly summarized, and in order to gain a comprehensive understanding of the State's financial condition it should be reviewed in its entirety. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL HIGHLIGHTS

#### Government-wide

##### Net Position of the Primary Government

- ✦ The primary government ended fiscal year 2016 with a net position of \$25.9 billion, a decrease of \$1.0 billion, or 4 percent, from the previous year.
- ✦ The net position is comprised of \$7.6 billion in capital assets, net of related debt, \$20.3 billion in restricted, and a deficit \$2.0 billion in unrestricted, excluding component units.
- ✦ As a result of operating activities, the primary government's total net position decreased by \$1.0 billion, or 4 percent, in fiscal year 2016 when compared to the previous year's ending net position. The net position of governmental activities decreased 1.2 billion, or 5 percent, from previous year's ending net position. Program revenues were fractionally higher up less than 1 percent on a year to year basis. Expenses of \$19.4 billion, increased by \$1.0 billion, with the majority of the increase being in Health and Human Services and Education functions. The net position of the business-type activities increased by \$0.2 billion or 11 percent, from the previous year's ending net position. The business-type activities from the prior fiscal year saw a decrease in program revenue and an increase in expenses, however general revenue increased by \$97 million while transfers increased by \$34 million.

##### Long-term Debt

- ✦ The State's long-term bonded debt decreased a net of \$296 million for both governmental and business-type activities, the payment on the prior year bonds exceeded the issuance of new bonds. New bond issuance was \$541 million for governmental activities, \$501 million for severance tax bonds and \$40 million for revenue bonds. New bond issuance for business type activities was \$166 million in revenue bonds. See Note 8 for more detailed information on long-term liabilities. More detailed information regarding the government-wide, fund level, and long-term debt activities can be found in the capital asset and debt administration section of this management's discussion and analysis (MD&A).

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### Fund Level

#### Governmental Funds

- ✚ As of June 30, 2016, the State's governmental funds reported a combined ending fund balance of \$21.9 billion, a decrease of \$1.0 billion, or 4 percent, from fiscal year 2015 year's ending net position, (see the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances). Year to Year there was a decrease in revenue of \$0.5 billion, primarily the result of lower General and Selective Taxes, lower investment and rental and royalties income, this was somewhat mitigated by higher federal revenue. Year to Year, expenditures increased by \$1.3 billion with expenditure growth in the areas of Health and Human Services, Education and Highway and Transportation being the primary drivers. The unassigned fund balance as of the end of fiscal year 2016 was a deficit \$129.7 million.

#### Proprietary Funds

- ✚ The proprietary funds reported net position of \$2.0 billion as of June 30, 2016, an increase of \$0.2 billion, or 11 percent, from fiscal year 2015 ending net position. The majority of the increase is attributable to the non-major enterprise funds where Operating Revenues exceeded Operating Expenses.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This report also includes statistical data.

### Reporting on the State as a Whole

#### **Government-wide Statements**

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

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

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, charges for services and other revenues. This statement summarizes the cost of providing (or the subsidy provided by) specific government services and includes all current year revenues and expenses.

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

### Governmental Activities

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

### Business-type Activities

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

### Component Units

Component units are legally separate organizations for which the state is either financially accountable or the nature and significance of their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. The state has approximately 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:

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### Governmental Funds

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

### Proprietary Funds

When the state charges customers for services it provides, these activities are generally reported in proprietary funds. Services provided to outside (non-governmental) customers are reported in enterprise funds, a 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 inflow or deferred outflow of resources on the governmental fund statements.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### Notes to the Financial Statements

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

### Required Supplementary Information (RSI)

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

### Other Supplementary Information

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

## ADJUSTMENTS TO BEGINNING NET POSITION AND FUND BALANCES

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

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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### Net Position

- ✚ Total assets of the State as of June 30, 2016, were \$36.5 billion, a decrease of \$1.2 billion or 3 percent from prior fiscal year. The majority of the decrease is due to lower investment and capital asset value.
  - For governmental activities, total assets were \$31.2 billion, a decrease of \$1.5 billion, or 5 percent.
  - For business-type activities, total assets were \$5.3 billion, an increase of \$0.3 billion or 6.6 percent.
  
- ✚ Total liabilities and Deferred Inflows as of June 30, 2016 were \$11.2 billion, unchanged from the prior year. An increase in the GASB 68 net pension liability was offset by a reduction in the related pension deferred inflows.
  - Total liabilities and deferred inflows for governmental activities were \$7.7 billion, down \$0.2 billion, or 3 percent.
  - For business-type activities, total liabilities and deferred inflows were \$3.5 billion, an increase of \$0.1 billion or 4 percent.
  
- ✚ The State's total net position of \$25.9 billion was \$1.0 billion or 4 percent lower in fiscal year 2016 compared to the prior year. Of the State's net position, \$7.6 billion was invested in capital assets, net of related debt, while \$20.3 billion was restricted by state statute or other legal requirements and was not available to finance day-to-day operations of the state. Unrestricted net position was a \$2.0 billion deficit.

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

State of New Mexico Net Position as of June 30, 2016 (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets \$	23,817,767	\$ 25,129,986	\$ 2,905,795	\$ 2,592,510	\$ 26,723,562	\$ 27,722,496
Capital Assets	7,389,417	7,610,722	2,371,439	2,357,606	9,760,856	9,968,328
Total Assets	<u>\$ 31,207,185</u>	<u>32,740,708</u>	<u>\$ 5,277,234</u>	<u>4,950,116</u>	<u>36,484,418</u>	<u>37,690,824</u>
Deferred Outflow of Resources	372,424	303,412	217,893	155,466	590,317	458,878
Current Liabilities	2,149,547	2,598,576	547,126	518,894	2,696,673	3,117,470
Long-term Liabilities	5,396,531	4,763,554	2,879,718	2,642,173	8,276,250	7,405,727
Total Liabilities	7,546,078	7,362,130	3,426,843	3,161,067	10,972,922	10,523,197
Deferred Inflows of Resources	118,266	508,780	72,169	195,535	190,435	704,315
Net Position:						
Net Investment in Capital Assets	5,930,820	5,356,468	1,654,692	1,589,677	7,585,512	6,946,145
Restricted	18,311,421	12,658,737	1,971,218	987,021	20,282,639	13,645,758
Unrestricted	(326,978)	7,158,005	(1,629,796)	(827,718)	(1,956,773)	6,330,287
Total Net Position	<u>\$ 23,915,264</u>	<u>\$ 25,173,210</u>	<u>\$ 1,996,114</u>	<u>\$ 1,748,980</u>	<u>\$ 25,911,378</u>	<u>\$ 26,922,190</u>
Percentage change in total net position from prior year	<u>(5.0) %</u>		<u>14.1 %</u>		<u>(3.8) %</u>	

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### Changes in Net Position

The State's net position as of June 30, 2016, was \$25.9 billion which was \$1.0 billion lower than the 2015 net position restated. The State earned program revenues of \$11.2 billion, collected tax revenue of \$5.5 billion, received \$1.8 billion of general revenues. Total revenues for 2016 were \$18.6 billion, a decrease of \$0.5 billion, or 2 percent, from fiscal year 2015. Reduced revenue was primarily attributable to the \$0.7 billion decrease in tax revenues, while lower general revenue account for the remainder. The expenses of the State were \$19.4 billion, an increase of \$1.1 billion from fiscal year 2015. 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 \$6.9 billion, a \$.8 billion increase from 2015. 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 2016:

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

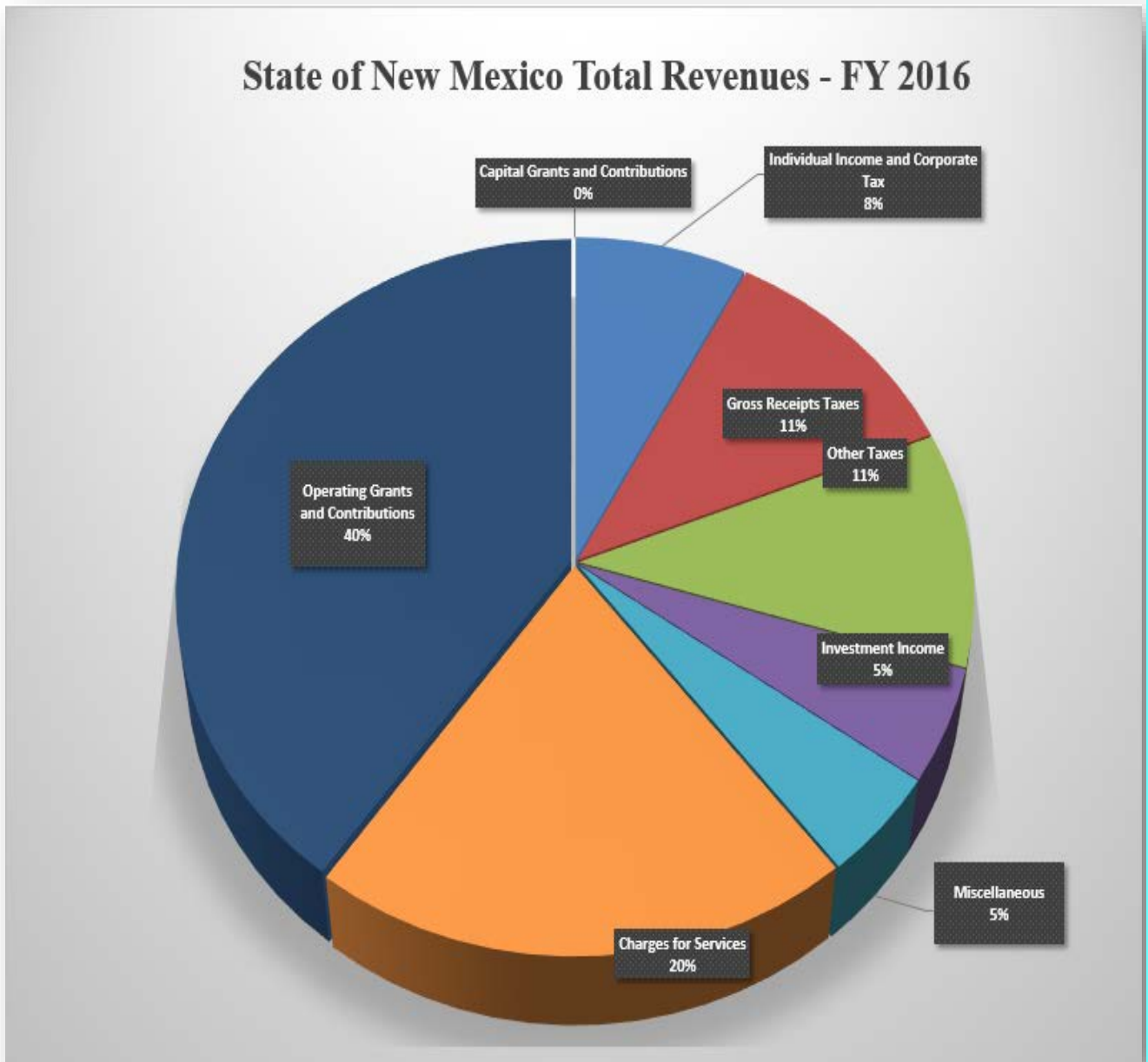
For the Year Ended June 30, 2016

State of New Mexico Changes in Net Position							
For the Fiscal Year Ended June 30, 2016 (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2015 to 2016
	2016	2015	2016	2015	2016	2015	
<b>Revenues</b>							
General Revenues:							
Taxes	\$ 5,197,083	\$ 5,985,982	\$ 342,487	\$ 269,593	\$ 5,539,569	\$ 6,255,575	(11.4) %
Other General Revenues	1,548,880	1,341,095	274,075	253,493	1,822,955	1,594,588	14.3 %
Program Revenues:							
Charges for Services	1,846,499	2,250,596	1,938,324	1,964,170	3,784,824	4,214,766	(10.2) %
Operating Grants and Contributions	6,855,527	6,356,248	595,057	627,067	7,450,585	6,983,315	6.7 %
Capital Grants and Contributions	-	-	6,906	12,524	6,906	12,524	(44.9) %
<b>Total Revenues</b>	<b>15,447,989</b>	<b>15,933,921</b>	<b>3,156,849</b>	<b>3,126,847</b>	<b>18,604,838</b>	<b>19,060,768</b>	<b>(2.4) %</b>
<b>Expenses</b>							
General Control	1,706,181	993,220	-	-	1,706,181	993,220	71.8 %
Culture, Recreation, and Natural Resources	239,104	203,319	-	-	239,104	203,319	17.6 %
Highway and Transportation	987,512	1,051,567	-	-	987,512	1,051,567	(6.1) %
Judicial	315,829	255,761	-	-	315,829	255,761	23.5 %
Legislative	23,184	29,626	-	-	23,184	29,626	(21.7) %
Public Safety	498,391	480,286	-	-	498,391	480,286	3.8 %
Regulation and Licensing	118,405	126,917	-	-	118,405	126,917	(6.7) %
Health and Human Services	8,008,413	7,401,004	-	-	8,008,413	7,401,004	8.2 %
Education	3,554,909	4,024,669	-	-	3,554,909	4,024,669	(11.7) %
Indirect Interest on							
Long-term Debt	123,083	131,154	-	-	123,083	131,154	(6.2) %
Special Items	12,436	(92,502)	866	-	13,302	(92,502)	- %
Educational Institutions	-	-	3,126,892	3,041,713	3,126,892	3,041,713	2.8 %
Public Schools Insurance	-	-	395,579	363,373	395,579	363,373	8.9 %
Environmental Loans	-	-	2,266	441	2,266	441	100.0 %
Miners' Colfax Medical Center	-	-	31,295	24,967	31,295	24,967	25.3 %
Unemployment Insurance	-	-	195,506	193,479	195,506	193,479	1.0 %
State Fair	-	-	14,841	15,417	14,841	15,417	(3.7) %
Other Business-type Activities	-	-	16,524	18,199	16,524	18,199	(9.2) %
<b>Total Expenses</b>	<b>15,587,447</b>	<b>14,605,021</b>	<b>3,783,768</b>	<b>3,657,589</b>	<b>19,371,215</b>	<b>18,262,610</b>	<b>6.1 %</b>
Excess Before Transfers	(139,458)	1,328,900	(626,919)	(530,742)	(766,377)	798,158	
Transfers	(1,084,495)	(797,559)	831,243	797,559	(253,252)	-	
<b>Change in Net Position</b>	<b>(1,223,953)</b>	<b>531,341</b>	<b>204,324</b>	<b>266,817</b>	<b>(1,019,629)</b>	<b>798,158</b>	<b>(227.7) %</b>
Net Position -							
Beginning, as Restated	25,139,217	24,641,869	1,791,788	1,482,163	26,931,005	26,124,032	
<b>Net Position - Ending</b>	<b>\$ 23,915,264</b>	<b>\$ 25,173,210</b>	<b>\$ 1,996,112</b>	<b>\$ 1,748,980</b>	<b>\$ 25,911,376</b>	<b>\$ 26,922,190</b>	<b>(3.8) %</b>

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

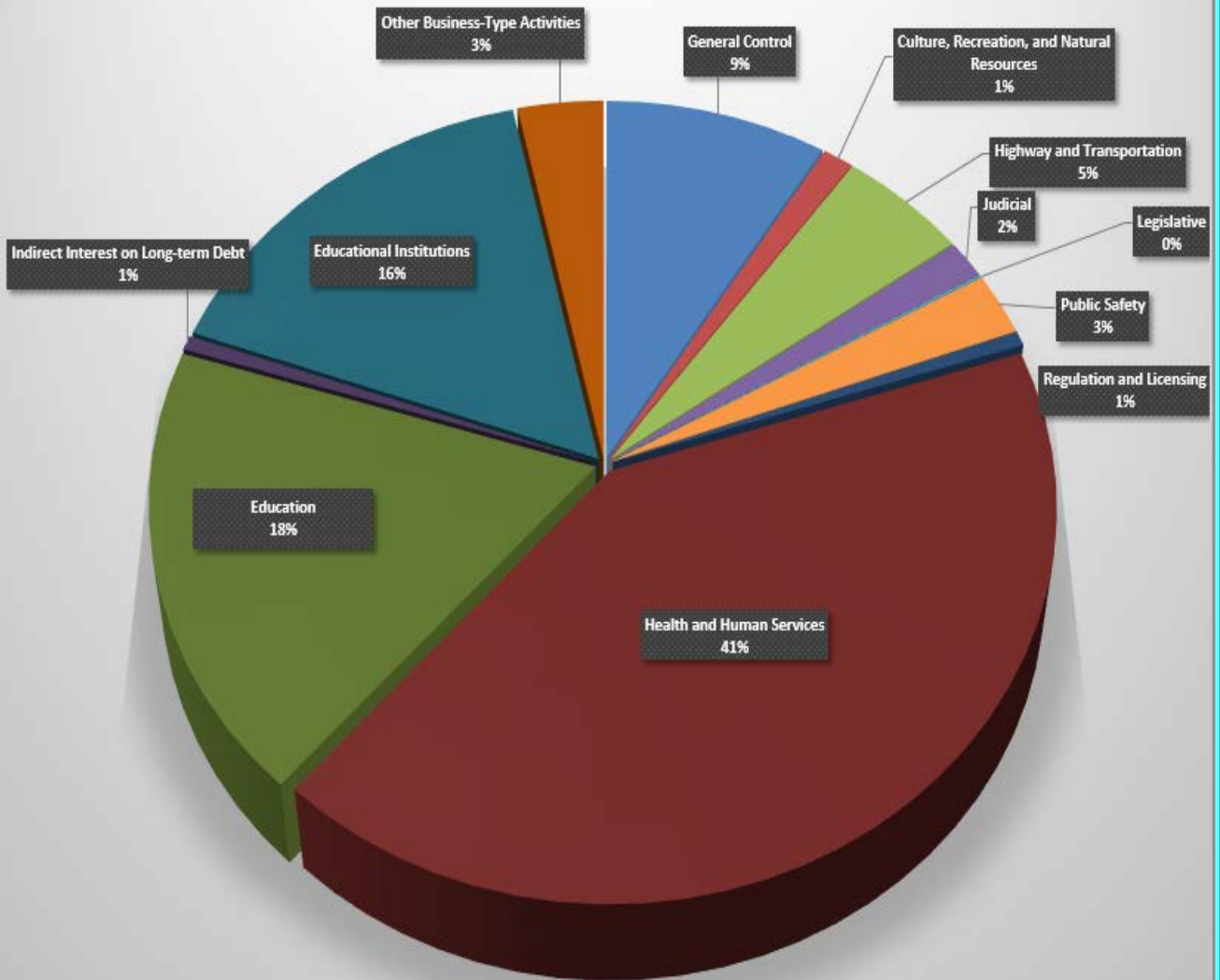


# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### State of New Mexico Total Expenditures- FY 2016



# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### Governmental Activities

Governmental activities program revenue was \$8.7 billion, consisting of operating grants and contributions of \$6.9 billion and \$1.8 billion in service charges. Program revenues increased \$0.1 billion from the prior fiscal year the result of a \$0.5 billion increase in operating grants and contributions offset by a \$0.4 billion reduction in charges for services. Governmental activities expenses increased by \$0.9 billion year to year bring the total to \$15.6 billion. All governmental activities in the government-wide statement of activities had expenses which exceeded program revenues. The health and human services function and education function account for three-quarters of governmental activities expenses and net cost. The operating grants and contributions increased due to additional federal funding for the health and human services and education functions.

The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2016, state taxes and other general revenues covered 44.1 percent of expenses. The remaining \$8.7 billion, or 55.9 percent of the total expenses, was covered by charges for services and grants and contributions.

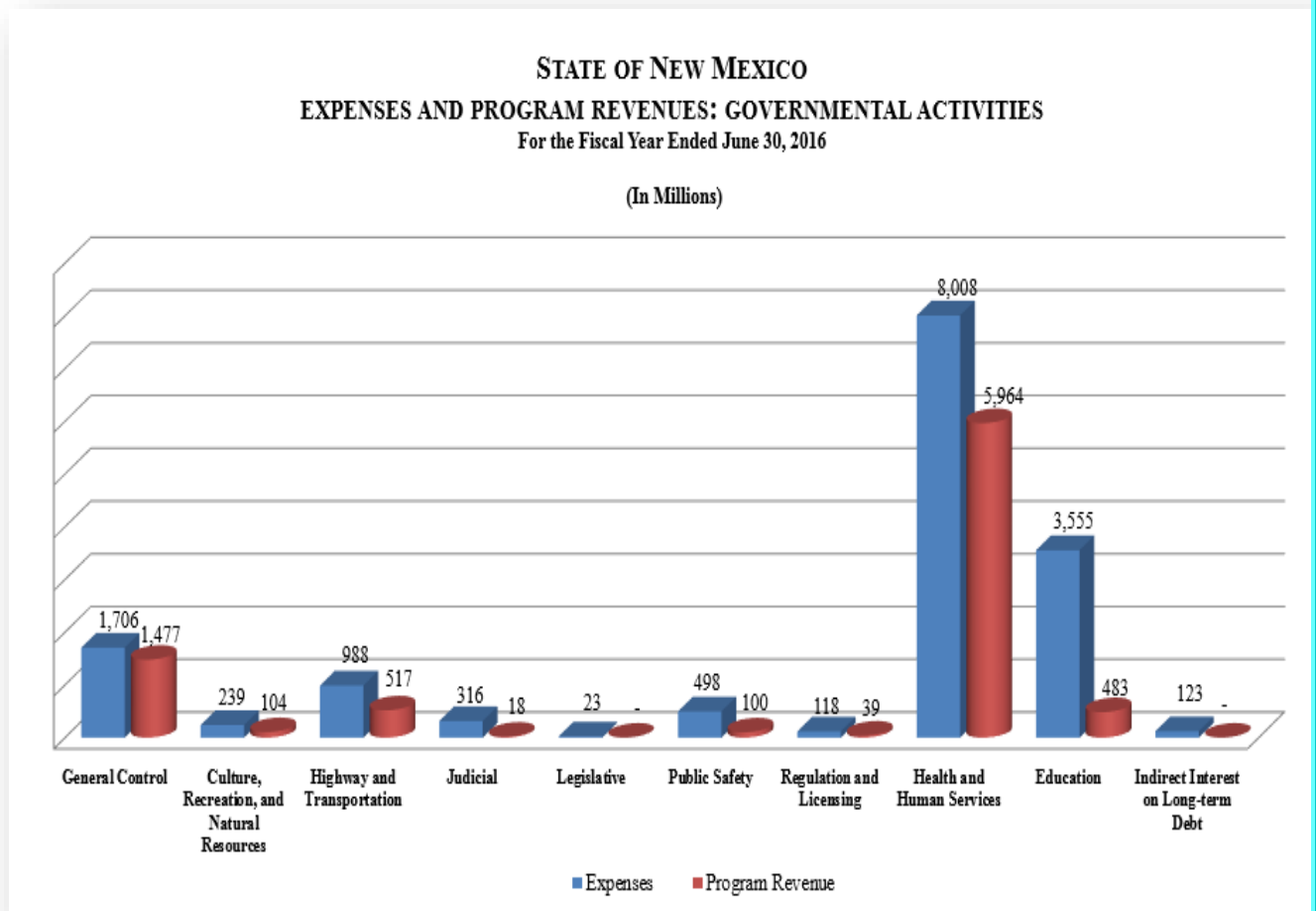
State of New Mexico  
Net Program Costs as of June 30, 2016  
(Expressed in Thousands)

	Program	Less	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
	Expenses	Program Revenues	2016	2015	2016	2015
General Control	\$ 1,706,181	\$ (1,477,347)	\$ 228,834	\$ (903,983)	86.6 %	191.0 %
Culture, Recreation, and Natural Resources	239,104	(104,003)	135,102	101,481	43.5 %	50.1 %
Highway and Transportation	987,512	(517,364)	470,149	537,447	52.4 %	48.9 %
Judicial	315,829	(17,694)	298,135	244,393	5.6 %	4.4 %
Legislative	23,184	0	23,184	29,626	- %	- %
Public Safety	498,391	(99,804)	398,587	422,715	20.0 %	12.0 %
Regulation and Licensing	118,405	(38,873)	79,532	74,014	32.8 %	41.7 %
Health and Human Services	8,008,413	(5,964,003)	2,044,410	1,857,140	74.5 %	74.9 %
Education	3,554,909	(482,936)	3,071,973	3,596,692	13.6 %	10.6 %
Indirect Interest on Long-term Debt	123,083	0	123,083	131,154	- %	- %
	<u>\$ 15,575,011</u>	<u>\$ (8,702,024)</u>	<u>\$ 6,872,987</u>	<u>\$ 6,090,679</u>	<u>55.9 %</u>	<u>58.6 %</u>

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016



### Business-type Activities

Business-type activities generated program revenues of \$2.5 billion, including charges for services of \$1.9 billion, and operating grants and contributions of \$0.6 billion. This was \$0.1 billion less than the prior year, attributable to the education function. The total expenses for business-type activities were \$3.8 billion, an increase of \$0.1 billion from the prior year. The largest change occurred in the education function, where expenses increase by \$85 million versus prior year, the remaining \$40M was primarily linked to public schools insurance. Net expenses exceeded program revenues from the government's business-type activities by \$.6 billion a decrease of \$0.4 billion from the prior year.

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

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

#### Fund Balances

At June 30, 2016, the State's governmental funds reported combined ending fund balances of \$21.9 billion. The State reported \$21.7 billion, or 99 percent, as restricted, including \$14.7 billion related to the Land Grant Permanent Fund, \$4.6 billion associated with the Severance Tax Fund and \$1.3 billion attributable to the Capital Projects Fund all established by state laws. Note 1.G.14 contains more details about the fund balance classifications at June 30, 2016. Committed, assigned and unassigned totaled \$142.7 million, or 0.7 percent.

State of New Mexico Fund Balances as of June 30, 2016 (Expressed in Thousands)						
	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax	Land Grant	Totals Governmental Funds
Nonspendable	\$ 64,166	\$ -	\$ -	\$ -	\$ -	\$ 64,166
Restricted	890,206	288,854	1,253,493	4,559,169	14,682,066	21,673,788
Committed	250,021	-	11,315	-	-	261,336
Assigned	9,989	-	-	-	-	9,989
Unassigned	(120,451)	-	(9,342)	-	-	(129,793)
<b>Total</b>	<b>\$ 1,093,931</b>	<b>\$ 288,854</b>	<b>\$ 1,255,466</b>	<b>\$ 4,559,169</b>	<b>\$ 14,682,066</b>	<b>\$ 21,879,486</b>
Percent Change from Prior Year						<u>(4.3)</u>

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, 2016 totaled \$1.1 billion. Net change in General Fund balance, was a decrease \$0.8 billion. The General Fund ended the fiscal year 2016 with unassigned fund balance of a deficit \$120 million.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

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

The initial fiscal year 2016 budget was adopted by the Legislature during the 2015 Regular Session. The General Fund original budgeted revenues for fiscal year 2016 were 4 percent higher than the fiscal year 2015 final budget basis revenues. During the year, federal revenue was \$346 million less than the final approved budget. After budget amendments, the actual expenditures in the General Fund were \$946 million below the final budgeted amounts. This was mainly the result of agency-mandated measures to reduce expenditures. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

### **Severance Tax Fund**

Fund balance at June 30, 2016, totaled \$4.6 billion, a decrease of \$0.2 billion, or 4 percent, related to transfers to beneficiaries.

### **Land Grant Fund**

Fund balance at June 30, 2016, totaled \$14.7 billion, a decrease \$0.2 billion reflective of subdued investment earnings which were about a tenth of the income generated from the portfolio in the prior year.

## FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

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Exclusive of Internal Service Funds, the State's proprietary funds reported Net Position of \$2.0 billion, an increase of \$0.2 billion from the prior year fund balance.

### **Educational Institutions**









Net Position at June 30, 2016, totaled \$1.2 billion. Current period activity increased the Net Position of the State's educational institutions by \$0.1 billion, or 7 percent. For the fiscal year 2016 the State transferred just over \$0.8 billion to the State's educational institutions, a 4 percent increase from fiscal year 2015.

## 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

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

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

### CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

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#### Capital Asset Activity

As of June 30, 2016, the State's investment in capital assets, net of accumulated depreciation, for governmental activities totaled \$7.4 billion and \$2.4 billion for its business-type activities. The state's capital assets include land, buildings, improvements, machinery and equipment, mineral rights, roads, highways and bridges. The change in the State's investment in capital assets for the current fiscal year was a decrease of 3 percent for governmental activities and unchanged for business-type activities.

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

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

#### Long-term Debt Activity

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

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

The State had the following bond ratings at June 30, 2016:

<b>Bonds</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
General Obligation Bonds	Aa1-	AA-
Severance Tax Bonds	Aa2-	AA
Supplemental Severance Tax Bonds	Aa3-	A+
State Transportation Revenue Bonds Senior Lien	Aa1/Aa2	AAA/AA+
State Transportation Revenue Bonds Subordinate Lien	Aa2/Aaa	AAA/AA/A+/AA-

Impacted by two 2015 series bonds issued early in fiscal year 2016, Severance Tax Bonds issuances during the year totaled \$501.0 million while \$40.1 million in Revenue Bonds were issued during the same period. No General Obligation Bonds were issued by the state in fiscal year 2016.

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

# STATE OF NEW MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2015 to 2016
	2016	2015	2016	2015	2016	2015	
General Obligation Bonds, Net	\$ 326,755	\$ 389,270	\$ -	\$ -	\$ 260,760	\$ 389,270	(33.0) %
Severance Tax Bonds, Net	955,045	641,415	-	-	830,300	641,415	29.4 %
Revenue Bonds, Net	1,281,950	1,423,069	653,372	730,667	1,809,129	2,153,736	(16.0) %
Bond Premium, Discount, Net	279,305	257,935	42,649	31,554	277,533	289,489	(4.1) %
<b>Total Bonds Payable</b>	<b>\$ 2,843,055</b>	<b>\$ 2,711,689</b>	<b>\$ 696,021</b>	<b>\$ 762,221</b>	<b>\$ 3,177,722</b>	<b>\$ 3,473,910</b>	<b>(8.5) %</b>

## ECONOMIC CONDITIONS AND OUTLOOK

### Fiscal Year 2016: Sharp Energy Sector Declines

Impacted by the sharp drop in energy prices, overall economic activity and employment declined in Fiscal 2016 as New Mexico's real gross state product decreased 0.9 percent, after growing 4.0 percent in Fiscal Year 2015. General Fund revenues were 8.4 percent lower, after expanding 3.0 percent in the prior fiscal year.

As a result of the lower energy prices, oil and natural gas related revenues declined by 30 percent in Fiscal Year 2016. In spite of lower prices, and rig counts that are 50% lower than the two years ago, New Mexico natural gas production volumes remained steady and oil production surged 3.9 percent, to a level roughly double what the state produced just five years prior.

New Mexico's general sales tax revenue, which includes gross receipts tax and compensating tax, declined 7 percent in Fiscal Year 2016, which was comparable to the drop in taxable gross receipts, a broad-based measure of economic activity and the base for one-third of New Mexico's general Fund revenue.

Selective sales taxes, which include insurance premiums tax and motor vehicle excise tax, rose 9 percent as the effects of the Affordable Care Act and Medicaid expansion increased health insurance coverage and annual premiums. Low interest rates and gasoline prices, and growing consumer confidence encouraged vehicle purchases which boosted motor vehicle excise tax revenues.

Income tax revenues fell 9.3 percent in Fiscal Year 2016, the result of a 53 percent decline in corporate income tax receipts. Personal income tax, a more significant and stable revenue source for the state, comprising about one-fifth of General Fund revenue were marginally lower.

# STATE OF NEW MEXICO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

### **First-half Fiscal Year 2017:**

Employment growth remained positive during the beginning of Fiscal Year 2017 as employment losses in mining and energy related sectors that began at the end of Fiscal Year 2015 stabilize towards the end of Fiscal Year 2016 and growth employment gains in the health and leisure and hospitality sectors and other private sectors segments continued.

Although taxable gross receipts declined 4.2 percent in the first half of Fiscal Year 2017, as lower energy development activities more than offset continued moderate recovery in New Mexico's larger metro areas. Construction sector taxable gross receipts fell by 1.4% in the first half of Fiscal Year 2017. Residential construction and building permits continue to remain far below historic averages for New Mexico.

However, the most recent months of tax and fee related proceeds have been stronger and are trending above prior year activity suggesting an inflection point has been reached.

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

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

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

STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

# FINANCIAL SECTION

## BASIC FINANCIAL STATEMENTS



CHACO CANYON  
SOURCE - WWW.DELANGE.ORG

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION

June 30, 2016

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,099,520	\$ 782,076	\$ 1,881,596	\$ 191,526
Cash and Cash Equivalents - Restricted	-	32,878	32,878	148,597
Investment in State General Fund Investment Pool	2,829,966	173,645	3,003,611	-
Investment in Local Government Investment Pool	7,347	74,512	81,859	8,098
Internal Balances	101	(101)	-	-
Due From Other Funds	-	-	-	-
Due From Component Units	3,440	43,248	46,688	-
Due From Primary Government	-	-	-	22,607
Receivables, Net	913,549	463,700	1,377,249	86,637
Due From Other Parties	-	-	-	-
Loans Receivable, Net	19,090	15,253	34,343	92,772
Investments	5	448,031	448,036	34,789
Restricted Investments	-	-	-	-
Prepaid Expenses	15,390	6,279	21,669	1,373
Inventories	34,563	27,551	62,114	5,486
Other Current Assets	3,529	16,988	20,517	1,240
Total Current Assets	4,926,500	2,084,060	7,010,560	593,125
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	-	73,113	73,113	22,002
Restricted Investments	-	-	-	1,175,873
Loans Receivable, Net	21,245	197,583	218,828	1,101,803
Receivables, Net	276	-	276	-
Due From Component Units	-	19,255	19,255	-
Due From Primary Government	-	-	-	287,443
Investments	18,852,121	520,479	19,372,600	276,858
Derivative Instruments - Interest Rate Swaps	-	1,592	1,592	-
Net Pension Assets	17,626	-	17,626	-
Other Noncurrent Assets	-	9,713	9,713	137,023
Nondepreciable Capital Assets	1,098,479	186,201	1,284,680	26,898
Other Capital Assets, Net	6,290,938	2,185,238	8,476,176	216,547
Total Noncurrent Assets	26,280,685	3,193,174	29,473,859	3,244,447
Total Assets	31,207,185	5,277,234	36,484,419	3,837,572
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows - other	91,039	-	91,039	-
Interest Rate Swaps	72,555	13,350	85,905	-
Deferred Charge on Refunding	-	6,612	6,612	1,703
Deferred Outflows - Pension	208,830	197,931	406,761	34,480
Total Deferred Outflows of Resources	372,424	217,893	590,317	36,183

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION (CONTINUED)

June 30, 2016

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 456,661	\$ 261,462	\$ 718,123	\$ 15,209
Accrued Liabilities	113,930	106,825	220,755	28,984
Accrued Interest	273	-	273	-
Unearned Revenue	25,515	80,844	106,359	1,848
Due to Primary Government	-	-	-	46,688
Due to Component Units	10,917	11,690	22,607	-
Due to Other Funds	-	-	-	-
Due To Broker	-	-	-	-
Intergovernmental Payables	108,545	180	108,725	-
Other Obligations	806,357	6,226	812,583	24,583
Funds Held for Others	36,129	17,982	54,111	11,469
Bonds Payable - Current Portion	327,298	34,055	361,353	111,766
Notes Payable	-	-	-	-
Other Liabilities - Current Portion	263,923	27,862	291,785	237,220
Total Current Liabilities	2,149,548	547,126	2,696,674	477,767
Noncurrent Liabilities:				
Bonds Payable, Net of Current Portion	2,515,756	661,966	3,177,722	1,829,738
Due to Primary Government	-	-	-	19,255
Due to Component Units	180,895	106,548	287,443	-
Net Pension Liability	2,299,659	1,913,152	4,212,811	148,953
Other Liabilities, Net of Current Portion	400,221	198,052	598,273	106,931
Total Noncurrent Liabilities	5,396,531	2,879,718	8,276,249	2,104,877
Total Liabilities	7,546,079	3,426,844	10,972,923	2,582,644
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow - pension	58,378	71,272	129,650	6,153
Deferred Inflow - other	59,889	898	60,787	2,412
	118,267	72,170	190,437	8,565
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,930,820	1,654,691	7,585,511	35,307
Restricted for:				
Nonexpendable:				
Financial Aid	-	135,339	135,339	-
Permanent Funds	-	-	-	-
Endowment	-	189,899	189,899	-
Other Purposes	-	11,706	11,706	310,972
Expendable:				
Highway Construction and Maintenance	-	-	-	-
Education	-	58	58	-
Debt Service	-	47,773	47,773	78,017
Capital Projects	-	41,040	41,040	-
Scholarships	-	22,000	22,000	-
Unemployment and Insurance	-	409,092	409,092	-
Loan Programs	-	377,209	377,209	-
Other Purposes	18,311,421	83,135	18,394,556	674,500
Unrestricted Net Position	(326,978)	(975,829)	(1,302,807)	183,750
Total Net Position	\$ 23,915,263	1,996,113	25,911,376	1,282,546

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

# STATE OF NEW MEXICO

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

(In Thousands)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Control	\$ 1,706,181	\$ 1,457,352	\$ 19,995	\$ -
Culture, Recreation, and Natural Resources	239,104	63,474	40,529	-
Highway and Transportation	987,512	110,754	406,610	-
Judicial	315,829	15,620	2,074	-
Legislative	23,184	-	-	-
Public Safety	498,391	9,345	90,459	-
Regulation and Licensing	118,405	35,218	3,655	-
Health and Human Services	8,008,413	147,373	5,816,630	-
Education	3,554,909	7,362	475,574	-
Interest on Long-term Debt	123,083	-	-	-
<b>Total Governmental Activities</b>	<b>15,575,011</b>	<b>1,846,498</b>	<b>6,855,526</b>	<b>-</b>
Business-type Activities:				
Educational Institutions	3,126,892	1,521,460	584,388	6,906
Public Schools Insurance	395,579	363,949	-	-
Environmental Loans	2,266	-	6,911	-
Miners' Colfax Medical Center	31,295	26,672	486	-
Unemployment Insurance	195,506	361	3,273	-
State Fair - EXPO	14,841	11,928	-	-
Other Business-type Activities	16,524	13,954	-	-
<b>Total Business-type Activities</b>	<b>3,782,903</b>	<b>1,938,324</b>	<b>595,058</b>	<b>6,906</b>
<b>Total Primary Government</b>	<b>\$ 19,357,914</b>	<b>\$ 3,784,822</b>	<b>\$ 7,450,584</b>	<b>\$ 6,906</b>
<b>Discretely Presented Component Units</b>				
New Mexico Finance Authority	\$ 125,877	\$ 58,786	\$ -	\$ -
New Mexico Mortgage Finance Authority	38,725	8,425	37,802	-
Other Major Component Units	614,974	429,164	85,651	-
Nonmajor Component Units	32,905	10,339	16,451	-
<b>Total Component Unit Activities</b>	<b>\$ 812,481</b>	<b>\$ 506,714</b>	<b>\$ 139,904</b>	<b>\$ -</b>

### General Revenues:

#### Taxes:

Individual Income  
 Corporate Income  
 Gross Receipts Taxes  
 Business Privilege  
 Unemployment Insurance  
 Other Taxes  
 Payment to the State of New Mexico  
 Payment From State of New Mexico  
 Operating Investment Income  
 Non Operating Investment Income and Other  
 Miscellaneous

#### Special Items

Special Item - Expo  
 Indian Water Rights Settlement  
 Arizona Water Settlement

#### Transfers, Net

Total Net General Revenues and Transfers

### Change in Net Position

Net Position - Beginning, as Restated -

See Note 9.C.

Net Position - Ending

# STATE OF NEW MEXICO

## STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2016

(In Thousands)

	Net (Expense) Revenue and Changes in Net Position			Component Units
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
<b>Primary Government:</b>				
Governmental Activities:				
General Control	\$ (228,834)	\$ -	\$ (228,834)	\$ -
Culture, Recreation, and Natural Resources	(135,101)	-	(135,101)	-
Highway and Transportation	(470,148)	-	(470,148)	-
Judicial	(298,135)	-	(298,135)	-
Legislative	(23,184)	-	(23,184)	-
Public Safety	(398,587)	-	(398,587)	-
Regulation and Licensing	(79,532)	-	(79,532)	-
Health and Human Services	(2,044,410)	-	(2,044,410)	-
Education	(3,071,973)	-	(3,071,973)	-
Interest on Long-term Debt	(123,083)	-	(123,083)	-
<b>Total Governmental Activities</b>	<b>(6,872,987)</b>	<b>-</b>	<b>(6,872,987)</b>	<b>-</b>
Business-type Activities:				
Educational Institutions	-	(1,014,138)	(1,014,138)	-
Public Schools Insurance	-	(31,630)	(31,630)	-
Environmental Loans	-	4,645	4,645	-
Miners' Colfax Medical Center	-	(4,137)	(4,137)	-
Unemployment Insurance	-	(191,872)	(191,872)	-
State Fair - EXPO	-	(2,913)	(2,913)	-
Other Business-type Activities	-	(2,570)	(2,570)	-
<b>Total Business-type Activities</b>	<b>-</b>	<b>(1,242,615)</b>	<b>(1,242,615)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>(6,872,987)</b>	<b>(1,242,615)</b>	<b>(8,115,602)</b>	<b>-</b>
<b>Discretely Presented Component Units</b>				
New Mexico Finance Authority	-	-	-	(67,091)
New Mexico Mortgage Finance Authority	-	-	-	7,502
Other Major Component Units	-	-	-	(100,159)
Nonmajor Component Units	-	-	-	(6,115)
<b>Total Component Unit Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(165,863)</b>
	1,320,154	35	1,320,189	-
	118,502	-	118,502	-
	2,109,889	-	2,109,889	-
	1,622,513	-	1,622,513	-
	18,970	342,452	361,422	-
	7,055	-	7,055	-
	-	-	-	(65,904)
	-	-	-	204,152
	909,846	9,838	919,684	-
	34	21,465	21,499	(1,477)
	629,960	242,772	872,732	42,213
	-	(866)	(866)	-
	(12,436)	-	(12,436)	-
	9,040	-	9,040	-
	(1,084,495)	831,243	(253,252)	-
	<u>5,649,032</u>	<u>1,446,939</u>	<u>7,095,971</u>	<u>178,984</u>
	(1,223,955)	204,324	(1,019,631)	13,121
	25,139,218	1,791,789	26,931,007	1,269,425
	<u>\$ 23,915,263</u>	<u>\$ 1,996,113</u>	<u>\$ 25,911,376</u>	<u>\$ 1,282,546</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.

# STATE OF NEW MEXICO

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2016  
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 62,000	\$ 35,730	\$ -
Investment in the State General Fund Investment Pool	1,001,180	196,330	1,400,335
Prepaid Expenses	15,386	-	-
Due From Other Funds	663,393	74,537	74,422
Due From Component Unit	3,440	-	-
Due from Other Parties	-	-	-
Receivables, Net	635,929	64	2,977
Investments	246,072	-	-
Inventories	34,552	-	-
Other Assets	19	-	3,510
<b>Total Assets</b>	<b>2,661,971</b>	<b>306,661</b>	<b>1,481,244</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges - Water Projects	37,904	-	-
<b>Total Deferred Outflows of Resources</b>	<b>37,904</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,699,875</b>	<b>\$ 306,661</b>	<b>\$ 1,481,244</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 376,883	\$ 276	\$ 87,199
Accrued Liabilities	57,962	-	13
Due To Other Funds	626,674	3,530	118,565
Due to Component Unit	-	-	-
Due to Brokers	-	-	-
Intergovernmental Payables	89,528	-	7,505
Funds Held For Others	27,707	-	6,713
Other Obligations	298,083	14,001	5,568
Unearned Revenue	25,428	-	176
<b>Total Liabilities</b>	<b>1,502,265</b>	<b>17,807</b>	<b>225,739</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues	103,679	-	39
	<b>103,679</b>	<b>-</b>	<b>39</b>
<b>FUND BALANCES</b>			
Nonspendable	64,166	-	-
Restricted	890,206	288,854	1,253,493
Committed	250,021	-	11,315
Assigned	9,989	-	-
Unassigned (Deficit)	(120,451)	-	(9,342)
<b>Total Fund Balances</b>	<b>1,093,931</b>	<b>288,854</b>	<b>1,255,466</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,699,875</b>	<b>\$ 306,661</b>	<b>\$ 1,481,244</b>

# STATE OF NEW MEXICO

## BALANCE SHEET (CONTINUED) GOVERNMENTAL FUNDS

June 30, 2016  
(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 225,867	\$ 775,923	\$ 1,099,520
Investment in the State General Fund Investment Pool	7,656	27,438	2,632,939
Prepaid Expenses	-	-	15,386
Due From Other Funds	4,804	16,187	833,343
Due From Component Unit	-	-	3,440
Due from Other Parties	-	-	-
Receivables, Net	66,866	235,500	941,336
Investments	4,416,788	14,196,613	18,859,473
Inventories	-	-	34,552
Other Assets	-	-	3,529
<b>Total Assets</b>	<u>4,721,981</u>	<u>15,251,661</u>	<u>24,423,518</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges - Water Projects	-	-	37,904
<b>Total Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>37,904</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 4,721,981</u>	<u>\$ 15,251,661</u>	<u>\$ 24,461,422</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 464,358
Accrued Liabilities	-	-	57,975
Due To Other Funds	18,087	60,976	827,832
Due to Component Unit	-	-	-
Due to Brokers	-	-	-
Intergovernmental Payables	-	-	97,033
Funds Held For Others	-	-	34,420
Other Obligations	144,725	508,619	970,996
Unearned Revenue	-	-	25,604
<b>Total Liabilities</b>	<u>162,812</u>	<u>569,595</u>	<u>2,478,218</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues	-	-	103,718
	<u>-</u>	<u>-</u>	<u>103,718</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	64,166
Restricted	4,559,169	14,682,066	21,673,788
Committed	-	-	261,336
Assigned	-	-	9,989
Unassigned (Deficit)	-	-	(129,793)
<b>Total Fund Balances</b>	<u>4,559,169</u>	<u>14,682,066</u>	<u>21,879,486</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 4,721,981</u>	<u>\$ 15,251,661</u>	<u>\$ 24,461,422</u>

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, 2016

(In Thousands)

**Total Fund Balances - Governmental Funds** \$ 21,879,486

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	\$ 1,091,757	
Buildings, Equipment, Infrastructure and Other Depreciable Assets (not including \$ 40,609 in Internal Service Fund balances)	17,240,275	
Accumulated Depreciation	<u>(10,983,225)</u>	7,348,807

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. 43,829

The deferred loss on bond refunding issues is not recognized in the governmental funds, but is recognized in the government-wide statements. 91,039

The net pension asset for the pension fund which has a positive net position is not reported in the funds statements 17,626

The pension-related deferred outflows of resources are not recognized in the government-wide statements, and neither are the deferred outflows of resources. 150,453

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. (4,587)

Accrued interest payable is not recognized in the governmental funds statements (273)

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

Net pension liability	\$ (2,299,659)	
Bonds payable, including bond premium and loans payable to component unit	(3,034,867)	
Capital leases, compensated absences, notes payable, contingent liabilities, and other liabilities	(499,456)	
Less: Amounts already included in Internal Service Funds balances	<u>222,865</u>	<u>(5,611,117)</u>

**Total Net Position - Governmental Activities** \$ 23,915,263

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, 2016

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
<b>REVENUES</b>			
Taxes:			
General and Selective Taxes	\$ 3,401,259	\$ 344,881	\$ 5,233
Income Taxes	1,445,711	-	-
Total Taxes	<u>4,846,970</u>	<u>344,881</u>	<u>5,233</u>
Other Revenues:			
Federal Revenue	6,852,326	-	4,380
Investment Income (Loss)	802,731	10,758	7,085
Rentals and Royalties	467,748	-	763
Charges for Services	119,509	-	-
Licenses, Fees, and Permits	305,345	2,187	-
Assessments	14,389	-	-
Miscellaneous and Other	622,535	-	11,093
<b>Total Revenues</b>	<u>14,031,553</u>	<u>357,826</u>	<u>28,554</u>
<b>EXPENDITURES</b>			
Current:			
Culture, Recreation, and Natural Resources	202,430	197	20,701
Education	3,501,324	-	52,925
General Control	930,921	847	30,681
Health and Human Services	7,947,019	-	49,590
Highway and Transportation	730,104	-	10,873
Judicial	306,309	-	418
Legislative	23,022	-	-
Public Safety	482,356	-	202
Regulation and Licensing	105,436	328	5,983
Severance Tax	-	-	-
Capital Outlay	60,915	1,329	55,774
Debt Service:			
Principal	67,331	214,790	-
Interest and Other Charges	62,200	47,686	-
<b>Total Expenditures</b>	<u>14,419,367</u>	<u>265,177</u>	<u>227,147</u>
<b>Excess Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>(387,814)</u>	<u>92,649</u>	<u>(198,593)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds Issued	-	2,789	471,229
Bond Premium	-	-	82,239
Refunding Bonds Issued	-	-	181,395
Proceeds from the Sale of Capital Assets	1,798	-	5
Transfers In	6,711,704	189,181	273,189
Transfers Out	(6,935,742)	(187,566)	(542,446)
Payment to Refunding Bond Escrow Agent	-	-	(208,143)
<b>Total Other Financing Sources (Uses)</b>	<u>(222,240)</u>	<u>4,404</u>	<u>257,468</u>
<b>SPECIAL ITEM</b>			
Native American Water Rights Settlement	(35)	-	(12,401)
Arizona Water Settlement	9,040	-	-
	<u>9,005</u>	<u>-</u>	<u>(12,401)</u>
<b>Net Change in Fund Balances</b>	(601,049)	97,053	46,474
<b>Fund Balances - Beginning, as Restated - See Note 9.C.</b>	1,694,980	191,801	1,208,992
<b>Fund Balances - Ending</b>	<u>\$ 1,093,931</u>	<u>\$ 288,854</u>	<u>\$ 1,255,466</u>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
General and Selective Taxes	\$ -	\$ -	\$ 3,751,373
Income Taxes	-	-	1,445,711
Total Taxes	-	-	5,197,084
Other Revenues:			
Federal Revenue	-	-	6,856,706
Investment Income (Loss)	23,957	67,731	912,262
Rentals and Royalties	-	419,913	888,424
Charges for Services	-	-	119,509
Licenses, Fees, and Permits	-	-	307,532
Assessments	-	-	14,389
Miscellaneous and Other	-	-	633,628
<b>Total Revenues</b>	<u>23,957</u>	<u>487,644</u>	<u>14,929,534</u>
<b>EXPENDITURES</b>			
Current:			
Culture, Recreation, and Natural Resources	-	-	223,328
Education	-	-	3,554,249
General Control	10,095	628,130	1,600,674
Health and Human Services	-	-	7,996,609
Highway and Transportation	-	-	740,977
Judicial	-	-	306,727
Legislative	-	-	23,022
Public Safety	-	-	482,558
Regulation and Licensing	-	-	111,747
Severance Tax	-	-	-
Capital Outlay	-	-	118,018
Debt Service:			
Principal	-	-	282,121
Interest and Other Charges	-	-	109,886
<b>Total Expenditures</b>	<u>10,095</u>	<u>628,130</u>	<u>15,549,916</u>
<b>Excess Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>13,862</u>	<u>(140,486)</u>	<u>(620,382)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds Issued	-	-	474,018
Bond Premium	-	-	82,239
Refunding Bonds Issued	-	-	181,395
Proceeds from the Sale of Capital Assets	-	-	1,803
Transfers In	8,468	-	7,182,542
Transfers Out	(193,510)	(59,619)	(7,918,883)
Payment to Refunding Bond Escrow Agent	-	-	(208,143)
<b>Total Other Financing Sources (Uses)</b>	<u>(185,042)</u>	<u>(59,619)</u>	<u>(205,029)</u>
<b>SPECIAL ITEM</b>			
Native American Water Rights Settlement	-	-	(12,436)
Arizona Water Settlement	-	-	9,040
	-	-	(3,396)
<b>Net Change in Fund Balances</b>	(171,180)	(200,105)	(828,807)
<b>Fund Balances - Beginning, as Restated -</b>			
See Note 9.C.	4,730,349	14,882,171	22,708,293
<b>Fund Balances - Ending</b>	<u>\$ 4,559,169</u>	<u>\$ 14,682,066</u>	<u>\$ 21,879,486</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, 2016

(In Thousands)

**Net Change in Fund Balances - Total Governmental Funds** \$ (828,807)

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	\$ 429,108	
Depreciation expense	<u>(670,283)</u>	
Excess of capital outlay over depreciation expense		(241,175)

Loss on disposal of capital assets is not reported in the funds statements (8,561)

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. 96,964

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. 30,965

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	379,363	
Bond and Note Proceeds, Net	<u>(381,399)</u>	(2,036)

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. (21,370)

The deferred loss on refunding bond issues is capitalized and the amortization is reported in the Statement of Activities.

Pension expense of governmental funds is recognized in the Statement of Activities, but not in the funds statements. 175,597

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:

Net Pension Liability	\$ (456,192)	
Compensated Absences Expense	(120)	
Pollution Remediation Obligation	4,720	
Accrued Interest on Bonds Payable	22,787	
Native American Water Rights Liability	17,061	
Contingent Liability	(12,424)	
Claims and Judgements	6,036	
Change in Ineffective Swaps - Derivatives	<u>(7,400)</u>	<u>(425,532)</u>

**Change in Net Position of Governmental Activities** \$ (1,223,955)

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

# STATE OF NEW MEXICO

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## PROPRIETARY FUND FINANCIAL STATEMENTS

### **Educational Institutions Fund**

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

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

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

### **Internal Service Fund**

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

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2016

(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	\$ 397,531	\$ 384,544	\$ 782,075	\$ -
Cash and Cash Equivalents - Restricted	32,878	-	32,878	-
Investment in the State General Fund Investment Pool	-	173,646	173,646	197,026
Investment in the Local Government Investment Pool	43,546	30,966	74,512	-
Due From Other Funds	-	552	552	32,148
Due From Component Unit	43,248	-	43,248	-
Receivables, Net	359,604	119,350	478,954	12,761
Investments	448,031	-	448,031	-
Inventories	25,573	1,978	27,551	12
Other Current Assets	22,933	333	23,266	-
<b>Total Current Assets</b>	<b>1,373,344</b>	<b>711,369</b>	<b>2,084,713</b>	<b>241,948</b>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	73,113	-	73,113	-
Loans Receivable	25,488	172,095	197,583	-
Investments	487,801	32,678	520,479	-
Due From Component Units	19,255	-	19,255	-
Derivative Instruments - Interest Rate Swaps	1,592	-	1,592	-
Other Noncurrent Assets	9,713	-	9,713	-
Nondepreciable Capital Assets	184,435	1,766	186,201	6,722
Capital Assets, Net	2,114,709	70,529	2,185,238	33,888
<b>Total Noncurrent Assets</b>	<b>2,916,106</b>	<b>277,068</b>	<b>3,193,174</b>	<b>40,609</b>
<b>Total Assets</b>	<b>4,289,450</b>	<b>988,437</b>	<b>5,277,887</b>	<b>282,558</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Interest Rate Swaps	13,350	-	13,350	-
Deferred Charge on Refunding	6,612	-	6,612	-
Deferred Outflows - Pension	195,528	2,403	197,931	3,201
<b>Total Deferred Outflows of Resources</b>	<b>215,490</b>	<b>2,403</b>	<b>217,893</b>	<b>3,201</b>

# STATE OF NEW MEXICO

## STATEMENT OF NET POSITION PROPRIETARY FUNDS (CONTINUED)

June 30, 2016

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 251,620	\$ 9,842	\$ 261,462	\$ 18,468
Accrued Liabilities	98,429	8,395	106,824	1,931
Unearned Revenue	68,714	12,130	80,844	-
Due to Other Funds	-	653	653	37,558
Due to Component Unit	11,690	-	11,690	-
Intergovernmental Payables	-	180	180	-
Funds Held for Others	17,979	3	17,982	2
Bonds Payable	33,100	955	34,055	-
Other Liabilities	2,243	31,846	34,089	100,522
<b>Total Current Liabilities</b>	<b>483,775</b>	<b>64,004</b>	<b>547,779</b>	<b>158,481</b>
Noncurrent Liabilities:				
Bonds Payable	650,956	11,010	661,966	-
Net Pension Liability	1,886,164	26,988	1,913,152	35,950
Other Liabilities	240,855	63,745	304,600	95,024
<b>Total Noncurrent Liabilities</b>	<b>2,777,975</b>	<b>101,743</b>	<b>2,879,718</b>	<b>130,974</b>
<b>Total Liabilities</b>	<b>3,261,750</b>	<b>165,747</b>	<b>3,427,497</b>	<b>289,455</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow - Pension	70,602	669	71,271	892
Deferred Inflow - Other	898	-	898	-
<b>Total Deferred Inflows of Resources</b>	<b>71,500</b>	<b>669</b>	<b>72,169</b>	<b>892</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,594,589	60,103	1,654,692	40,609
Restricted:				
Nonexpendable:				
Scholarships and Student Loans	135,339	-	135,339	-
Endowment	189,899	-	189,899	-
Other Purposes	11,706	-	11,706	-
Expendable:				
Debt Service	47,773	-	47,773	-
Capital Projects	39,438	1,602	41,040	-
Scholarships	22,000	-	22,000	-
Unemployment and Insurance	-	409,092	409,092	-
Loans	21,400	355,809	377,209	-
Education	58	-	58	-
Other Purposes	32,590	50,544	83,134	48,818
Unrestricted (Deficit)	(923,102)	(52,726)	(975,828)	(94,015)
<b>Total Net Position</b>	<b>\$ 1,171,690</b>	<b>\$ 824,424</b>	<b>\$ 1,996,114</b>	<b>\$ (4,588)</b>

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

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(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	\$ 286,056	\$ 416,865	\$ 702,921	\$ 516,118
Unemployment Insurance	-	342,488	342,488	-
Federal Revenue	362,775	10,183	372,958	-
State, Local, and Private Grants and Contracts	-	-	-	-
Loans and Other Income	-	9,838	9,838	319
Student Tuition and Fees, Net	263,619	-	263,619	-
Patient Services/Clinical Operations	857,431	-	857,431	-
Other Operating Revenues	220,591	6,743	227,334	1,781
<b>Total Operating Revenues</b>	<u>1,990,472</u>	<u>786,117</u>	<u>2,776,589</u>	<u>518,218</u>
<b>OPERATING EXPENSES</b>				
Benefits, Claims, and Premiums	-	209,697	209,697	-
Education and General	1,612,659	102,699	1,715,358	477,654
Insurance Losses	-	328,984	328,984	-
Depreciation and Amortization	162,074	5,015	167,089	10,544
Other Operating Expenses	1,329,469	10,481	1,339,950	609
<b>Total Operating Expenses</b>	<u>3,104,202</u>	<u>656,876</u>	<u>3,761,078</u>	<u>488,807</u>
<b>Operating Income (Loss)</b>	<u>(1,113,730)</u>	<u>129,241</u>	<u>(984,489)</u>	<u>29,411</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Clinical Operations	114,354	-	114,354	-
Private Grants and Gifts	45,868	-	45,868	-
Government Grants and Contracts	174,696	486	175,182	-
Interest and Investment Income	20,652	813	21,465	34
Interest and Other Expenses on Capital				
Interest-related Debt	(22,691)	-	(22,691)	-
Gain (Loss) on Sale of Capital Assets	(469)	2	(467)	284
Intergovernmental Grants	1,050	-	1,050	-
Other Revenue (Expense)	15,292	616	15,908	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>348,752</u>	<u>1,917</u>	<u>350,669</u>	<u>318</u>
<b>Income (Loss) Before Transfers and Other Revenues (Expenses)</b>	<u>(764,978)</u>	<u>131,158</u>	<u>(633,820)</u>	<u>29,729</u>
<b>CAPITAL CONTRIBUTIONS AND ENDOWMENTS</b>				
Capital Grants and Gifts	2,590	-	2,590	-
Permanent Fund/Endowment Contributions	4,316	-	4,316	-
<b>Total Capital Contributions and Endowments</b>	<u>6,906</u>	<u>-</u>	<u>6,906</u>	<u>-</u>
<b>TRANSFERS</b>				
Transfers In	830,377	9,980	840,357	34,591
Transfers Out	-	(9,117)	(9,117)	(33,355)
<b>Total Transfers</b>	<u>830,377</u>	<u>863</u>	<u>831,240</u>	<u>1,236</u>
<b>Change in Net Position</b>	<u>72,305</u>	<u>132,021</u>	<u>204,326</u>	<u>30,965</u>
<b>Net Position - Beginning, as Restated - See Note 9.C.</b>	<u>1,099,385</u>	<u>692,403</u>	<u>1,791,788</u>	<u>(35,553)</u>
<b>Net Position - Ending</b>	<u>\$ 1,171,690</u>	<u>\$ 824,424</u>	<u>\$ 1,996,114</u>	<u>\$ (4,588)</u>

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, 2016

(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	\$ 1,225,895	\$ 407,526	\$ 1,633,421	\$ 515,048
Sale of Products	281,065	7,621	288,686	-
Gifts, Grants, and Contracts	519,414	8,283	527,697	-
Loan and Note Repayments	2,099	(298,295)	(296,196)	-
Unemployment Insurance	-	351,732	351,732	-
Other Sources	33,926	5,780	39,706	53
Cash Payments to or for:				
Suppliers	(952,351)	(77,154)	(1,029,505)	(451,059)
Employees	(1,891,786)	(24,219)	(1,916,005)	(24,456)
Unemployment Benefits	-	(193,616)	(193,616)	-
Student Loans and Loan Losses	(95,769)	-	(95,769)	-
Other Payments	(31,415)	(27,718)	(59,133)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(908,922)</b>	<b>159,940</b>	<b>(748,982)</b>	<b>39,586</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	687,758	2,603	690,361	10,361
Transfers Out	-	(518)	(518)	(13,197)
Gifts for Other Than Capital Purposes	147,805	-	147,805	-
Intergovernmental Receipts	269,316	(1,020)	268,296	-
Other	13,722	954	14,676	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>1,118,601</b>	<b>2,019</b>	<b>1,120,620</b>	<b>(2,836)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(163,598)	(2,500)	(166,098)	(6,445)
Capital Gifts, Grants, and Contracts	-	-	-	-
Capital Debt Service Payments - Principal	(159,101)	(985)	(160,086)	-
Capital Debt Service Payments - Interest	(29,561)	-	(29,561)	-
Capital Contributions and Debt Proceeds	268,378	-	268,378	-
Proceeds from Sale of Capital Assets	437	1	438	-
Other	2,451	-	2,451	22
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(80,994)</b>	<b>(3,484)</b>	<b>(84,478)</b>	<b>(6,423)</b>

# STATE OF NEW MEXICO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

June 30, 2016

(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Educational Institutions	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts of Interest and Dividends of Investments	\$ 13,733	\$ 813	\$ 14,546	\$ 35
Purchase of Investments	(568,732)	-	(568,732)	-
Receipts of Rent	(71)	146	75	-
Proceeds from Sale and Maturity of Investments	462,069	219	462,288	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(93,001)</u>	<u>1,178</u>	<u>(91,823)</u>	<u>35</u>
<b>Net Increase (Decrease) in Cash</b>	35,684	159,653	195,337	30,362
<b>Cash and Cash Equivalents at Beginning of Year</b>	467,838	429,503	897,341	166,665
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 503,522</u>	<u>\$ 589,156</u>	<u>\$ 1,092,678</u>	<u>\$ 197,027</u>
<b>Cash and Cash Equivalents</b>				
Unrestricted	\$ 395,535	\$ 384,544	\$ 780,079	\$ -
Restricted	105,991	-	105,991	-
Investment in the Local Government Investment Pool	-	30,966	30,966	-
Investment in the State General Fund Investment Pool	-	173,646	173,646	197,027
<b>Total Cash and Cash Equivalents</b>	<u>\$ 501,526</u>	<u>\$ 589,156</u>	<u>\$ 1,090,682</u>	<u>\$ 197,027</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (1,113,730)	\$ 129,241	\$ (984,489)	\$ 29,411
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	162,074	5,015	167,089	10,545
Bad Debt Expense	56,053	14,555	70,608	-
Pension	-	-	-	-
Realized (Gain) Loss on Disposal of Assets	2,238	-	2,238	-
Unrealized (Gain) Loss on Investments	43	-	43	-
Change in Net Pension Liability	152,864	1,829	154,693	(1,155)
Change in Deferred Outflow of Resources	(42,644)	-	(42,644)	-
Change in Deferred Inflow of Resources	(72,805)	-	(72,805)	-
Net Changes in Assets and Liabilities Related to Operating Activities:				
Short-term Investments	185	-	185	-
Receivables/Due From Other Funds	(77,281)	5,174	(72,107)	(2,330)
Notes/Loans	647	-	647	-
Inventories	(8)	(38)	(46)	27
Prepaid Items/Other Assets	(877)	(500)	(1,377)	112
Insurance Claims Payable	-	-	-	(6,036)
Accounts Payable/Accrued Liabilities/Due To Other Funds	27,936	4,618	32,554	9,012
Loss Adjustments	-	-	-	-
Unearned Revenue	(3,617)	46	(3,571)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (908,922)</u>	<u>\$ 159,940</u>	<u>\$ (748,982)</u>	<u>\$ 39,586</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 FUNDS FINANCIAL STATEMENTS

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

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

### **External Investment Trust Funds**

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

### **Private Purpose Trust Funds**

These funds account for resources held under trust arrangements and which benefit individuals, organizations, 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 in the Financial Section - Required and Supplemental Information.

### **Agency Funds**

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

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

# STATE OF NEW MEXICO

## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

June 30, 2016

(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	\$ 831,801	\$ 243,247	\$ 10,369	\$ 18,831
Investment in State General Fund Investment Pool	44,273	-	6,457	79,760
Investment in Local Government Investment Pool	-	-	-	4,723
Investments:				
U.S. Government and Agency Securities	1,439,398	-	-	-
International Securities	5,703,283	-	-	-
Corporate Equity Securities	7,804,175	-	-	-
Corporate and Municipal Bonds	2,185,760	-	-	-
Partnerships and Other Investments	8,694,188	-	2,284,217	-
Securities Lending Collateral Investments	544,078	-	-	-
Investment Pools	-	-	89,567	-
Long Term Investments	-	307,110	-	22,192
Due From Other Parties	-	-	-	-
Receivables:				
Brokers	732	1,925	612	-
Contributions	174	-	-	-
Accrued Interest and Other	606,081	-	1,838	1,965
Participant Loans	10,087	-	-	220
Other Receivables	258,782	869	479,876	966,840
Other Assets	-	-	-	-
Capital Assets, Net	16,719	-	-	-
<b>Total Assets</b>	<b>28,139,531</b>	<b>553,151</b>	<b>2,872,936</b>	<b>\$ 1,094,531</b>
<b>LIABILITIES</b>				
Investment in State General Fund Investment Pool - Deficit	-	-	-	-
Accounts Payable	24,533	-	63	51,353
Securities Lending	-	-	-	-
Accrued Liabilities	1,370	-	4,151	-
Due to Other Parties	-	-	-	-
Due to Brokers	-	-	-	-
Intergovernmental Payables	1	-	-	300,164
Unearned Revenue	5,610	-	-	-
Deposits Held in Trust	(321)	-	1,608	591,003
Other Liabilities	1,596,507	5,435	547,252	152,011
<b>Total Liabilities</b>	<b>1,627,700</b>	<b>5,435</b>	<b>553,074</b>	<b>\$ 1,094,531</b>
<b>NET POSITION</b>				
Held in Trust for:				
Pension Benefits	25,536,517	-	-	-
Other Postemployment Benefits	472,474	-	-	-
Defined Contribution	502,840	-	-	-
External Investment Pool Participants	-	547,716	-	-
Other Purposes	-	-	2,319,862	-
<b>Net Position</b>	<b>\$ 26,511,831</b>	<b>\$ 547,716</b>	<b>\$ 2,319,862</b>	

# STATE OF NEW MEXICO

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

### FIDUCIARY FUNDS

June 30, 2016

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employee Contributions	\$ 707,373	\$ -	\$ -
Employer Contributions	857,052	-	-
Member Contributions	35,261	-	717,495
Other	-	354,258	-
Total Contributions	<u>1,599,686</u>	<u>354,258</u>	<u>717,495</u>
Pool Participant Deposits	<u>-</u>	<u>-</u>	<u>-</u>
Investment Income (Loss):			
Net Increase (Decrease) in			
Fair Value of Investments	129,835	(1,518)	(30,883)
Interest and Dividends	416,427	1,793	34,399
	<u>546,262</u>	<u>275</u>	<u>3,516</u>
Less Investment Expense	134,347	-	-
Net Investment Income	<u>411,915</u>	<u>275</u>	<u>3,516</u>
Other Additions			
Other Operating Revenues	53,770	-	11,798
Total Other Additions	<u>53,770</u>	<u>-</u>	<u>11,798</u>
<b>Total Additions</b>	<u>2,065,371</u>	<u>354,533</u>	<u>732,809</u>
<b>DEDUCTIONS</b>			
Benefits and Claims	2,335,920	354,471	-
Distributions	-	-	785,532
Refunds	84,480	-	(12)
General and Administrative Expenses	25,508	373	54,554
Other Operating Expenses	967	-	-
<b>Total Deductions</b>	<u>2,446,875</u>	<u>354,844</u>	<u>840,074</u>
<b>Special Item</b>	<u>11,805</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	(369,699)	(311)	(107,265)
<b>Net Position - Beginning</b>	26,881,530	548,027	2,427,127
<b>Net Position - Ending</b>	<u>\$ 26,511,831</u>	<u>\$ 547,716</u>	<u>\$ 2,319,862</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 sixty-four state-authorized Charter Schools at June 30, 2016, financially accountable to the State Public Education Department.

### **Non-major Component Units**

There were twenty-two non-major component units at June 30, 2016. Their financial information is presented in total. They are as follows: UNM Alumni Association; UNM Lobo Club; UNM Anderson School of Management Foundation; Science & Technology Corporation UNM; Lobo Development Corporation; Lobo Energy, Inc.; Arrowhead Center, Inc.; New Mexico Institute of Mining and Technology Research Foundation; New Mexico Tech Research Park Corporation; New Mexico Highlands University (NMHU) Foundation; NMHU Stable Isotopes Corporation; Western New Mexico University Foundation; Eastern New Mexico University (ENMU) Foundation; ENMU Roswell Foundation; ENMU Ruidoso Foundation; Northern New Mexico College Foundation; New Mexico Military Institute Foundation; New Mexico School for the Visually Impaired Foundation; UNM Innovate, Cumbres & Toltec Scenic Railroad Commission; New Mexico Renewable Transmission Authority; and the New Mexico Small Business Investment Corporation.

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2016

(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	University of New Mexico Medical Group
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 15,434	\$ 59,843	\$ 6,381	\$ 16,748	\$ 3,592	\$ 23,789
Investment in Local Government	-	-	-	-	-	-
Investment Pool	-	-	-	-	-	-
Restricted Cash and Cash Equivalents	135,136	-	3,309	5,937	3,893	-
Investments	-	-	-	-	-	-
Due From Primary Government	17,557	-	-	-	-	4,942
Due From Other Components	-	-	-	48	-	197
Receivables, Net	15,800	3,325	743	13,546	985	28,279
Loans Receivable, Current	79,358	13,404	-	-	-	-
Prepaid Expenses	20	-	180	776	-	-
Other Assets	-	-	-	-	302	653
Inventory	-	2,611	157	2,401	-	-
<b>Total Current Assets</b>	<b>263,305</b>	<b>79,183</b>	<b>10,770</b>	<b>39,456</b>	<b>8,772</b>	<b>57,860</b>
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	-	15,531	-	-	-	4,665
Restricted Investments	332,151	642,149	-	7,412	187,040	-
Loans Receivable, Net	877,298	205,275	-	-	-	-
Due From Primary Government	287,443	-	-	-	-	-
Investments	-	53,710	-	-	5,243	18,114
Other Noncurrent Assets	83,874	843	-	-	5,338	801
Nondepreciable Capital Assets	276	512	744	166	-	-
Other Capital Assets, Net	3	483	2,504	114,191	63	3,284
<b>Total Noncurrent Assets</b>	<b>1,581,045</b>	<b>918,503</b>	<b>3,248</b>	<b>121,769</b>	<b>197,684</b>	<b>26,864</b>
<b>Total Assets</b>	<b>1,844,350</b>	<b>997,686</b>	<b>14,018</b>	<b>161,225</b>	<b>206,456</b>	<b>84,724</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Charge on Refunding	823	880	-	-	-	-
Deferred Outflows - Pension	-	-	-	-	-	-
<b>Total Deferred Outflows</b>	<b>823</b>	<b>880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	307	4,733	1,761	4,861	158	-
Accrued Liabilities	509	3,634	-	3,085	1,676	5,806
Unearned Revenue	-	-	-	-	-	-
Due to Primary Government	-	-	3,440	1,345	3,777	30,681
Due to Other Component Unit	-	-	-	198	-	48
Funds Held for Others	-	11,248	-	-	-	-
Bonds Payable	78,040	30,186	-	3,540	-	-
Other Liabilities	222,691	22,974	6,563	4,117	1,203	-
<b>Total Current Liabilities</b>	<b>301,547</b>	<b>72,775</b>	<b>11,764</b>	<b>17,146</b>	<b>6,814</b>	<b>36,535</b>
Noncurrent Liabilities:						
Bonds Payable	1,036,409	668,369	-	124,960	-	-
Due to Primary Government	-	-	-	-	3,578	-
Net Pension Liability	-	-	-	-	-	-
Other Liabilities	-	3,902	746	-	2,089	-
<b>Total Noncurrent Liabilities</b>	<b>1,036,409</b>	<b>672,271</b>	<b>746</b>	<b>124,960</b>	<b>5,667</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,337,956</b>	<b>745,046</b>	<b>12,510</b>	<b>142,106</b>	<b>12,481</b>	<b>36,535</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unearned Revenue	1,575	-	-	-	-	-
Deferred Inflows - Pension Liability	-	-	-	-	-	-
<b>Total Deferred Inflows</b>	<b>1,575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	279	995	2,271	(14,144)	63	3,284
Restricted:						
Nonexpendable	-	-	-	-	172,832	-
Expendable:						
Debt Service	-	78,017	-	-	-	-
Other Purposes	495,576	27,369	-	13,427	18,773	-
Unrestricted Net Position (Deficit)	9,787	147,139	(763)	19,836	2,307	44,905
<b>Total Net Position (Deficit)</b>	<b>\$ 505,642</b>	<b>\$ 253,520</b>	<b>\$ 1,508</b>	<b>\$ 19,119</b>	<b>\$ 193,975</b>	<b>\$ 48,189</b>

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF NET POSITION COMPONENT UNITS (CONTINUED)

June 30, 2016

(In Thousands)

	New Mexico				
	State	Charter	Nonmajor	Component	
	University	Schools	Component	Unit	Total
	Foundation		Units	Eliminations	
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 9,854	\$ 37,889	\$ 17,996	\$ -	\$ 191,526
Investment in Local Government					
Investment Pool	-	-	8,098	-	8,098
Restricted Cash and Cash Equivalents	-	-	321	-	148,596
Investments	211	-	34,578	-	34,789
Due From Primary Government	-	-	108	-	22,607
Due From Other Components	-	-	-	(245)	-
Receivables, Net	8,969	8,904	6,086	-	86,637
Loans Receivable, Current	-	-	10	-	92,772
Prepaid Expenses	-	225	173	-	1,374
Other Assets	-	284	-	-	1,239
Inventory	-	-	317	-	5,486
<b>Total Current Assets</b>	<u>19,034</u>	<u>47,302</u>	<u>67,687</u>	<u>(245)</u>	<u>593,124</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	1,656	151	-	22,003
Restricted Investments	-	-	7,121	-	1,175,873
Loans Receivable, Net	-	-	19,230	-	1,101,803
Due From Primary Government	-	-	-	-	287,443
Investments	116,243	-	83,549	-	276,859
Other Noncurrent Assets	43,926	-	2,241	-	137,023
Nondepreciable Capital Assets	-	8,118	17,082	-	26,898
Other Capital Assets, Net	143	53,124	42,751	-	216,546
<b>Total Noncurrent Assets</b>	<u>160,312</u>	<u>62,898</u>	<u>172,125</u>	<u>-</u>	<u>3,244,448</u>
<b>Total Assets</b>	<u>179,346</u>	<u>110,200</u>	<u>239,812</u>	<u>(245)</u>	<u>3,837,572</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Charge on Refunding	-	-	-	-	1,703
Deferred Outflows - Pension	-	34,480	-	-	34,480
<b>Total Deferred Outflows</b>	<u>-</u>	<u>34,480</u>	<u>-</u>	<u>-</u>	<u>36,183</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	72	2,399	918	-	15,209
Accrued Liabilities	2,949	7,575	3,750	-	28,984
Unearned Revenue	-	296	1,552	-	1,848
Due to Primary Government	2,032	-	5,413	-	46,688
Due to Other Component Unit	-	-	-	(245)	1
Funds Held for Others	-	-	221	-	11,469
Bonds Payable	-	-	-	-	111,766
Other Liabilities	507	1,053	2,695	-	261,803
<b>Total Current Liabilities</b>	<u>5,560</u>	<u>11,323</u>	<u>14,549</u>	<u>(245)</u>	<u>477,768</u>
Noncurrent Liabilities:					
Bonds Payable	-	-	-	-	1,829,738
Due to Primary Government	-	-	15,677	-	19,255
Net Pension Liability	-	146,788	2,165	-	148,953
Other Liabilities	42,171	50,861	7,162	-	106,931
<b>Total Noncurrent Liabilities</b>	<u>42,171</u>	<u>197,649</u>	<u>25,004</u>	<u>-</u>	<u>2,104,877</u>
<b>Total Liabilities</b>	<u>47,731</u>	<u>208,972</u>	<u>39,553</u>	<u>(245)</u>	<u>2,582,645</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned Revenue	-	-	837	-	2,412
Deferred Inflows - Pension Liability	-	6,153	-	-	6,153
<b>Total Deferred Inflows</b>	<u>-</u>	<u>6,153</u>	<u>837</u>	<u>-</u>	<u>8,565</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	143	10,679	31,736	-	35,306
Restricted:					
Nonexpendable	88,740	-	49,400	-	310,972
Expendable:					
Debt Service	-	-	-	-	78,017
Other Purposes	42,464	17,916	58,975	-	674,500
Unrestricted Net Position (Deficit)	268	(99,040)	59,311	-	183,750
<b>Total Net Position (Deficit)</b>	<u>\$ 131,615</u>	<u>\$ (70,445)</u>	<u>\$ 199,422</u>	<u>\$ -</u>	<u>\$ 1,282,545</u>

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF ACTIVITIES

### COMPONENT UNITS

For the Year Ended June 30, 2016

(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	\$ 125,877	\$ 38,725	\$ 106,798	\$ 79,405	\$ 40,951
Program Revenues:					
Charges for Services	58,786	8,425	154,339	77,175	-
Operating Grants and Contributions	-	37,802	-	-	27,529
Total Program Revenues	58,786	46,227	154,339	77,175	27,529
Nonoperating Revenues:					
Grant Revenue	-	-	-	-	-
Net (Expenses) Revenues	(67,091)	7,502	47,541	(2,230)	(13,422)
Other Revenues & Expenses:					
Payment from State of New Mexico	75,476	-	-	-	-
Payment to State of New Mexico	(19,200)	-	(46,324)	-	-
Other	14,255	(80)	7	2,222	11,838
Investment Income	2,196	-	17	12	(2,403)
Total General Revenues	72,727	(80)	(46,300)	2,234	9,435
<b>Change in Net Position</b>	5,636	7,422	1,241	4	(3,987)
<b>Net Position - Beginning, as Restated</b>	500,006	246,098	267	19,115	197,962
<b>Net Position - Ending (Deficit)</b>	\$ 505,642	\$ 253,520	\$ 1,508	\$ 19,119	\$ 193,975

# STATE OF NEW MEXICO

## COMBINING STATEMENT OF ACTIVITIES COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2016

(In Thousands)

	University of New Mexico Medical Group	New Mexico State University Foundation	Charter Schools	Nonmajor Component Units	Total
Expenses	\$ 205,604	\$ 13,510	\$ 168,707	\$ 32,905	\$ 812,482
Program Revenues:					
Charges for Services	194,455	1,945	1,250	10,339	506,714
Operating Grants and Contributions	10,454	15,433	32,236	16,451	139,905
Total Program Revenues	<u>204,909</u>	<u>17,378</u>	<u>33,486</u>	<u>26,790</u>	<u>646,619</u>
Nonoperating Revenues:					
Grant Revenue	-	-	-	-	-
Net (Expenses) Revenues	<u>(695)</u>	<u>3,868</u>	<u>(135,221)</u>	<u>(6,115)</u>	<u>(165,863)</u>
Other Revenues & Expenses:					
Payment from State of New Mexico	1,257	-	127,419	-	204,152
Payment to State of New Mexico	-	-	-	(380)	(65,904)
Other	-	-	10,441	3,530	42,213
Investment Income	263	(4,821)	-	3,258	(1,478)
Total General Revenues	<u>1,520</u>	<u>(4,821)</u>	<u>137,860</u>	<u>6,408</u>	<u>178,983</u>
<b>Change in Net Position</b>	825	(953)	2,639	293	13,120
<b>Net Position - Beginning, as Restated</b>	47,364	132,568	(73,084)	199,129	1,269,425
<b>Net Position - Ending (Deficit)</b>	<u>\$ 48,189</u>	<u>\$ 131,615</u>	<u>\$ (70,445)</u>	<u>\$ 199,422</u>	<u>\$ 1,282,545</u>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 1

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

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

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

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

##### B. Reporting Entity

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

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

##### Blended Component Units

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

▪ **Arrowhead Center, Inc.**

The Arrowhead Center, Inc. provides a financial benefit to New Mexico State University (NMSU) and was established to foster economic development with the State through the development of research parks and university real property as well as to protect, license and market intellectual property developed by faculty, staff and students of NMSU, as well as members of the community.

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

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

#### **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.

#### **Major Component Units**

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

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

- **New Mexico Lottery Authority (Lottery Authority)**

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

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

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

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

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

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

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

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### ▪ 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. At June 30, 2016, there were 64 state chartered schools. The division of Charter Schools can be located at the New Mexico Public Education Department, Office of the Secretary, 300 Don Gaspar, Santa Fe, NM 87501.

#### Non-major Component Units

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

#### 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 non-major component units. Component units are shown in total in the government-wide financial statements with a combining statement to show the details. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### D. Basis of Presentation – Fund Financial Statements

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

The State reports the following governmental funds:

Major funds:

- **General Fund** – This fund accounts for the financial resources of the State, except those required to be accounted for in another fund. This is the State’s primary operating fund.
- **Debt Service Fund** – Debt Service Fund accounts are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations and other contractual obligations.
- **Capital Projects Fund** – The Capital Projects Fund accounts for funds appropriated by the State Legislature for capital outlay, including severance tax and general obligation bond proceeds and State General Appropriation capital outlay funds.
- **Severance Tax Fund** – The Severance Tax Fund is a special revenue fund that accounts for the proceeds of severance taxes, which are levied by the State on certain natural resources extracted from State lands. Severance tax revenues are first applied to pay the required debt service on Severance Tax Bonds issued by the State. Remaining severance tax revenues are then transferred to the Severance Tax Fund, administered by the State Investment Council. Distributions from this fund are stipulated by the State Constitution.
- **Land Grant Fund** – The Land Grant Fund is a permanent fund that receives royalties and income from trust lands distributed to various entities assigned by the Ferguson Act of 1898.

The State reports the following enterprise funds:

Major fund:

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

Non-major funds:

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

The State reports the following internal service fund:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

- **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.
- **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 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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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susceptible to accrual. Expenditures are generally recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described previously. Proprietary funds include both enterprise and internal service fund types. Enterprise funds report the activities for which fees are charged to external users for goods and services. Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are student tuition and fees, net of scholarship discounts and allowances, patient services, sales and services, interest on loans, and most federal, state, and local contracts and grants. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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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.

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

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

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

For the fiscal year ended June 30, 2016, the State is reporting expenses/expenditures exceeding the approved budget in one P-code budgeted category. There are two separate P-code budget categories that report expenses/expenditures exceeding the approved budget due to rounding. More information can be found in the Budgetary Comparison Schedule in the Financial Section.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

##### 1. Cash and Cash Equivalents

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

##### 2. Investments

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

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

##### 3. Investment Pools

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

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

The LGIP, an external investment pool, is not registered with the Security and Exchange Commission (SEC) as an investment company. The investments are recorded at fair value based on quoted market price; however, individual participant balances remain at their carrying cost. The LGIP does not have unit shares. Per Chapter 6-10-10.1F, New Mexico Statutes Annotated (NMSA) 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. At June 30, 2016, the LGIP carrying cost approximated the fair value. Participation in the LGIP is voluntary. The external portion of LGIP is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the State and its component units, has been included in the various funds and component units.

A copy of the New Mexico State Treasurer's audited financial statements can be obtained by writing the New Mexico State Treasurer, P.O. Box 5135, Santa Fe, NM 87505 or online at [http://www.saonm.org/audit\\_reports/detail/9836](http://www.saonm.org/audit_reports/detail/9836).

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

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

The external portion of the Council's investment pools 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.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

#### **4. Inventories**

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

Inventories of the proprietary funds are valued 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.

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-

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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.

There is no depreciation recorded for land, construction in progress, infrastructure. 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.

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

As explained later in Note 1, J, the use of the above terms has been expanded with the implementation of various statements of the *Governmental Accounting Standards Board (GASB)*. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

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

Qualified employees' vacation leave is accrued at a graduated schedule of 80 to 160 hours per year, depending upon the length of service and employees' hire date. Employees are paid for the accumulated annual leave upon retirement or other termination up to 240 hours. A maximum of thirty days of annual leave (240 hours) may be carried forward into the beginning of the calendar year, with any excess forfeited. Qualified employees sick leave accrued at the rate

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

of 3.7 hours per bi-weekly pay period. There is no limit to the amount of sick leave, which an employee may accumulate. Employees are paid for accumulated sick leave annually, or upon retirement or other termination, but only for accumulated sick leave in excess of 600 hours. Annually, employees may be paid 50.0 percent of the excess over 600 hours, up to a maximum of 120 hours. Upon retirement or other termination, employees are paid 50.0 percent of the excess over 600 hours, up to maximum of 400 hours. The total liability of the governmental activities for compensated absences is recorded in the government-wide Statement of Net Position as part of long-term liabilities. However, in accordance with GAAP, the liability is not recorded in the Governmental funds financial statements. See additional disclosure in the detailed notes.

#### 10. Unearned Revenue

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, unearned revenue is recorded when cash or other assets are received prior to being earned. In the governmental fund statements, unearned revenue is recorded when revenue is either unearned or unavailable. *GASB Statement No. 65* (see Note 1, J) requires resources received from another government under voluntary or government-mandated non-exchange transactions before time restrictions are met, but after all other eligibility requirements are met, should be classified as deferred inflows of resources.

#### 11. Bonds Payable

Bond premiums and discounts and deferred amounts on refunding are deferred and amortized over the life of the bonds using the bonds outstanding method or straight-line method, which approximates the effective interest method. Bonds payable are reported at face amount, with the applicable bond premium or discount and deferred amount on refunding reported separately. In accordance with GASB Statement 65, bond issuance costs are expensed.

In the governmental fund financial statements, total bond premium or discount is recognized when the bonds are first issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 12. Insurance Losses and Loss Adjustment Expense

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

### 13. Interfund Transactions

#### Government-wide Financial Statements

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

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

#### Governmental Fund Financial Statements

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

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

### 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.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

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

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

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

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

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

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

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.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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#### **H. Revenues and Expenditures/Expenses**

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

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

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

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

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

#### **Grants**

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

#### **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.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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#### **Endowments**

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

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

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

#### **I. Use of Estimates**

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

#### **J. New Accounting Standards**

For the fiscal year ended June 30, 2016, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

##### *GASB Statement No. 72, Fair Value Measurement and Application*

This statement addresses accounting and financial reporting issues related to fair value measurements, and provides guidance for determining fair value measurement for financial reporting purposes. New disclosures of fair value measurements of investments have been added to the Notes to the Financial Statements.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

*GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68, as well as amending certain provisions of Statements No. 67 and No. 68. This statement has had very little impact on State financial reporting.

*GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP, and is of interest mainly to those involved in the technical aspects of accounting and financial reporting for governments.

#### **K. Future Accounting Standards**

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

*GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

This statement provides new guidance on reporting for benefit plans other than pensions. The statement is due to be adopted by the State for the fiscal year ending June 30, 2017. This statement will have a major impact on government financial reporting similar to that of the recently adopted pension accounting standards.

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

This statement establishes new standards for accounting and financial reporting for governments whose employees are provided with postemployment benefits other than pensions. Statements No. 74 and No. 75 will have a significant impact on the financial statements of most state and local governments, including the State of New Mexico. This statement is due to be adopted by the State for the fiscal year ending June 30, 2018.

*GASB Statement No. 77, Tax Abatement Disclosures*

This statement provides disclosure guidance for governments that enter into tax abatement agreements with individuals or businesses. This statement is due to be adopted by the State for the fiscal year ending June 30, 2017. This statement will have a significant impact on state financial reporting.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

*GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

This statement establishes accounting and reporting requirements for certain governments and pension plans that fit the definitions enumerated in the statement. This statement is due to be adopted by the State for the fiscal year ending June 30, 2017.

*GASB Statement No. 79, Certain External Investment Pools and Pool Participants*

This statement applies to those external investment pools which make an election regarding the measurement of its investments at amortized cost for financial reporting purposes. This statement is due to be adopted by the State for the fiscal year ending June 30, 2017.

*GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*

This statement applies to certain specific component units as defined in the statement. This statement is due to be adopted by the State for the fiscal year ending June 30, 2017.

*GASB Statement No. 81, Irrevocable Split-Interest Agreements*

This statement provides accounting guidance to those governments which receive resources pursuant to an irrevocable split-interest agreement (a donor agreement used to provide resources to two or more beneficiaries). This statement is due to be adopted by the State for the fiscal year ending June 30, 2017.

*GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*

This statement addresses certain specific financial reporting issues which have arisen due to the implementation of GASB Statements No. 67, No. 68, and No. 73. This statement is due to be adopted by the State for the fiscal year ending June 30, 2017.

*GASB Statement No. 83, Certain Asset Retirement Obligations*

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

*GASB Statement No. 84, Fiduciary Activities*

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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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#### **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).

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# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 2

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#### NOTE 2. Cash

##### Primary Government

##### New Mexico State Treasurer

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

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

All State agencies, unless otherwise 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, 2016

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

As of June 30, 2016, the funds held by the State Treasurer in the fiscal agency account were exposed to custodial credit risk as follows:

<b>Office of the State Treasurer</b>	
<b>Custodial Credit Risk</b>	
<i>(Expressed in Thousands)</i>	
	<b>Balance at</b>
	<b>June 30, 2016</b>
Cash in Banks	\$ 535,365
Less: Deposit of Institutions Which are Fully Insured and Collateralized	<u>181,713</u>
Deposits of Institutions Not Fully Collateralized	353,652
Less: Total FDIC Insurance Coverage	2,250
Collateral Pledged:	
Surety Bond	5,100
Securities	<u>184,531</u>
<b>Subject to Custodial Credit Risk</b>	<b><u>\$ 161,771</u></b>

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

As of June 30, 2016, collateral pledged to public money deposits was as follows:

<b>Office of the State Treasurer</b>		
<b>Statutory Collateral Compliance</b>		
<i>(Expressed in Thousands)</i>		
	<b>Fiscal Agent</b>	<b>Certificates</b>
	<b>Account</b>	<b>of Deposit</b>
Cash in Bank *	\$ 39,069	\$ 65,950
Less: FDIC Insurance Coverage	-	(1,810)
Total Unsecured Public Funds	<u>\$ 39,069</u>	<u>\$ 64,140</u>
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	<u>\$ 19,534</u>	<u>\$ 48,485</u>
Collateral Pledged:		
U.S. Government Securities	\$ 64,318	\$ 48,965
Surety Bond	-	-
Collateral Pledged	<u>64,318</u>	<u>48,965</u>
<b>Over Collateralized</b>	<b><u>\$ 44,784</u></b>	<b><u>\$ 480</u></b>

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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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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.

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 3

#### NOTE 3. Investments

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

	<u>Balance at June 30, 2016</u>
Primary Government:	
Current:	
Investment in State General Fund Investment Pool	\$ 3,003,611
Investment in Local Government Investment Pool	81,859
Investments	448,036
Noncurrent:	
Investments	19,372,600
Fiduciary Funds:	
Investment in State General Fund Investment Pool	130,491
Investment in Local Government Investment Pool	4,723
Investments	29,905,560
Component Units:	
Investments	<u>1,495,618</u>
Subtotal	<u>54,442,499</u>
Less: Investments in Deferred Compensation Plan not Included in Reported Investments	<u>(492,580)</u>
<b>Total Investments</b>	<b><u>\$ 53,949,919</u></b>

#### *Reconciliation to Investments presented*

Total presented above	\$ 53,949,919
Less - Information presented separately:	
ETB Investments	(2,284,217)
Component Unit Investments	(1,495,731)
Securities Lending Collateral	(544,078)
Other	<u>(387,103)</u>
Total separately held investments	<b><u>\$ 49,238,790</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 OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### State Treasurer

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

##### *General Fund Investment Pool*

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

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

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

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

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

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

Cities, counties, and other agencies invest monies in the State Treasurer external investment pool (LGIP). In fiscal year 2016, LGIP implemented a portion of GASB No. 79, Certain External Investment Pools and Pool Participants, which permits external investment pools to elect to measure all of their investments at amortized cost. The LGIP investments are presented at fair value based on the valuation date in the financial statements. The individual participant balances remain at their amortized cost. As of June 30, 2016, LGIP amortized cost approximated fair value, difference is immaterial.

The LGIP is not SEC registered. Chapter 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and adhere to the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the LGIP is voluntary. As of June 30, 2016, the WAM(R)

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

of the LGIP was 44 days, and the WAM(F) was 77 days. The fund was rated AAA by Standard & Poor's as of June 30, 2016.

#### *Investment Guidelines and Limitations*

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

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

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

#### **State Investment Council**

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

#### Education Trust Board

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

#### A. Fair Value

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

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

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

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

Investment	June 30, 2016	(Level 1)	(Level 2)	Level 3)
<b>Investments By Fair Value Level</b>				
<b>Equity Securities:</b>				
Domestic Common Stock	\$ 12,255,676	\$ 12,246,297	\$ 4,331	\$ 5,048
Domestic preferred stock	17,320	5,484	11,836	
International common stock	3,273,938	3,273,935		3
International preferred stock	40,741	40,741		
Exchange-traded Funds	13,039	13,039		
Money Market Funds	5,497	5,497		
Mutual Funds	42,619	42,619.00		
Equity Securities Held by Others	17,719	17,719		
Public MLP	119,332	119,332		
Public REIT	254,083	254,083		
Pooled Funds	2,255,224		2,255,224	
Total Equity Securities	<u>18,295,188</u>	<u>16,018,746</u>	<u>2,271,391</u>	<u>5,051</u>
<b>Debt Securities:</b>				
U.S. Government Bonds	3,659,015	857,154	2,801,861	
US Treasuries	1,109,319	127,571	981,748	
US Agency Securities	191,336	1,651	189,685	
Non- U.S. Government Bonds	466,476	620	462,911	2,945
Municipal Bonds	163,044	382	162,662	
Corporate Bonds	3,994,654	304,942	3,672,760	16,952
Certificates of Deposit	102,817	9,285	93,532	
Mortgage-backed Securities	2,269,148		2,269,148	
Asset-backed Securities	517,593		516,938	655
Commercial Mortgage-backed Securities	172,344		172,344	
Repurchase Agreements	808,000		808,000	
Discounted Notes	116,396		116,396	
REITs	1,174	1,174		
CMO/REMIC	14,149		14,149	
Sovereign Debt	13,015		13,015	
Derivatives (Swaps)	337		337	
Cash in Banks	393,269		393,269	
Miscellaneous Cash	6,870		6,870	
Fiscal Agency Account	42,003		42,003	
Total Debt Securities	<u>14,040,959</u>	<u>1,302,779</u>	<u>12,717,628</u>	<u>20,552</u>
<b>Alternative Investments:</b>				
National Private Equity Funds	1,562,838			1,562,838
Regional Private Equity Funds	268,109			268,109
Real Estate Funds	2,746,417			2,746,417
Absolute Return Funds	1,010,773			1,010,773
Credit & Structured Finance Funds	763,875			763,875
Master Limited Partnerships	619,007	329,912	289,095	
Bank Loans				
Other Alternatives	358	358		
Total Alternative Investments	<u>6,971,377</u>	<u>330,270</u>	<u>289,095</u>	<u>6,352,012</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

<u>Investment</u>	<u>Fair Value</u> <u>June 30, 2016</u>	<u>Quoted Prices,</u> <u>Active Markets</u> <u>(Level 1)</u>	<u>Observable Inputs</u> <u>Other Than</u> <u>Quoted Prices</u> <u>(Level 2)</u>	<u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
<b>Investments in Derivative Instruments:</b>				
Credit Derivatives	\$ 321		\$ 321	
Equity Derivatives	2,317	2,317		
Foreign Exchange Derivatives	293	(119)	412	
Interest Rate Derivatives	(32,273)	8,237	(40,510)	
Other Derivatives	390		390	
Foreign Currency Contracts	(589)		(589)	
Total Derivative Instruments	<u>(29,541)</u>	<u>10,435</u>	<u>(39,976)</u>	<u>-</u>
<b>Total Investments Measured</b>				
<b>At Fair Value</b>	<u>39,277,983</u>	<u>17,662,230</u>	<u>15,238,138</u>	<u>6,377,615</u>
<b>Investments Measured At</b>				
<b>Net Asset Value (NAV):</b>				
Commingled Domestic Equity	424,487			
Portable Alpha Hedge Funds	48,838			
Commingled International Equity	1,651,401			
Comm. Emerging Market Debt Fund	188,076			
Commingled Public REIT Funds	143,391			
Absolute Return (Hedge) Funds	545,949			
Private Equity Partnerships	587,818			
Private Debt Partnerships	233,555			
Real Estate Equity Partnerships	255,218			
Real Estate Debt Partnerships	75,228			
Real Asset Partnerships	371,227			
Commingled Bond Funds	93,062			
Commingled Global Asset Allocation	854,375			
Opportunistic Credit Funds	2,419,206			
Private Equity Funds	1,236,930			
Private Real Estate Funds	1,005,338			
Hedge Fund Investments	8,568			
Venture Capital Investments	464			
Marketable Alternatives	79,952			
Private Equity	44,404			
Illiquid Real Asset Funds	17,049			
Mutual Funds	199,499			
Less: Short -term Investments	<u>(359,977)</u>			
<b>Investments Measured at NAV</b>	<u>10,124,058</u>			
<b>Investments Measured at Amortized Cost:</b>				
Money Market	<u>38,074</u>			
<b>Other Investments:</b>				
Accrued Investment Income	17			
Land and Buildings	144			
Cash	244			
Unidentified	<u>1,927</u>			
<b>Total Other Investments</b>	<u>2,332</u>			
Less: Foundation Investments Held				
in Consolidated Pool	(187,040)			
Held in Fiduciary Fund	<u>(16,617)</u>			
<b>Total Investments</b>	<u><u>\$ 49,238,790</u></u>			

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### **B. Custodial Credit Risk**

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

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

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

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

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

#### **C. Credit Risk**

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

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

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

The quality ratings of investments in fixed income securities at June 30, 2016, were as follows:

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

**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	\$ 22,127
	AA+	2,319,932
	AA	1,916
	AA-	2,939
	A+	4,579
	A	4,817
	BBB+	6,749
	BBB	12,969
	BBB-	3,313
	BB+	11,446
	BB	21,784
	BB-	1,974
	B+	2,983
	B-	4,625
	Not Rated	42,863
	Foreign Government Bonds	AAA
AA+		17,162
AA		4,490
AA-		5,635
A+		16,670
A		11,011
A-		3,760
BBB+		33,097
BBB		6,662
BBB-		3,643
BB+		9,479
BB		10,918
BB-		5,373
B+		3,389
B		2,564
B-		7,230
CCC	460	
Not Rated	166,741	
Municipal Bonds	AAA	10,723
	AA+	26,528
	AA	26,696
	AA-	62,438
	A+	9,774
	A	6,920
	A-	1,259
BBB+	3,692	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Municipal Bonds (Continued)	CC	\$ 7,585
	Not Rated	12,153
Corporate Bonds	AAA	21,026
	AA+	68,648
	AA	37,783
	AA-	138,617
	A+	228,360
	A	287,074
	A-	358,888
	BBB+	633,470
	BBB	471,827
	BBB-	410,268
	BB+	131,085
	BB	139,128
	BB-	107,588
	B+	119,572
	B	103,665
	B-	111,569
	CCC+	39,230
	CCC	29,092
	CCC-	16,518
	CC	7,420
	D	11,291
	Not Rated	560,407
Corporate Convertible Bonds	Not Rated	12
Mortgage-backed Securities	AAA	14,835
	AA+	755,926
	AA	161
	AA-	30,937
	A-	234
	BBB+	489
	BBB	945
	BBB-	2,651
	BB-	314
	Not Rated	209,623
Residential Mortgage-backed Securities	CCC	2,585

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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>
Commercial Mortgage-backed Securities	AAA	\$ 63,855
	AA+	527,503
	AA	20,312
	AA-	6,181
	A+	13,371
	A	12,533
	A-	16,292
	BBB+	8,954
	BBB	17,281
	BBB-	13,036
	BB+	5,804
	BB	956
	BB-	3,127
	B+	329
	B	309
	B-	1,803
CCC	318	
	Not Rated	93,495
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Noncommercial Mortg.-backed Securities	AA+	239,980
	AA-	9,606
	Not Rated	10,485
Asset-backed Securities	AAA	152,572
	AA+	25,394
	AA	39,461
	AA-	2,649
	A+	27,252
	A	36,143
	A-	7,889
	BBB+	23,371
	BBB	14,157
	BBB-	5,226
	BB+	13,600
	BB	1,257
	BB-	1,383
	B+	776
	B	3,317
	B-	1,731
CCC	26,772	
CC	3,697	
D	9,024	
	Not Rated	119,132

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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>
	CC	\$ 353
	D	28,454
	Not Rated	50,851
Bank Loans	BB-	409
	B+	7,090
	B	15,114
	B-	20,304
	CCC+	24,460
	CCC	6,497
	CCC-	2,197
	D	3,594
	Not Rated	84,482
Other Fixed Income	AAA	(1,831)
	BBB	732
	BBB-	751
	BB	6,000
	BB-	5,247
	B	5,250
	CCC+	602
	CC	56
	Not Rated	16,820
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Preferred Stock	D	591
	Not Rated	2,719
Investments Subject to Credit Risk: S&P Ratings		<u>11,196,354</u>
Investments Subject to Credit Risk - Moody's Ratings:		
U. S. Government Agencies	Aaa	182,497
Corporate Bonds	Aaa	2,312
	Aa1	2,005
	Aa2	7,206
	Aa3	15,831
	A1	23,324
	A2	38,051
	A3	23,129
	Baa1	37,511
	Baa2	14,903
Municipal Bonds	Aaa	2,455
	Aa1	3,195
	Aa2	2,611
	Aa3	6,866
	A1	988
Money Market Funds	Aaa	4,306
Investments Subject to Credit Risk: Moody's Ratings		<u>367,190</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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 - Not Rated:		
U.S. Government Agencies	Not Rated	\$ 56,536
Discounted Notes	Not Rated	116,396
Derivatives (Swaps)	Not Rated	337
Equity Securities and Real Estate	Not Rated	16,375,549
NM Private Equity	Not Rated	268,109
Common Stock	Not Rated	70,690
Repurchase Agreements	Not Rated	808,000
Certificates of Deposit	Not Rated	88,915
Investments Subject to Credit Risk - Not Rated (Continued):		
Fiscal Agent Account	Not Rated	42,003
Cash in Banks	Not Rated	393,270
Miscellaneous Cash	Not Rated	6,870
Money Market	Not Rated	29,845
Investment in LGIP	Not Rated	171,555
Unidentified	Not Rated	1,927
Investments Subject to Credit Risk: Not Rated		<u>18,430,002</u>
Total Investments Subject to Credit Risk		29,993,546
Investments Not Subject to Credit Risk		19,823,185
Less: Interfund Investments		(171,555)
Foundation Investments Held in Consol. Inv. Pool		(187,039)
Investments Held by Others (Land Grant Permanent Fund)		(202,730)
Investments in Fiduciary Fund		(16,617)
Education Trust Board - Presented Elsewhere		
Other Investments - Information Not Available		
<b>Total Investments</b>		<b><u>\$ 49,238,790</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

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

<u>Scholar's Edge Plan</u>	Oppen- heimer Global Strategic Income Fund	Oppen- heimer Limited - Term Govt Fund	Oppen- heimer Int'l Bond Fund	American Century Diversified Bond Fund	Mainstay High Yield Corporate Bond Fund	Limited Term Bond Fund
<u>Investment/Rating</u>						
Investments Subject to Credit Risk - NRSRO						
AAA	17.6%	90.2%	10.5%	57.5%	-	19.5%
AA	2.4%	1.1%	8.2%	4.0%	-	6.59%
A	5.4%	1.9%	15.4%	11.0%	0.2%	21.7%
BBB	23.0%	3.9%	31.5%	19.6%	6.2%	43.3%
BB and Lower	33.5%	0.2%	26.5%	7.9%	85.5%	6.9%
NRSRO-rated Total	81.8%	97.3%	91.9%	100.0%	91.9%	98.0%
Not Rated	18.2%	2.7%	8.1%	0.0%	8.1%	2.0%
Cash and Cash Equivalents - Not Rated	-	-	-	-	-	-
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<u>The Education Plan</u>	Dreyfus Bond Market Index Fund	Oppenheimer Limited-Term Government Fund
<u>Investment/Rating</u>		
Investments Subject to Credit Risk - NRSRO		
AAA	71.9%	90.2%
AA	5.9%	1.1%
A	13.5%	1.9%
Baa	-	-
BBB	8.8%	3.9%
BB and lower	-	0.2%
NRSRO-rated Total	100.0%	97.3%
Not Rated	-	2.7%
Total	100.0%	100.0%

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### **D. Custodial Credit Risk**

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

#### **E. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. It is the policy of the State to diversify its investments portfolios. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. At June 30, 2016, there were no holdings with a single issuer comprising five percent or more of total net investments. It should be noted that investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

#### **F. Interest Rate Risk**

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

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

Maturities on investment at June 30, 2016, were as follows:

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

Investment	Fair Value	State of New Mexico Maturities on Investments (Expressed in Thousands)			
		Total			
		< 1 year	1-5 years	6-10 years	> 10 Years
Investments Subject to Interest Rate Risk:					
U.S. Treasuries	\$ 1,381,576	\$ 319,869	\$ 741,186	\$ 320,521	\$ -
U.S. Government Agencies	1,888,848	427,844	1,451,284	9,368	352
Corporate Bonds	4,443,289	217,088	1,630,942	2,370,796	224,463
Municipal/Provincial Bonds	161,816	34,865	38,388	1,389	87,174
Certificates of Deposit	96,366	78,453	17,913	-	-
Repurchase Agreements	808,000	808,000	-	-	-
CMO/REMIC	14,149	-	-	-	14,149
Asset-backed Securities	705,068	188,409	271,050	220,278	25,331
Commercial Mortgage-backed	122,496	61,192	1,050	-	60,254
Commercial Paper	53,456	53,456	-	-	-
Discounted Notes	4,289	4,289	-	-	-
Derivative/Interest Rate Swap	(32,006)	9,680	(9,377)	(15,922)	(16,387)
Mutual Funds	116,396	116,396	-	-	-
Government Bonds	2,041,650	232,062	465,967	1,107,255	236,366
Money Market	34,151	34,151	-	-	-
Government Mortgage-backed Secs.	1,604,505	13,994	268	8,965	1,581,278
Nongovernment-backed C.M.O.s	334,194	129,598	2,083	488	202,025
International Government Obligations	388,638	-	-	388,638	-
Short-term Investments	566,660	566,660	-	-	-
Investment in LGIP	171,555	171,555	-	-	-
Cash Collateral	(421)	-	-	-	(421)
Unidentified	1,927	-	1,927	-	-
Subtotal	14,906,602	<u>\$ 3,467,561</u>	<u>\$ 4,612,681</u>	<u>\$ 4,411,776</u>	<u>\$ 2,414,584</u>
Life Not Available:					
Money Market	683				
Cash Collateral	19,248				
Asset-backed Securities	3,855				
Derivative/Interest Rate Swaps	66				
<b>Total Investments Subject to Interest Rate Risk</b>	<b>14,930,454</b>				
<b>Investments Not Subject to Interest Rate Risk</b>	<b>34,677,140</b>				
Less: Interfund Investments	(171,555)				
Foundation Investments Held in Consolidated Pool	(187,040)				
Investments Held in Fiduciary Fund	(16,617)				
Education Trust Board - Presented Elsewhere					
Other Investments - Information Not Available	6,408				
<b>Total Investments</b>	<b>\$ 49,238,790</b>				

Calculations based on weighted-average method (WAM)

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

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

#### G. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Exposure to foreign currency risk at June 30, 2016 was as follows:

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

<u>Foreign Currency</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Vent. Cap., Pref. Stk., Rts., REITs, Ptsbps., Wrnts.</u>	<u>Derivatives</u>	<u>Total Investments</u>	<u>Cash and Cash Equivalents (Overdraft)</u>
Argentine Peso	\$ 255	\$ -	\$ -	\$ -	\$ 255	\$ -
Australian Dollar	242,366	11,027	12,073	(479)	264,987	1,565
Bangladeshi Taka	1,718	-	-	-	1,718	33
Bahraini Dinar	-	-	-	-	-	(24)
Botswana Pula	1,066	-	-	-	1,066	7
Brazilian Real	88,852	20,858	10,699	(514)	119,895	588
British Pound Sterling	853,661	30,034	75,431	(3,747)	955,379	3,517
Bulgarian New Lev	128	-	-	-	128	-
Canadian Dollar	259,649	6,880	447	(324)	266,652	2,364
Chilean Peso	17,497	244	119	(163)	17,697	262
Chinese Yuan	-	-	-	-	-	9
Colombian Peso	7,682	935	-	71	8,688	226
Croatian Kuna	1,933	-	-	-	1,933	50
Czech Koruna	5,193	5,188	-	(124)	10,257	247
Danish Krone	84,566	6,033	-	30	90,629	69
Egyptian Pound	214	-	-	-	214	7
Euro	1,336,991	153,490	250,396	1,173	1,742,050	29,654
Ghanian Cedi	490	-	-	-	490	48

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

State of New Mexico						
Foreign Currency Risk (Continued)						
International Investment Securities at Fair Value						
(Expressed in Thousands)						
Foreign Currency	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Ptshps., Wrnts.	Derivatives	Total Investments	Cash and Cash Equivalents
Hong Kong Dollar	\$ 460,932	\$ 295	\$ 2,338	\$ 13	\$ 463,578	\$ 2,959
Hungarian Forint	7,435	-	-	(47)	7,388	454
Indian Rupee	68,870	-	-	(8)	68,862	280
Indonesian Rupiah	56,296	1,237	-	(5)	57,528	963
Japanese Yen	1,043,143	51,436	4,353	(1,250)	1,097,682	11,895
Jordanian Dinar	1,975	-	-	-	1,975	16
Kenyan Shilling	1,798	-	-	-	1,798	6
Kuwaiti Dinar	4,496	-	-	-	4,496	44
Malaysian Ringgit	37,957	-	-	(1)	37,956	199
Mauritanian Rupee	1,878	-	-	-	1,878	6
Mexican Peso	63,875	9,356	160	459	73,850	214
Moroccan Dirham	1,951	-	-	-	1,951	6
New Israeli Shekel	27,931	-	198	-	28,129	557
New Taiwan Dollar	195,030	-	-	(70)	194,960	1,843
New Zealand Dollar	14,408	10,022	610	(353)	24,687	219
Nigerian Naira	1,201	-	-	-	1,201	9
Norwegian Krone	43,979	5,369	-	(429)	48,919	1,716
Omani Rial	2,023	-	-	-	2,023	(1)
Pakistan Rupee	3,582	-	-	-	3,582	15
Peruvian Nuevo Sol	2,011	-	-	-	2,011	27
Philippine Peso	29,741	4,601	-	-	34,342	313
Polish Zloty	22,514	-	-	40	22,554	46
Qatari Riyal	10,080	-	-	-	10,080	332
Romanian Leu	2,804	-	-	-	2,804	147

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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	\$ 10,972	\$ -	\$ -	\$ (21)	\$ 10,951	\$ 429
Saudi Riyal	47	-	-	-	47	96
Singapore Dollar	60,453	5,554	2,222	748	68,977	260
South African Rand	118,573	1,168	1,967	700	122,408	1,841
South Korean Won	260,220	440	2,339	(70)	262,929	2,314
Sri Lankan Rupee	1,789	-	-	-	1,789	11
Swedish Krona	127,858	14,116	-	3,962	145,936	187
Swiss Franc	400,368	2,199	-	61	402,628	510
Thai Baht	35,435	-	-	(1)	35,434	214
Tunisian Dinar	676	-	-	-	676	44
Turkish Lira	41,572	-	71	15	41,658	328
UAE Dirham	10,084	287	-	-	10,371	333
Vietnam Dong	1,775	-	-	-	1,775	8
Yuan Renminbi	-	-	-	(64)	(64)	56
Global Depository Receipts	-	3,167	-	-	3,167	-
Various	-	-	3	-	3	21,969
Subtotals	<u>\$ 6,077,994</u>	<u>\$ 343,937</u>	<u>\$ 363,426</u>	<u>\$ (398)</u>		
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk					6,784,959	89,487
Investments and Cash and Cash Equivalents Not Subject to Foreign Currency Risk					42,453,831	151,148
<b>Total Investments and Cash and Cash Equivalents</b>					<b>\$ 49,238,790</b>	<b>\$ 240,635</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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, 2016 as follows:

#### Collateral Securities Held (Expressed in Thousands)

<u>Issuer</u>	<u>Fair Value</u>
Investments Subject to Interest Rate Risk:	
U.S. Government	
Mortgage-backed Securities AA+	<u>\$ 828,514</u>

#### Maturities on Collateralized Securities

<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>11-20 Years</u>	<u>Greater Than 20 Years</u>	<u>Total</u>
<u>\$ 340,849</u>	<u>\$ 50,980</u>	<u>\$ 174,363</u>	<u>\$ 262,321</u>	<u>\$ 828,514</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, 2016, had a carrying amount and fair value of \$580.7 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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

securities' issuers while the securities are on loan. There were no such losses during the year ended June 30, 2016, due to borrower default.

The fair value of investments made with cash collateral is reported as an asset; the fair value of collateral received is recorded as a liability as PERA must return the cash collateral to the borrower upon the expiration of the loan. The fair value of the securities lending collateral investments was \$544.1 million and the securities lending obligations were \$543.9 million at June 30, 2016. Total cash and noncash collateral was \$600.3 million, 103.4% of the fair value of the securities on loan.

At June 30, 2016, there had been no losses resulting from borrower defaults and PERA had no credit risk exposure to borrowers because the amounts PERA owed to borrowers did not exceed the amounts the borrowers owed to PERA. Net earnings from the securities lending program totaled \$2,271,826 for the fiscal year.

#### Derivatives

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

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2016, 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	Derivative Financial Instruments (Expressed in Thousands)					
	Change in Fair Value		Fair Value		Notional Amount	Unit of Value
	Classification	Amount	Classification	Amount		
Futures: Currency	Investment Income	(95)	Investments	(95)	7,884	7,789
Futures: Equity Index	Investment Income	\$ (459,504)	Investments	\$ 279	\$ 344,749	\$ 344,806
Futures: Bond Index	Investment Income	59,357	Investments	2,929	124,143	(56,736)
Futures: Interest Rate	Investment Income	(788)	Investments	-	-	-
Options: Fixed Income	Investment Income	(138)	Investments	-	-	-
Swaps: Cleared Credit Default	Investment Income	291	Investments	291	-	291
Swaps: Inflation	Investment Income	71	Investments	51	-	4
Swaps: Interest Rate	Investment Income	300	Investments	(5)	-	(11)

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

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

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

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

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

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

The following table summarizes the foreign exchange contracts by currency by the agencies involved as of June 30, 2016:

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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	\$ 2,070	\$ (66)	\$ -	\$ 23
Brazilian Real	5,265	(44)	3,131	15
Canadian Dollar	-	3	-	-
Chilean Peso	3,296	4	119	(71)
Chinese Renminbi Yuan	-	31	1,255	(16)
Colombian Peso	296	44	1,369	(63)
Czech Koruna	-	(6)	618	11
Euro	4,136	(25)	10,936	93
Hungarian Forint	1,708	(7)	377	7
Indian Rupee	455	(40)	1,625	(3)
Indonesian Rupiah	1,079	2	1,533	(43)
Japanese Yen	3,940	122	3,143	(75)
Malaysian Ringgit	8,142	199	4,002	(275)
Mexican Peso	1,537	42	2,940	(59)
New Israeli Sheqel	-	-	652	35
New Russian Ruble	3,082	305	1,129	169
New Taiwan Dollar	1,768	-	3,088	(31)
New Zealand Dollar	534	33	1,021	(37)
Philippine Peso	1,268	(6)	2,318	12
Polish Zloty	1,060	(86)	602	-
Pound Sterling	357	(142)	1,517	94
Romanian Leu	363	(10)	164	-
Singapore Dollar	2,625	25	3,539	(42)
Sol	5,077	15	157	(3)
South African Rand	3,072	(44)	2,568	(56)
South Korean Won	1,835	1	893	(9)
Swiss Franc	837	-	-	-
Thailand Baht	2,390	(7)	1,290	(13)
Turkish Lira	3,193	49	37	80
<b>Totals</b>	<b>\$ 59,386</b>	<b>\$ 391</b>	<b>\$ 50,022</b>	<b>\$ (255)</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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

During 2016 and 2015, the retirement funds were a party to futures contracts held for trading purposes for U.S. Treasury bonds and 90-day Euro dollar fixed income futures. Upon entering into a futures contract, the Board is required to deposit either in cash or securities an amount (“initial margin”) equal to a certain percentage of the nominal value of the contract. Subsequent payments are then made or received by NMERB, depending on the daily fluctuation in the value of the underlying contracts. No U.S. Treasury securities owned and included within NMERB’s investments, were held by the Plan’s broker as performance security on futures contracts as of June 30, 2016. There were no outstanding futures contracts as of fiscal year ending June 30, 2016.

**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, 2016, there were no open written or purchased options.

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

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

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

#### Major Discretely-Presented Component Units

##### Credit Risk

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

Investment Type	Rating	Value
NM Finance Authority:		
U.S. Treasury Notes	Not Available	\$ 332,151
Funds held by State Treasurer	Not Available	-
FHLMC Bonds	Not Available	-
Total NMFA		<u>332,151</u>
NM Mortgage Finance Authority:		
Repurchase Agreements	Not Rated	444
U.S. Agencies	AA	13,018
Securitized mortgage loans		
Unrestricted	AA/US Gov Guar.	12,893
Restricted	AA/US Gov Guar.	631,976
Internal State Investment Pools		
State Investment Council	Not Available	31,700
Other	Not Available	5,828
Total NMMFA		<u>695,859</u>
<b>Total Investments, Both</b>		<b><u>\$ 1,028,010</u></b>

#### Concentration of Credit Risk

As of June 30, 2016, the New Mexico Finance Authority was not exposed to concentration of credit risk. The New Mexico Mortgage Finance Authority had the following issuers and their respective percentage of total investments represent greater than five percent of the total investments reported as of September 30, 2016: Ginnie Mae at 77 percent and Fannie Mae at 17 percent.

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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)				
		Less Than 1 year	1-5 years	6-10 years	Greater Than 10 Years	Not Available
NM Finance Authority:						
U.S. Treasury Notes	\$ 332,151	\$ -	\$ 332,151	\$ -	\$ -	\$ -
Capital Program Funds	-	-	-	-	-	-
Held by Others	-	-	-	-	-	-
FHLM Bonds	-	-	-	-	-	-
Investment in Subsidiary	-	-	-	-	-	-
Total Investments, Fin. Auth.	<u>332,151</u>	<u>-</u>	<u>332,151</u>	<u>-</u>	<u>-</u>	<u>-</u>
NM Mortgage Fin. Auth.:						
U.S. Agencies	13,018	-	13,018	-	-	-
Securitized Mortgage Loans	644,869	-	-	6,804	638,065	-
STO & SIC Inv. Pools	31,700	-	-	-	-	31,700
Other	6,272	444	-	-	-	5,828
Total Investments, Mtg. Fin. Auth.	<u>695,859</u>	<u>444</u>	<u>13,018</u>	<u>6,804</u>	<u>638,065</u>	<u>37,528</u>
Total Investments, Both	<u>\$ 1,028,010</u>	<u>\$ 444</u>	<u>\$ 345,169</u>	<u>\$ 6,804</u>	<u>\$ 638,065</u>	<u>\$ 37,528</u>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 4

#### NOTE 4. Receivables

Receivables at June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	Federal	Local Governments	Accounts Receivable	Brokers	Interest	Taxes	Current Loans	Allowance	Receivables, Net Total	Noncurrent Loans	Allowance	Noncurrent Accounts Receivable	Receivables, Net Total
Governmental Activities	\$ 463,784	\$ 5,896	\$ 272,267	\$ 266,636	\$ 1,106	\$ 52,969	\$ 19,116	\$ (149,198)	\$ 932,576	\$ 21,246	\$ 276	\$ -	\$ 21,521
Business-Type Activities	126	-	446,555	-	4,271	92,647	15,253	(79,899)	478,954	197,583	-	9,713	207,295
Fiduciary Funds	-	5,499	918,158	3,269	609,884	2,027,118	10,306	(1,244,234)	2,330,000	-	-	-	-
Component Units	-	74	77,084	-	9,479	-	92,772	-	179,408	1,101,803	-	137,023	1,238,826
<b>Governmental Activities:</b>													
General	460,907	5,884	212,021	4,476	1,090	52,969	19,116	(142,055)	614,407	21,246	276	-	21,521
Debt Service	-	-	48	-	16	-	-	-	64	-	-	-	-
Capital Projects	2,877	12	147	-	-	-	-	(59)	2,977	-	-	-	-
Severance Tax Permanent	-	-	11,296	55,570	-	-	-	-	66,866	-	-	-	-
Land Grant Permanent	-	-	28,911	206,589	-	-	-	-	235,500	-	-	-	-
Internal Service	-	-	19,845	-	-	-	-	(7,084)	12,761	-	-	-	-
<b>Business-type Activities:</b>													
Educational Institutions	-	-	359,604	-	-	-	-	-	359,604	25,488	-	9,713	35,200
Nonmajor Enterprise	126	-	86,951	-	4,271	92,647	15,253	(79,899)	119,349	172,095	-	-	172,095
<b>Fiduciary Funds:</b>													
Pension Trust	-	-	258,955	732	606,081	-	10,087	-	875,854	-	-	-	-
External Trust	-	-	869	1,925	-	-	-	-	2,794	-	-	-	-
Private Purpose Trust	-	13	479,863	612	1,838	-	-	-	482,326	-	-	-	-
Agency	-	5,486	178,470	-	1,966	2,027,118	220	(1,244,234)	969,026	-	-	-	-
<b>Discrete Component Units:</b>													
Finance Authority	-	-	7,295	-	8,505	-	79,358	-	95,158	877,298	-	83,874	961,172
Mortgage Finance Authority	-	-	3,325	-	-	-	13,404	-	16,729	205,275	-	843	206,118
Other Major Component Units	-	74	60,378	-	974	-	-	-	61,425	-	-	50,065	50,065
Nonmajor Component Units	-	-	6,086	-	-	-	10	-	6,096	19,230	-	2,241	21,471

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

#### Arizona Water Settlement

The State of New Mexico entered into the Arizona Water Settlement with the federal government. Under the terms of the agreement, the federal government will pay the State of New Mexico a total of \$66 million in 2004 dollars adjusted for inflation, in 10 annual installments. The inflation adjusted amount is estimated at \$90,400,000. The installment of \$9.04 million was received by the Agency during the fiscal year ended June 30, 2016, and the Agency recorded a receivable of \$37,904,015 to account for the remaining amount due. This receivable will be reduced as payments are received from the federal government according to the settlement agreement. In addition, the actual amounts received may require adjustment relative to the receivable recorded, due to indexing.

The amounts expected by year, as of June 30, 2016, assuming imputed interest of approximately 6.17%, are as follows:

<u>Year-End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,701	\$ 2,339	\$ 9,040
2018	7,114	1,926	9,040
2019	7,553	1,487	9,040
2020	8,020	1,020	9,040
2021	8,516	524	9,040
<b>Total</b>	<b>\$ 37,904</b>	<b>\$ 7,296</b>	<b>\$ 45,200</b>

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

#### **Discrete Component Units**

The following is an analysis of the allowance for loan losses as of June 30, 2016 for the two largest discretely-presented component units (in thousands):

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### NMFA & NMMFA - Loan Loss Allowance

	NM Finance Authority	NM Mortgage Fin. Auth.
Beginning Balance	\$ 5,482	\$ 2,681
Provision for Loan Losses	-	798
Loans Written Off, Net of Recoveries	(2,371)	(762)
Ending Balance	<u>\$ 3,111</u>	<u>\$ 2,717</u>

NM Finance Authority Loans have repayment terms ranging from one to 30 years. The stated interest rates are between 0.0 – 10.0 percent. NMMFA mortgage loans have repayment terms ranging from 10 to 40 years. The stated interest rates for these programs are as follows:

Rental Housing Programs	0.0% -	7.0%
Other Mortgage Loans	0.0% -	10.0%
Second Mortgage Down Payment Assistance Loans	0.0% -	7.5%

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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, 2016, 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	\$ 663,393	\$ 626,674	\$ 6,711,704	\$ 6,935,743
Debt Service	74,537	3,530	189,181	187,566
Capital Projects	74,422	118,565	273,189	542,446
Severance Tax Permanent	4,804	18,087	8,468	193,510
Land Grant Permanent	16,187	60,976	-	59,619
Internal Service	32,148	37,558	34,591	33,355
Total Governmental Activities	<u>865,491</u>	<u>865,390</u>	<u>7,217,134</u>	<u>7,952,239</u>
<b>Business-type Activities:</b>				
Educational Institutions	-	-	734,243	-
Nonmajor Enterprise	552	653	9,980	9,117
Total Business-type Activities	<u>552</u>	<u>653</u>	<u>744,222</u>	<u>9,117</u>
<b>Totals</b>	<u>\$ 866,043</u>	<u>\$ 866,043</u>	<u>\$ 7,961,356</u>	<u>\$ 7,961,356</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 6

#### NOTE 6. Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2016, was as follows (in thousands):

Governmental Activities:	Beginning Balance, as Restated	Additions	Deletions	Reclass	Ending Balance
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 623,054	\$ 3,550	\$ (137)	\$ 4,116	\$ 630,583
Construction in Progress	333,145	350,635	(2,380)	(297,711)	383,689
Infrastructure	-	-	-	-	-
Mineral Rights	83,401	-	-	60	83,461
Art and Other	744	2	-	-	746
Total Capital Assets not being Depreciated	<u>1,040,345</u>	<u>354,186</u>	<u>(2,517)</u>	<u>(293,535)</u>	<u>1,098,479</u>
Capital Assets being Depreciated:					
Land Improvements	39,347	438	(146)	1,372	41,012
Equipment and Machinery	210,116	9,571	(8,813)	(2,219)	208,654
Building and Improvements	1,856,708	12,786	(7,440)	9,059	1,871,113
Furniture and Fixtures	24,187	1,573	(318)	294	25,736
Data Processing Equipment and Software	358,468	12,911	(26,436)	42,420	387,362
Library Books and Other	10,727	-	-	-	10,727
Vehicles	315,848	34,695	(14,389)	(59)	336,095
Infrastructure	14,656,445	2,812	(508,461)	242,668	14,393,464
Total Capital Assets being Depreciated	<u>17,471,847</u>	<u>74,786</u>	<u>(566,003)</u>	<u>293,535</u>	<u>17,274,164</u>
Less Accumulated Depreciation for:					
Land Improvements	(26,133)	(1,559)	153	(110)	(27,649)
Equipment and Machinery	(154,148)	(14,148)	19,537	157	(148,601)
Building and Improvements	(849,601)	(54,315)	6,697	110	(897,109)
Furniture and Fixtures	(17,793)	(1,218)	36	-	(18,975)
Data Processing Equipment and Software	(162,988)	(33,413)	11,774	(150)	(184,777)
Library Books and Other	(1,039)	(90)	-	-	(1,129)
Vehicles	(227,610)	(20,832)	13,301	(7)	(235,147)
Infrastructure	(9,433,591)	(544,708)	508,461	-	(9,469,838)
Total Accumulated Depreciation	<u>(10,872,903)</u>	<u>(670,283)</u>	<u>559,961</u>	<u>-</u>	<u>(10,983,225)</u>
Total Capital Assets being Depreciated, Net	<u>6,598,944</u>	<u>(595,498)</u>	<u>(6,042)</u>	<u>293,535</u>	<u>6,290,938</u>
<b>Capital Assets, Net</b>	<b><u>\$ 7,639,289</u></b>	<b><u>\$ (241,312)</u></b>	<b><u>\$ (8,560)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,389,417</u></b>

During fiscal year 2016, the State transferred \$2.4 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, 2016

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

Capital asset activity for Business-type Activities for the year ended June 30, 2016, was as follows (in thousands):

<b>Business-type Activities:</b>	<b>Beginning Balance as Restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclass</b>	<b>Ending Balance</b>
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 89,498	\$ 3,098	\$ (232)	\$ 285	\$ 92,650
Construction in Progress	104,616	103,514	(98,318)	(18,520)	91,293
Infrastructure	-	-	-	-	-
Art and Other	2,258	-	-	-	2,258
Total Capital Assets not being Depreciated	<u>196,373</u>	<u>106,613</u>	<u>(98,549)</u>	<u>(18,235)</u>	<u>186,201</u>
Capital Assets being Depreciated:					
Land Improvements	76,953	2,457	-	628	80,038
Equipment and Machinery	1,111,470	51,902	(32,955)	97	1,130,513
Building and Improvements	2,787,627	91,945	(1,027)	17,510	2,896,055
Furniture and Fixtures	3,793	371	(42)	-	4,122
Data Processing Equipment and Software	20,524	185	2,158	-	22,867
Library Books and Other	307,213	11,927	(4,673)	-	314,466
Vehicles	5,989	414	324	-	6,728
Infrastructure	329,983	12,978	(442)	-	342,518
Total Capital Assets being Depreciated	<u>4,643,552</u>	<u>172,179</u>	<u>(36,658)</u>	<u>18,235</u>	<u>4,797,307</u>
Less Accumulated Depreciation for:					
Land Improvements	(72,290)	(4,723)	-	-	(77,013)
Equipment and Machinery	(774,090)	(58,917)	29,527	30	(803,451)
Building and Improvements	(1,175,283)	(73,969)	863	(30)	(1,248,418)
Furniture and Fixtures	(2,899)	(307)	41	-	(3,165)
Data Processing Equipment and Software	(15,157)	(2,133)	38	-	(17,251)
Library Books and Other	(261,379)	(11,563)	4,673	-	(268,268)
Vehicles	(4,848)	(314)	80	-	(5,082)
Infrastructure	(174,231)	(15,198)	7	-	(189,422)
Total Accumulated Depreciation	<u>(2,480,176)</u>	<u>(167,124)</u>	<u>35,229</u>	<u>-</u>	<u>(2,612,070)</u>
Total Capital Assets being Depreciated, Net	<u>2,163,377</u>	<u>5,055</u>	<u>(1,429)</u>	<u>18,235</u>	<u>2,185,238</u>
<b>Capital Assets, Net</b>	<b><u>\$ 2,359,749</u></b>	<b><u>\$ 111,668</u></b>	<b><u>\$ (99,978)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,371,439</u></b>

During fiscal year 2016, the State transferred \$98.3 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, 2016, there was no interest expense capitalized.

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

Capital asset activity for Fiduciary Funds for the year ended June 30, 2016, was as follows (in thousands):

Fiduciary Funds:	Beginning Balance	Additions	Deletions	Reclass	Ending Balance
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 1,797	\$ -	\$ -	\$ -	\$ 1,797
Construction in Progress	1,067	964	-	-	2,031
Art and Other	31	-	-	-	31
Total Capital Assets not being Depreciated	<u>2,895</u>	<u>964</u>	<u>-</u>	<u>-</u>	<u>3,859</u>
Capital Assets being Depreciated:					
Land Improvements	19	-	-	-	19
Equipment and Machinery	217	-	-	-	217
Building and Improvements	16,012	19	-	-	16,031
Furniture and Fixtures	883	425	(174)	-	1,133
Data Processing Equipment and Software	24,021	83	-	-	24,104
Vehicles	80	-	-	-	80
Total Capital Assets being Depreciated	<u>41,232</u>	<u>527</u>	<u>(174)</u>	<u>-</u>	<u>41,585</u>
Less Accumulated Depreciation for:					
Land Improvements	(131)	(15)	-	-	(146)
Equipment and Machinery	(34)	(1)	-	-	(35)
Building and Improvements	(3,961)	(525)	-	-	(4,487)
Furniture and Fixtures	(723)	(119)	174	-	(667)
Data Processing Equipment and Software	(23,035)	(275)	-	-	(23,310)
Vehicles	(80)	-	-	-	(80)
Total Accumulated Depreciation	<u>(27,964)</u>	<u>(935)</u>	<u>174</u>	<u>-</u>	<u>(28,725)</u>
<b>Capital Assets, Net</b>	<b><u>\$ 16,163</u></b>	<b><u>\$ 556</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,719</u></b>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

Capital asset activity for Component Units for the year ended June 30, 2016, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 16,210	\$ 9,868	\$ (4,024)	\$ -	\$ 22,054
Construction Work in Progress	1,244	1,025	(514)	(280)	1,474
Art and Other	3,110	384	(124)	-	3,370
Total Capital Assets not being Depreciated	<u>20,563</u>	<u>11,277</u>	<u>(4,663)</u>	<u>(280)</u>	<u>26,898</u>
Capital Assets being Depreciated:					
Building and Improvements	190,867	20,921	(14,801)	103	197,090
Leasehold Improvements	-	-	-	-	-
Infrastructure	14,021	563	-	-	14,584
Aircrafts	106	-	(7)	-	100
Vehicles	2,354	247	(295)	(23)	2,283
Machinery And Equipment	65,857	986	(100)	174	66,917
Data Processing Equipment and Software	4,818	1	(6)	(76)	4,737
Furniture and Fixtures	17,258	1,635	(220)	102	18,776
Total Capital Assets being Depreciated	<u>295,282</u>	<u>24,352</u>	<u>(15,427)</u>	<u>280</u>	<u>304,487</u>
Less Accumulated Depreciation for:					
Building and Improvements	(28,025)	(6,760)	823	1,302	(32,660)
Infrastructure	(6,743)	(705)	-	-	(7,448)
Vehicles	(1,419)	(180)	257	23	(1,319)
Equipment and Machinery	(26,586)	(6,426)	72	(1,387)	(34,327)
Leasehold Improvements	-	-	-	-	-
Data Processing Equipment and Software	(3,835)	(109)	6	52	(3,887)
Furniture and Fixtures	(7,451)	(1,193)	335	10	(8,298)
Total Accumulated Depreciation	<u>(74,059)</u>	<u>(15,374)</u>	<u>1,493</u>	<u>-</u>	<u>(87,940)</u>
Total Capital Assets being Depreciated, Net	<u>221,222</u>	<u>8,979</u>	<u>(13,934)</u>	<u>280</u>	<u>216,547</u>
<b>Capital Assets, Net</b>	<u>\$ 241,786</u>	<u>\$ 20,256</u>	<u>\$ (18,597)</u>	<u>\$ -</u>	<u>\$ 243,444</u>

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# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

General Control	\$	48,421
Education		692
Health and Human Services		19,546
Highways and Transportation		555,011
Culture, Recreation, and Nat. Resources		16,304
Judicial		5,880
Legislative		1,949
Public Safety		16,484
Regulation and Licensing		<u>5,996</u>
<b>Total</b>	<b>\$</b>	<b><u>670,283</u></b>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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 had been reported previously as an asset. When *GASB Statement No. 65* was implemented in 2012, this item's classification was changed to deferred outflow of resources. For fiscal year ending June 30, 2016, the deferred outflow of resources for governmental activities and business-type activities were as follows:

	<b>Deferred Charge on Refunding</b>	
	<b>Governmental</b>	<b>Business-type</b>
Beginning Balance	\$ 59,107	\$ 2,103
Additions	-	4,657
Amortization	(5,972)	(148)
Ending Balance	<u>\$ 53,135</u>	<u>\$ 6,612</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 E and 8 F.

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

#### NOTE 8. Long-term Liabilities

**Long-term Liabilities**  
(Expressed in Thousands)

	Beginning Balance, Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year	Long term Debt
<b>Governmental Activities:</b>						
General Obligation Bonds	\$ 389,270	\$ -	\$ (62,515)	\$ 326,755	\$ 65,995	\$ 260,760
Severance Tax Bonds	641,415	501,010	(187,380)	955,045	124,745	830,300
Revenue Bonds and Loans Payable	1,558,689	40,109	(316,848)	1,281,950	93,655	1,188,295
Net Unamortized Premiums, Discounts	257,935	61,476	(40,106)	279,305	42,903	236,401
Total Bonds Payable	<u>2,847,309</u>	<u>602,595</u>	<u>(606,849)</u>	<u>2,843,055</u>	<u>327,298</u>	<u>2,515,756</u>
Notes Payable	10,500	14,000	(10,500)	14,000	14,000	-
Claims and Judgments	201,507	356,291	(362,328)	195,471	100,514	94,957
Hedging Derivatives - Interest Rate Swaps	100,167	21,041	(2,193)	119,015	-	119,015
Native American Water Settlement Liability	79,161	-	(17,061)	62,100	-	62,100
Contingent Liabilities	7,627	16,212	(3,788)	20,051	-	20,051
Compensated Absences	63,931	77,956	(77,836)	64,051	55,378	8,673
Pollution Remediation Obligation	48,998	165	(4,885)	44,278	543	43,736
Net Pension Liability	1,843,467	456,192	-	2,299,659	-	2,299,659
Capital Leases	54,330	-	(1,285)	53,045	1,355	51,690
Total Other Liabilities	<u>2,409,688</u>	<u>941,857</u>	<u>(479,876)</u>	<u>2,871,670</u>	<u>171,790</u>	<u>2,699,880</u>
<b>Total Governmental Long-term Liabilities</b>	<b><u>\$ 5,256,997</u></b>	<b><u>\$ 1,544,452</u></b>	<b><u>\$ (1,086,725)</u></b>	<b><u>\$ 5,714,724</u></b>	<b><u>\$ 499,088</u></b>	<b><u>\$ 5,215,636</u></b>
<b>Business-type Activities:</b>						
Revenue Bonds	\$ 763,824	\$ 166,465	\$ (276,918)	\$ 653,372	\$ 32,538	\$ 620,834
Bond Premium, Discount, Net	31,556	12,610	(1,517)	42,649	1,517	41,132
Compensated Absences	83,654	71,833	(70,581)	84,906	65,155	19,752
Reserve for Losses	73,262	14,671	(480)	87,453	24,076	63,377
Notes Payable	16,246	-	(2,195)	14,051	835	13,216
Capital Leases	1,502	353	(547)	1,308	571	737
Net OPEB Obligation	62,236	5,909	(6,811)	61,333	-	61,333
Derivative Instruments - Interest Rate Swaps	11,151	2,199	-	13,350	-	13,350
Student Loans	18,622	305	(335)	18,592	-	18,592
Environmental Cleanup	5,310	124	-	5,434	-	5,434
Net Pension Liability	1,704,898	285,045	(76,791)	1,913,152	-	1,913,152
<b>Total Business-type Long-term Liabilities</b>	<b><u>\$ 2,772,262</u></b>	<b><u>\$ 559,514</u></b>	<b><u>\$ (436,175)</u></b>	<b><u>\$ 2,895,601</u></b>	<b><u>\$ 124,692</u></b>	<b><u>\$ 2,770,909</u></b>
<b>Fiduciary:</b>						
Pension Trust Funds						
Reserve for Losses	\$ 17,718	\$ 1,859	\$ -	\$ 19,577	\$ -	\$ 19,577
Compensated Absences	885	100	(89)	896	873	22
<b>Total Fiduciary Long-term Liabilities</b>	<b><u>\$ 18,603</u></b>	<b><u>\$ 1,959</u></b>	<b><u>\$ (89)</u></b>	<b><u>\$ 20,473</u></b>	<b><u>\$ 873</u></b>	<b><u>\$ 4,709,095</u></b>

Changes in long-term liabilities for the year ended June 30, 2016, are presented in the following table. As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### A. Restatement Summary

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

	<b>Ending Balance FY 15</b>	<b>Beginning Balance (Restated)</b>	<b>Change (Increase) Decrease</b>	<b>Reason</b>
<b>Governmental Activities:</b>				
Revenue Bonds	\$ 1,423,069	\$ 1,558,689	\$ (135,620)	Loans combined with bonds. Loan balance 295 added.
Loans Payable to Comp. Units	135,325	-	135,325	Loans combined with bonds.
Notes Payable	11,631	10,500	1,131	Loan balance deleted, duplicate.
Claims and Judgments	257,878	201,507	56,371	Fund presentation changed.
Compensated Absences	58,112	63,931	(5,819)	Restated by several entities.
<b>Total Net Change, Governmental Long-term Liabilities</b>			<u>\$ 51,388</u>	
<b>Business-type Activities:</b>				
Revenue Bonds	\$ 730,667	\$ 763,824	\$ (33,157)	Loans combined with bonds. Prior year late audit updated.
Bond Premium, Discount, Net	31,554	31,556	(2)	Rounding.
Compensated Absences	84,722	83,654	1,068	Restated by several entities.
Notes Payable	16,398	16,246	152	Loan balance adjusted.
Loans Payable to Comp Unit	34,067	-	34,067	Loans combined with bonds.
Capital Leases	1,519	1,502	17	Prior year late audit updated.
Net Pension Liab.	1,699,360	1,704,898	(5,538)	Prior year error corrected.
<b>Total Net Change, Business-type Long-term Liabilities</b>			<u>\$ (3,393)</u>	
<b>Fiduciary Activities:</b>				
Compensated Absences	\$ 728	\$ 885	\$ (157)	Restated by entity.
<b>Total Net Change, Fiduciary Long-term Liabilities</b>			<u>\$ (157)</u>	

#### B. General Obligation Bonds

The State issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities for local governments as authorized by the Legislature of the State of New Mexico. General obligation bonds are direct obligations and pledge the full faith and credit of the State. These bonds generally are issued as 10-year serial bonds with equal amounts of principal maturing each year. Funding for the payment of the debt service of the general obligation bonds is provided through the collection of property taxes levied by the local governments receiving the funding for capital spending. There were no general obligation bonds issued during the fiscal year ended June 30, 2016. General obligation bonds outstanding at year-end are as follows:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

<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, 2016</b>
Series 2007	3/1/2007	2017	5.0	\$ 134,870	\$ 16,635
Series 2009	5/28/2009	2019	5.0	196,330	70,480
Series 2011	5/26/2011	2021	2.0-4.0	18,645	10,015
Series 2013	4/23/2013	2023	2.0-4.0	137,220	98,590
Series 2015	2/27/2015	2025	5.0	141,635	131,035
<b>Total General Obligation Bonds Payable</b>					<b>\$ 326,755</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>
2017	\$ 65,995	\$ 13,358	\$ 79,353
2018	51,395	10,493	61,888
2019	53,540	8,348	61,888
2020	29,900	6,105	36,005
2021	30,955	5,053	36,008
2022 - 2025	94,970	9,417	104,387
<b>Total</b>	<b>\$ 326,755</b>	<b>\$ 52,774</b>	<b>\$ 379,529</b>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### C. Severance Tax Bonds

Severance tax bonds are used to fund the capital needs of state agencies, local governments, and public and higher education as authorized by the Legislature of the State of New Mexico. In addition, severance tax bonds have been issued to refund severance tax bonds. Funding for the payment of the debt service of the severance tax bonds is provided through the collection of severance taxes levied on the mining and production of various natural resources, such as minerals, oil, and gas. The severance tax bonds are secured by the levied taxes. This is a permanent commitment of a portion of total severance tax revenues. As authorized by State statute, severance tax revenues are transferred to the Severance Tax Bonding Fund and first pay the required debt service on severance tax bonds and supplemental severance tax bonds issued by the State, with the remainder being transferred to the Severance Tax Permanent Fund. For the year ended June 30, 2016, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$255.0 million. The total principal and interest requirements were \$19.1 million for long-term debt and \$136.0 million for short-term debt for all severance tax and supplemental severance tax bonds.

Only July 21, 2015, the State issued Series 2015A Severance Tax Bonds in the amount of \$129,195 (amounts in thousands) for the purpose of providing funds to finance capital improvements approved by the State Legislature. Also issued were Series 2015B Supplemental Severance Tax Bonds in the amount of \$69,745 to be used to finance projects certified by the State Public School Capital Outlay Council as authorized by the State Legislature. Both series carried a coupon rate of 5.00% and both had final maturities in 2025.

On May 17, 2016, the State issued Series 2016A and Series 2016C Severance Tax Bonds in the amounts of \$78,750 and \$41,925, respectively. Both series were issued to provide funds to finance capital improvements approved by the State Legislature. Series 2016A bonds carried a coupon rate of 5.00% and will mature in 2026. Series 2016C carried a coupon rate of 2.00% and will mature in 2021.

The State also issued Series 2016B Severance Tax Refunding Bonds for the advance refunding of the following Severance Tax Bonds previously issued by the State:

Series 2011A-1	July 1, 2018 through July 1, 2021 Maturities	\$	8,290
Series 2013A	July 1, 2019 through July 1, 2023 Maturities		87,975
Series 2014A	July 1, 2020 through July 1, 2014 Maturities		91,115
	Total bonds refunded:	\$	<u>187,380</u>

The refunding bonds have a coupon rate of 4.00% and will mature in 2024.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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>
2017	\$ 124,745	\$ 39,485	\$ 164,230
2018	124,475	34,935	159,410
2019	125,370	28,962	154,332
2020	118,040	23,400	141,440
2021	106,735	18,550	125,285
2022 - 2026	340,545	38,728	379,273
2027	15,135	378	15,513
<b>Total</b>	<b>\$ 955,045</b>	<b>\$ 184,438</b>	<b>\$ 1,139,483</b>

#### D. 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*

There were two new issues of revenue bonds for fiscal year 2016, both of them to refund prior issues. The Department of Cultural Affairs, through the New Mexico Finance Authority (NMFA) and with the assistance of the General Services Department, issued Series 2016A State Building Revenue Bonds in the amount of \$2,789 in order to refund the previously issued Series 2003 State Museum Tax Revenue Bonds. This resulted in a gain of \$300. The purpose of the original bonds was to renovate structures and exhibits at state museums and monuments. The new bonds carry a coupon rate ranging from 0.46% to 1.42% and mature in 2023.

The State General Services Department also issued Series 2016B State Building Refunding Bonds though NMFA in order to refund previously issued Senior Lien Revenue Bonds series 2006D, resulting in a gain of \$5,300. The new bonds, in the amount of \$37,320, have a coupon rate of 1.90% to 4.90%. The purpose of the original bonds was to acquire and construct state facilities.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

Governmental Activities	Original	Maturity	Interest	Balance
Bond Issue	Issue	Date	Rate	June 30, 2016
Series 2009C Spaceport Public Project	\$ 55,810	2029	2.50 - 5.25	\$ 41,355
Series 2010 Spaceport Public Project	20,560	2029	0.47 - 4.08	17,500
Series 1997 A & B Energy and Minerals	4,717	2017	3.00 - 6.00	360
Series 1998 A & B Energy and Minerals	5,033	2018	3.00 - 8.00	735
Series 2001 Energy and Minerals	4,907	2020	4.70	1,318
Series 2003 Energy and Minerals	7,339	2023	3.82	3,214
Series 2006 A Highway - (GRIP)	150,000	2026	3.60 - 5.00	7,770
Series 2006 B Highway (GRIP)	39,005	2026	3.50 - 5.00	1,500
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	5,065
Series 2010A Debt Service	174,625	2024	1.50 - 5.00	82,625
Series 2010B Highway (GRIP)	461,075	2024	3.00 - 5.00	444,405
Series 2012 Refunding	220,400	2026	1.25 - 5.00	171,070
Series 2014 A Revenue	70,110	2032	5.00	70,110
Series 2014 B Revenue	79,405	2027	5.00	79,405
2015A PPRF - Metro Court	30,685	2025	4.00 - 5.00	27,805
2106C PPRF - General Services Dept. 8	37,320	2036	1.90 - 4.90	36,505
2008A PPRF - General Services Dept. 3	13,245	2036	5.00	10,930
2008A PPRF - General Services Dept. 4	26,690	2036	5.00	22,010
2009A PPRF - General Services Dept. 5	2,456	2038	3.75 - 5.50	2,076
2010A PPRF - General Services Dept. 6	1,015	2039	3.50 - 5.10	875
DL - General Services Dept. - Cultural Affairs	2,789	2023	0.46 - 1.42	2,789
2004B PPRF - Cultural Affairs Dept.	2,350	2023	0.62 - 4.18	1,008
2009A PPRF - Cultural Affairs Dept.	369	2020	0.75 - 3.93	147
Cultural Affairs Dept. - Energy Efficiency Loan	300	2024	1.00 - 2.00	296
2008A PPRF - Department of Health - State Labs	13,460	2028	5.00	7,765
2008B PPRF - Department of Health - S Rehab	11,545	2028	5.00	6,785
2013C PPRF - Department of Health - Las Vegas Med. Ctr.	8,975	2037	3.80	8,339
<b>Total Revenue Bonds and Loans Payable</b>				<b><u>\$ 1,473,762</u></b>

Of the total governmental activities revenue bonds and loans, \$191,812 are payable to the NMFA, a component unit of the State, and are reported in the financial statements as *Due to Component Unit*. Also, several of the loans reported are secured by prior agreement with tax revenue intercepted by the State Taxation and Revenue Department and sent directly to the NMFA. These include the Administrative Office of the Courts, total due \$27,805; General Services Department, \$70,321; and Department of Cultural Affairs, \$147.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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#### *Business-type Activities*

The University of New Mexico issued Series 2016A System Refunding Revenue Bonds for the purposes of refunding certain maturities of the University's Series 2007A Bonds and to acquire and erect other University facilities. This refunding resulted in an economic gain of \$21,100. The new bonds carry a coupon rate of 2.00% to 5.00% and mature in 2046.

The University also issued Series 2016B System Refunding Revenue Bonds for the purpose of refunding certain maturities of the University's Series 2007A Bonds, resulting in an economic gain of \$935.7 thousand. The new bonds have a coupon rate of 0.72% to 2.48% with a final maturity in 2024.

The University also refinanced two loans payable to the NMFA, previously used to finance parts of the University Health Sciences Center, with a new loan in the amount of \$26.2 million. This resulted in a gain of \$4.0 million. The new loan, payable in installments, carries a coupon rate of 1.90% to 4.90% and matures in 2025. This loan is secured by a pledge of cigarette excise tax revenue which is intercepted and sent directly to NMFA.

Of the total revenue bonds and loans in the business-type activities, \$113,188 are payable to the NMFA, reported as *Due to Component Unit*. The list of revenue bonds and loans payable for business-type activities is as follows:

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

Business-type Activities		Maturity	Interest	Original	Balance
Inst.	Bond Issue	Date	Rate	Issue	June 30, 2016
MCMC	MCMC St. Perm. Fd. Rev. Imp. & Refunding Series 2013	2023	3.00 %	\$ 14,645	\$ 11,965
NMSU	Improvement Revenue Series 2006	2026	4.00 - 5.00	10,245	6,180
	Refunding and Imp. Revenue Series 2010 A-D	2022	1.89 - 5.27	78,670	59,890
	Refunding and Imp. Revenue Series 2013 A-C	2033	2.00 - 5.00	56,200	44,030
ENMU	System Revenue Series 2011B	2036	0.90 - 4.46	28,050	24,925
	System Imp. Revenue Series 2015 A	2045	0.34 - 3.93	12,480	12,195
	System Revenue Refunding Series 2015 B	2026	0.34 - 2.44	6,175	5,640
NMHU	System Refunding Series 2009A	2021	3.00 - 4.50	4,555	2,280
	System Refunding Series 2009B	2035	5.32 - 6.07	9,230	9,230
	System Refunding Revenue Series 2012	2034	0.93 - 4.26	18,335	15,800
NM Tech	System Revenue Series 2011	2031	3.00 - 5.00	13,395	11,575
NMMI	Series 2013A Improvement	2028	2.00 - 4.00	8,935	8,935
	Series 2013B Improvement	2028	0.46 - 1.88	3,980	825
WNMU	System Revenue Series 2012	2038	2.00 - 5.50	12,245	11,240
	System Refunding & Imp. Revenue Series 2013	2038	2.10 - 5.10	6,755	5,545
	System Improvement Series 2014	2021	1.97	3,055	2,225
UNM	System Revenue Refunding Series 1992 A	2021	5.60 - 6.25	36,790	11,600
	System Revenue Series 2000 B	2019	5.50 - 6.35	53,232	922
	Subordinate Lien System Imp. Revenue Series 2001	2026	Variable	52,625	28,755
	Subordinate Lien System Refunding Revenue Series 2002 B	2026	Variable	25,475	17,450
	Subordinate Lien System Refunding Revenue Series 2002 C	2030	Variable	37,840	32,460
	Subordinate Lien System Imp. Revenue Series 2007 A & B	2036	4.00 - 5.95	136,710	5,010
	Subordinate Lien System Imp. Revenue Series 2012	2032	2.00 - 5.00	35,215	29,165
	Subordinate Lien System Imp. Revenue Series 2014A	2033	3.00 - 5.00	9,715	8,475
	Subordinate Lien System Imp. Revenue Series 2014 B	2024	0.50 - 3.28	3,365	3,005
	Subordinate Lien System Imp. Revenue Series 2014 C	2035	1.50 - 5.00	97,615	95,475
	Subordinate Lien System Imp. Revenue Series 2016A	2046	2.00 - 5.00	158,435	158,435
	Subordinate Lien System Imp. Revenue Series 2016B	2024	0.72 - 2.48	8,030	8,030
	FHA Insured Hospital Mortgage Revenue Series 2015	2032	0.49 - 3.53	115,000	108,965
	2016 A PPRF - UNM Health Sciences Ctr.	2025	1.90 - 4.90	26,200	23,480
	UNM - Amortization of Defeased Bonds	-	-	-	2,298
	UNM ADW - UNM - Green Water Project	2032	0.75	399	328
	UNM DL - 2003A PPRF - UNM Law Library	2017	4.90	2,000	227
<b>Total Revenue Bonds and Loans Payable</b>					<b>\$ 766,560</b>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

<b>Revenue Bonds and Loans - Primary Government</b>						
<b>Debt Service Requirements to Maturity</b>						
<b>For Fiscal Year End June 30</b>						
<b>Governmental Activities</b>				<b>Business-type Activities</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>
2017	\$ 104,572	\$ 67,947	\$ 172,519	\$ 39,178	\$ 31,999	\$ 71,177
2018	107,830	63,012	170,842	39,945	30,736	70,681
2019	112,489	57,889	170,378	41,101	29,054	70,155
2020	117,842	52,823	170,665	42,995	27,103	70,098
2021	121,541	47,043	168,584	51,570	30,455	82,025
2022 - 2026	711,844	144,029	855,873	229,512	95,063	324,575
2027 - 2031	160,686	23,410	184,096	189,067	51,042	240,109
2032 - 2036	35,842	4,550	40,392	104,232	23,495	127,727
2037 - 2041	1,116	66	1,182	15,810	4,481	20,291
2042 - 2046	-	-	-	13,150	1,619	14,769
<b>Total</b>	<b>\$ 1,473,762</b>	<b>\$ 460,769</b>	<b>\$ 1,934,531</b>	<b>\$ 766,560</b>	<b>\$ 325,047</b>	<b>\$ 1,091,607</b>

A breakdown of how the revenue bonds and loans are reported in the financial statements follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Current</b>			
Bonds & Loans Payable	\$ 93,655	\$ 32,538	\$ 126,193
Due to Component Units	10,917	6,640	17,557
	<u>104,572</u>	<u>39,178</u>	<u>143,750</u>
<b>Long-Term</b>			
Bonds & Loans Payable	1,188,295	620,834	1,809,129
Due to Component Units	180,895	106,548	287,443
	<u>1,369,190</u>	<u>727,382</u>	<u>2,096,572</u>
<b>Total Revenue Bonds &amp; Loans Payable</b>	<b>\$ 1,473,762</b>	<b>\$ 766,560</b>	<b>\$ 2,240,322</b>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

A breakdown of the amounts reported as Due to Component Units helps to further clarify this:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Current</b>			
Bonds & Loans Payable to NMFA	\$ 10,917	\$ 6,640	\$ 17,557
Items Payable to Other Component Units	<u>-</u>	<u>5,050</u>	<u>5,050</u>
	<u>10,917</u>	<u>11,690</u>	<u>22,607</u>
<b>Long-Term</b>			
Bonds & Loans Payable to NMFA	180,895	106,548	287,443
Items Payable to Other Component Units	<u>-</u>	<u>-</u>	<u>-</u>
	<u>180,895</u>	<u>106,548</u>	<u>287,443</u>
<b>Total Revenue Bonds &amp; Loans Payable</b>	<u>\$ 191,812</u>	<u>\$ 118,238</u>	<u>\$ 310,050</u>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### E. Pledged Revenue

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

##### Governmental Activities

<i>Agency:</i>	<i>State of New Mexico - Severance Tax Bonds</i>
Purpose of Bonds:	Construction and acquisition of capital projects statewide
Total Amount of Bonds Issued:	\$1.6 billion
Type of Revenues Pledged:	Severance tax revenues
Term of Commitment:	Through June 30, 2027
Total Debt Service Remaining:	\$1.1 billion
Revenue Stream for Current Year:	\$279.8 million
Debt Service for Current Year:	\$133.6 million
<i>Agency:</i>	<i>Energy, Minerals, and Natural Resources Department</i>
Purpose of Bonds:	Acquisition and development of state parks and recreation areas
Total Amount of Bonds Issued:	\$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:	\$6.4 million
Revenue Stream for Current Year:	\$9.0 million
Debt Service for Current Year:	\$2.3 million
<i>Agency:</i>	<i>Department of Transportation</i>
Purpose of Bonds:	Construct and improve State highway and transportation system
Total Amount of Bonds Issued:	\$1.7 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, 2033
Total Debt Service Remaining:	\$1.7 billion
Revenue Stream for Current Year:	\$791 million
Debt Service for Current Year:	\$132 million
<i>Agency:</i>	<i>Department of Cultural Affairs</i>
Purpose of Bonds & Loan:	Renovate existing museum structures, develop permanent exhibits
Total Amount of Debt Issued:	\$5.8 million (loans)
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$4.6 million
Term of Commitment:	Through June 30, 2026
Revenue Stream for Current Year:	\$821 thousand
Debt Service for Current Year:	\$676 thousand
<i>Agency:</i>	<i>Spaceport Authority</i>
Purpose of Bonds	Construction of the Spaceport America launch facility
Total Amount of Debt Issued:	\$61.7 million
Type of Revenues Pledged:	Authority's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$81.0 million
Term of Commitment:	Through June 30, 2029
Revenue Stream for Current Year:	\$6.6 million
Debt Service for Current Year:	\$5.6 million

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### Governmental Activities (Continued)

<i>Agency:</i>	<i>Administrative Office of the Courts</i>
Purpose of Bonds	Court equipment
Total Amount of Debt Issued:	\$30.7 million
Type of Revenues Pledged:	Court facilities fees
Total Debt Service Remaining:	\$35.4 million
Term of Commitment:	Through June 30, 2025
Revenue Stream for Current Year:	\$4.5 million
Debt Service for Current Year:	\$3.9 million

<i>Agency:</i>	<i>General Services Division</i>
Purpose of Bonds	State facilities
Total Amount of Debt Issued:	\$80.7 million
Type of Revenues Pledged:	Government gross receipts tax
Total Debt Service Remaining:	\$113.0 million
Term of Commitment:	Through June 30, 2039
Revenue Stream for Current Year:	\$3.1 million
Debt Service for Current Year:	\$2.9 million

#### Business-type Activities

<i>Agency:</i>	<i>Miners' Colfax Medical Center</i>
Purpose of Bonds:	Improvement and expansion of medical facilities
Total Amount of Bonds Issued:	\$14.6 million
Type of Revenues Pledged:	Center's share of distributions from the State Land Grant and the Charitable, Penal, and Reform Permanent Funds
Total Debt Service Remaining:	\$13.9 million
Term of Commitment:	Through June 30, 2027
Revenue Stream for Current Year:	\$5.9 million
Debt Service for Current Year:	\$1.3 million

<i>Agency:</i>	<i>Educational Institutions (UNM, NMSU, ENMU, WNMU, NMMI, NMHU, NM Tech)</i>
Purpose of Bonds:	Construction and improvement of various capital facilities
Total Amount of Bonds Issued:	\$1.1 billion
Type of Revenues Pledged:	Substantially all unrestricted revenues, including Permanent Fund distributions, student fees, and income from revenue-producing facilities but excluding state appropriations and income from clinical operations.
Total Debt Service Remaining:	\$1.0 billion
Term of Commitment:	Through June 30, 2046
Revenue Stream for Current Year:	\$650.3 million
Debt Service for Current Year:	\$66.5 million

<i>Agency:</i>	<i>University of New Mexico</i>
Purpose of Loans:	Health Sciences Center, Law Library, Green Water Project
Total Amount of Debt Issued:	\$28.6 million
Type of Revenues Pledged:	Cigarette excise tax
Total Debt Service Remaining:	\$32.6 million
Term of Commitment:	Through June 15, 2032
Revenue Stream for Current Year:	\$4.5 million
Debt Service for Current Year:	\$4.1 million

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### Other Liabilities

##### ▪ Compensated Absences

Compensated absences of governmental activities are liquidated in the General Fund. Claims liabilities of governmental activities 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.

##### ▪ Pollution Remediation Obligation

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

The following details the nature of the identified sites:

##### Leaking Petroleum Storage Tanks (LPST)

The State oversees cleanups of LPST sites and reimburses eligible parties from the PST corrective action fund, which has paid for the vast majority of LPST cleanups. However, for Priority 1 State Lead sites, in which there is an imminent danger to the public health or environment, the State has obligated itself to begin remediation clean-up activities as a result of an unwilling or unable property owner in the amount of \$676,455 as of June 30, 2016.

##### Superfund

The Superfund Oversight Section of the State assists the United States Environmental Protection Agency (EPA) in characterization of inactive hazardous waste sites; identifies sites which warrant remedial or removal action under Superfund (CERCLA); and oversees remedial activities and provides management assistance to EPA at Superfund sites listed on the National Priorities List (NPL). There are currently 16 listed Superfund sites and 4 deleted sites in New Mexico which are in various stages of investigation and remediation. As of June 30, 2016, the estimated pollution remediation liability for Superfund sites totals \$43,601,769.

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Amount Due Within One Year	\$ 563,164	\$ 165,050	\$ (185,682)	\$ 542,532
Amount Due in More than One Year	<u>48,434,948</u>	<u>(4,699,265)</u>	<u>-</u>	<u>43,735,692</u>
Total Pollution Remediation Liabilities	<u>\$ 48,998,112</u>	<u>\$ (4,534,215)</u>	<u>\$ (185,682)</u>	<u>\$ 44,278,224</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### ▪ Indian Water Rights Liability

New Mexico currently has three Indian water rights settlements pending implementation: the Navajo Nation Settlement in the San Juan River adjudication, the Settlement Agreement with the Pueblos of Nambe, Pojoaque, Tesuque, and San Ildefonso in the Aamodt adjudication, and the Taos Pueblo Settlement in the Rio Pueblo de Taos/Rio Hondo adjudication. For each of these three settlements, a settlement agreement was executed in 2005 or 2006 by the tribe or Pueblos and the State of New Mexico. The Aamodt and Taos Pueblo settlement agreements also were executed by other water right owning parties.

Each of the agreements involves a contribution from the State of New Mexico in the form of construction of infrastructure. The value of infrastructure and mutual benefits projects contemplated in the three settlements are estimated at more than \$1.6 billion as of June 30, 2016. The State will not own the infrastructure once completed; the infrastructure and projects will be owned by tribal and local governments. Total settlement costs anticipated to date by settlement agreement are as follows:

Aamodt	\$	205,630
Taos		144,000
Navajo		1,255,383
Total estimated costs	\$	<u>1,605,013</u>

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

As of the fiscal year ended June 30, 2016, the State expended \$41.8 million of the total of \$47.7 million in state funding received to-date restricted for the Indian Water Rights Settlement agreements, with \$5.9 million unexpended as of June 30, 2016. Detail of activity for this long-term liability for the year ended June 30, 2016 is as follows:

<u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>2016</u>
\$ 79,161,052	-	(12,435,806)	(4,625,411)	\$ 62,099,835

Actual amounts recorded may require future adjustments that could increase or decrease the liability due to the on-going 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 for future years. Likewise, interest expense related to these settlements cannot be imputed at this time.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### F. 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, 2016:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Sponge Bonds	\$ -	\$ 135,903,896	\$ (135,903,896)	\$ -

#### G. 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 2008 A through D series).

##### ▪ 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, 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

▪ **Fair Value**

The estimated fair value of the swaps at June 30, 2016, was as follows (in thousands):

	<u>Notional Value</u>	<u>Fair Value</u>
Goldman Sachs	\$ 50,000	\$ (11,615)
Deutsche	50,000	(11,615)
Royal Bank of Canada	100,000	(23,230)
JPMorgan Chase Bank	110,000	(36,277)
UBS AG	110,000	(36,277)
	<u>\$ 420,000</u>	<u>\$ (119,015)</u>

The updated fair value of the swaps and collateral posting as of November 22, 2016 was as follows:

	<u>Notional Value</u>	<u>Fair Value</u>
Goldman Sachs	\$ 50,000	\$ (9,927)
Deutsche	50,000	(9,927)
Royal Bank of Canada	100,000	(19,855)
JPMorgan Chase Bank	110,000	(30,475)
UBS AG	110,000	(30,475)
	<u>\$ 420,000</u>	<u>\$ (100,659)</u>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### 2004 Swaps

<u>Counterparty</u>	<b>Royal Bank of Canada</b>	<b>Goldman Sachs</b>	<b>Deutsche Bank</b>
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	October 6, 2008
Termination Date	June 15, 2024	June 15, 2024	June 15, 2024

#### 2006 Forward Starting Swaps

<u>Counterparty</u>	<b>JP Morgan Chase Bank</b>	<b>UBS AG</b>
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

\*The Fair Value is the estimated amount that would have been received by or paid if the agreements had been terminated at June 30, 2016, 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, 2016. Negative amounts indicate payments that would have been made to the counterparties.

The SWAPs Fair Value are disclosed as a liability for the year ended June 30, 2016 in the amount of \$119.0 million. Management evaluated the effectiveness of the SWAP agreements and found Goldman Sachs, Deutsche and Royal Bank of Canada to be ineffective in the prior year. As a result, the change in Fair Value of the ineffective SWAPs are reported as an expense in the amount of \$7,399,432. The remaining effective SWAPs are deemed a hedge and reported as a deferred outflow of resources in the amount of \$72.6 million which consists of the JP Morgan Chase Bank and UBS AG SWAP agreements.

#### ▪ **Associated Debt** (in thousands):

<u>Variable Rate Debt*</u>	<u>Original Issue</u>	<u>2016 Debt Service</u>		<u>Net Swap Payments Made (Rec'd.)</u>	<u>Total Net Interest Paid</u>	<u>Effective Interest Rate</u>
		<u>Principal</u>	<u>Fixed Interest</u>			
Series 2008 A and C	\$ 200,000	\$ -	\$ 7,868	\$ 933	\$ 8,801	4.400%
Series 2008 B	220,000	-	11,158	64	11,222	5.101%

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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, 2016, were:

<u>Counterparty</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>
Goldman Sachs	Aa2	AA-	N/A
Deutsche	A3	BBB+	A-
Royal Bank of Canada	Aa3	AA-	AA
JP Morgan Chase Bank	Aa3	A+	AA-
UBS AG	A2	A	A

Presently, the Department of Transportation 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, collateral was posted for \$9.9 million at UBS, \$9.6 million at JPM, and \$4.9 million at RBC as of June 30, 2016. The swap agreements permit the netting of amounts owed between the Department and a 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. There was \$14.0 million outstanding on the line of credit at the end of the fiscal year, with no beginning balance, \$16.0 million borrowed and \$2.0 million repaid during the year. In addition, during the year there was a line of credit that did not have a balance at the end of the fiscal year, a beginning balance of \$10.5 million, \$8.0 million borrowed and \$18.5 million repaid during the fiscal year.

##### *Interest Rate Risk*

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 as the 2006 swaps pay a variable rate equal to the SIFMA Municipal Swap index which has very

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

closely approximated, historically, to the rates paid on variable rate municipal debt. 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% 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 would be a significant change in U.S. income tax rates. This might result in 68% 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 Department 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 ISDA provisions for termination, including events such as bankruptcy, ratings downgrades, and failure to post collateral when required. In addition, the Department, but not the counterparties, can terminate the swaps at any time with 30-day notice.

#### **H. University of New Mexico**

##### ▪ **Standby Purchase Agreements**

Standby Purchase Agreements provide liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees are based on a percentage of the outstanding bond balance, payable semiannually. The provider is US Bank. Liquidity fees for the year ended June 30, 2016, were \$239,731.

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

<b>US Bank</b>				
<b>Liquidity Expiration</b>	<b>Series 2001</b>	<b>Series 2002B</b>	<b>Series 2002C</b>	<b>Grand Total</b>
<u>12/29/2017</u>	<u>\$ 28,755</u>	<u>\$ 17,450</u>	<u>\$ 32,460</u>	<u>\$ 78,665</u>
<b>Liquidity Fees</b>				
	<b>2001</b>	<b>2002B</b>	<b>2002C</b>	<b>Total</b>
<b>FY16</b>	<u>\$ 88</u>	<u>\$ 54</u>	<u>\$ 97</u>	<u>\$ 239</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### ▪ Interest Rate Swap Agreements

On June 30, 2016, 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)	\$ 7,188	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	\$ (1,339)
B - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	32,460	10/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.9% Fixed	(7,564)
C - JP Morgan	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	17,450	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.8% Fixed	(3,098)
D - RBC Royal Bank	Pay-Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement	7,189	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	(1,349)
<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)	14,378	8/15/2006	6/1/2026	Receive 63.6% of 5 year LIBOR swap rate + 0.3% - Pay SIFMA	384
F - JP Morgan	Pay-Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Overlay Swap)	32,460	8/15/2006	6/1/2030	Receive 63.9% of 5 year LIBOR swap rate + 0.3% - Pay SIFMA	1,208

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

##### *Interest Rate Risk*

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

##### *Basis Risk*

The variable-rate debt hedged by UNM's derivative instruments are variable-rate demand obligation (VRDO) bonds that are remarketed every seven days. The University is exposed to basis risk on its pay-variable (SIFMA), receive-variable (LIBOR) overlay interest rate swaps, because the variable-rate payments received by the University on these derivative instruments are based on a rate (LIBOR) other than the index (SIFMA) the University pays on the VRDO bonds. At June 30, 2016, the interest rate on the University's variable-rate hedged debt (SIFMA) is 0.41%, while the 63.55% of five year LIBOR + 0.31% is 0.8325%.

##### *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, 2016

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

#### *Foreign Currency Risk*

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

#### ▪ **Commitments**

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

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

The collateral to be posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions net of the effect of applicable netting arrangements. If UNM or the counterparty does not post collateral, the derivative instrument may be terminated. UNM's credit rating is AA/Aa2 at June 30, 2016; therefore, no collateral has been posted.

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

As of June 30, 2016, aggregate debt service requirements of UNM's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting (in thousands).

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013

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

University of New Mexico					
Debt Service Requirements - Hedging Derivative Instruments					
Fiscal Year				Hedge Deriv.	
Ending June 30,	Principal	Interest		Instruments,	Total
				Net	
2017	\$ 4,650	\$ 177		\$ 2,257	\$ 7,084
2018	4,840	185		2,105	7,130
2019	5,570	190		1,951	7,711
2020	6,320	200		1,762	8,282
2021	6,580	203		1,557	8,340
2022	6,855	200		1,354	8,409
2023	7,155	191		1,152	8,498
2024	7,465	172		956	8,593
2025	7,770	146		762	8,678
2026	9,900	115		566	10,581
2027	2,900	65		325	3,290
2028	3,030	51		239	3,320
2029	3,160	34		153	3,347
2030	2,470	16		65	2,551

#### ▪ Fiscal Year Changes in Swap Valuations

UNM has entered into interest rate swaps as shown in the prior schedule. The swaps were put in place starting in fiscal years 2002 and 2003. The University has recorded the swaps at their estimated fair values as of June 30, 2016. Swaps A through D are deemed cash flow hedges, and therefore, in addition to recording the liability at fair value, the University has recorded an offsetting deferred outflow of resources. Annually, the changes to the fair values are recorded as an increase or decrease to the liability and the offset to the deferred outflow of resources. The fair value change in fiscal year 2016 for the hedge instruments was a \$2,198,619 increase to the liability and an equal offsetting increase to the deferred outflow of resources. Swaps E and F are not cash flow hedges, but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2016 was recorded to unrealized losses in the amount of \$523,646.

#### I. Discretely-presented Component Units

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

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

<b>Bonds Payable - New Mexico Finance Authority</b>				
<i>(Expressed in Thousands)</i>				
Bond Series	Interest Rate (%)	Maturity Date	Original Issue	Balance June 30, 2016
<b>Public Project Revolving Fund - Senior Lien:</b>				
2005 A - B	3.5 - 5.0	2013 - 2025	\$ 32,515	\$ -
2006 B & D	4.3 - 5.0	2013 - 2036	94,660	22,730
2007 E	4.3 - 5.0	2013 - 2032	61,945	34,085
2008 A - C	3.0 - 6.0	2013 - 2038	224,640	153,090
2009 A - E	2.3 - 6.1	2013 - 2038	161,815	108,570
2010 A - B	2.0 - 6.4	2013 - 2039	85,175	59,405
2011 A - C	2.0 - 5.0	2013 - 2036	126,055	75,945
2012 A	1.5 - 5.5	2013 - 2038	24,340	20,015
2013 A - B	2.0 - 5.0	2013 - 2038	60,645	47,495
2014 B	2.0 - 5.0	2016 - 2035	58,235	50,080
2015 B - C	2.3 - 5.0	2016 - 2045	90,800	87,895
2016 A - C	2.0 - 5.0	2016 - 2046	119,610	115,895
Subtotal			<u>1,140,435</u>	<u>775,205</u>
<b>Public Project Revolving Fund - Subordinate Lien:</b>				
2005 C - F	3.6 - 5.0	2013 - 2025	95,665	-
2006 A & C	4.0 - 5.0	2013 - 2035	89,405	24,330
2007 A - C	4.0 - 5.3	2013 - 2034	204,345	116,095
2013 C-1, 2	0.9 - 5.0	2014 - 2029	14,295	10,910
2014 A-1, 2	0.3 - 5.0	2014 - 2034	31,940	27,830
2015 A - D	3.0 - 5.0	2016 - 2035	92,745	87,110
2016 B	5	2016 - 2035	8,950	7,415
Subtotal			<u>537,345</u>	<u>273,690</u>
Total Public Project Revolving Fund			<u>1,677,780</u>	<u>1,048,895</u>
<b>Pooled Equipment Certificates of Participation:</b>				
1995 A	6.3	2015	4,288	-
1996 A	5.8	2016	1,458	-
Subtotal			<u>5,746</u>	<u>-</u>
<b>Other:</b>				
2004 A Cigarette Tax - University of New Mexico	4.0 - 5.0	2019	39,035	-
2006 Cigarette Tx - Behavioral Health Projects	5.5	2026	2,500	1,250
Subtotal			<u>41,535</u>	<u>1,250</u>
Total Bonds Outstanding			<u>\$ 1,725,061</u>	1,050,145
Unaccreted Bond Premium/Deferred Charge, Net				64,304
<b>Total Bonds Payable</b>				<b><u>\$ 1,114,449</u></b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

#### Bonds Payable - New Mexico Mortgage Finance Authority

(Expressed in Thousands)

Bond Series	Maturity Date	Interest Rate (%)	Balance September 30, 2016
Single Family Mortgage Programs:			
Series 2006 A - F	2037 - 2038	4.3 - 6.2	\$ -
Series 2007 A - E	2038 - 2039	4.2 - 6.4	53,165
Series 2008 A - D	2039	4.1 - 7.0	33,430
Series 2009 A - E	2039 - 2040	3.5 - 6.0	80,305
Series 2010 A	2040	4.5 - 4.6	11,565
Series 2011 A - C	2030 - 2041	2.3 - 5.4	62,315
Series 2012 A - B	2043	1.4 - 4.3	66,180
Series 2013 A - C	2043	2.2 - 4.5	66,477
Series 2014 A - B	2035 - 2044	1.3 - 5.0	20,308
Series 2015 A - E	2035 - 2045	0.9 - 5.0	90,431
Series 2016 A - B	2040 - 2046	0.7 - 3.8	84,985
Total Single Family Mortgage Programs			569,161
Unaccreted Bond Premium/Discount, Net			10,291
Total Single Family Mortgage Programs Payable			\$ 579,452
Rental Housing Mortgage Programs:			
Series 2002 A - B	2038	5.4 - 6.8	\$ 8,405
Series 2003 A - B	2038	5.1 - 5.4	7,940
Series 2004 A - G	2039 - 2040	5.0 - 6.0	28,315
Series 2005 A - F	2040	4.7 - 5.1	25,470
Series 2007 A - D	2042 - 2043	5.1 - 10.0	18,382
Series 2008 A - B	2043	0.0 - 0.5 *	8,520
Series 2010 A - B	2047	5.0	860
Series 2012 A	2049	5.0	4,867
Series 2014 A	2017	2.7 - 2.8	11,446
Series 2016 A	2017	4.5	4,760
Total Rental Housing Mortgage Payments			118,965
Unaccreted Bond Premium/Discount, Net			138
Total Rental Housing Mortgage Programs Payable			\$ 119,103
Capital Debt:			
Series 2005 General Revenue Office Bldg Refunding	2026	3.8 - 4.4	\$ -
Unamortized Discount			-
Total Capital Debt Payable			-
Total General Obligation Bonds Outstanding			688,126
Total Unaccreted Bond Premium/Discount, Net			10,429
<b>Total Bonds Payable</b>			<b>\$ 698,555</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, 2016

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

Annual debt service requirements to maturity are as follows:

#### Debt Service Requirements to Maturity For Fiscal Years End September 30

New Mexico Finance Authority (Expressed in Thousands)				New Mexico Mortgage Finance Authority (Expressed in Thousands)		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 78,040	\$ 48,478	\$ 126,518	\$ 30,186	\$ 27,490	\$ 57,676
2018	79,640	45,095	124,735	14,299	26,525	40,824
2019	81,180	41,568	122,748	14,798	25,979	40,777
2020	71,715	37,981	109,696	15,392	25,399	40,791
2021	75,105	34,643	109,748	16,004	24,771	40,775
2022 - 2026	329,145	121,822	450,967	90,583	112,941	203,524
2027 - 2031	183,005	56,958	239,963	113,172	89,780	202,952
2032 - 2036	124,075	20,980	145,055	131,938	64,164	196,102
2037 - 2041	16,400	3,400	19,800	166,207	32,690	198,897
2042 - 2046	11,840	1,107	12,947	94,795	6,784	101,579
2047 - 2050	-	-	-	752	51	803
	1,050,145	412,032	1,462,177	688,126	436,574	1,124,700
Net Unaccrued Premium	64,304	-	64,304	10,429	-	10,429
<b>Total</b>	<b>\$ 1,114,449</b>	<b>\$ 412,032</b>	<b>\$ 1,526,481</b>	<b>\$ 698,555</b>	<b>\$ 436,574</b>	<b>\$ 1,135,129</b>

Details of the Mortgage Finance Authority Notes Payable follows:

New Mexico Mortgage Finance Authority Notes Payable (Expressed in Thousands)				Debt Service Requirements to Maturity For Fiscal Years End September 30 (Expressed in Thousands)			
Note	Maturity Date	Interest Rate (%)	Balance Sept. 30, 2016	Fiscal Year	Principal	Interest	Total
Note Payable, Wells Fargo	2023	2.0	\$ 850	2017	\$ 22,974	\$ 73	\$ 23,047
Note Payable, Preservation Loan	2042	1.0	1,930	2018	74	54	128
Note Payable, NMSBIC	2018	2.0	900	2019	974	42	1,016
Note Payable, FHL Bank of Dallas	2016	0.45	10,000	2020	74	34	108
Note Payable, FHL Bank of Dallas	2016	0.455	6,900	2021	74	33	107
Note Payable, FHL Bank of Dallas	2016	0.47	6,000	2022 - 2026	1,221	96	1,317
<b>Notes Payable</b>			<b>\$ 26,580</b>	2027 - 2031	371	52	423
The borrowings were made to raise capital to help fund the Primero Loan Program, which provides loans for nonprofit, public or tribal agency sponsored affordable projects.				2032 - 2036	371	33	404
				2037 - 2041	371	15	386
				2042 - 2046	76	2	78
				2047 - 2050	-	-	-
				<b>Total</b>	<b>\$ 26,580</b>	<b>\$ 434</b>	<b>\$ 27,014</b>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 9

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#### NOTE 9. Net Position and Fund Equity

##### A. Governmental Fund Balances

Fund balances of governmental funds are classified as:

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

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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, 2016, follows (in thousands):

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Severance Tax</u>	<u>Land Grant</u>	<u>Total</u>
Nonspendable:						
Prepaid Expenses	\$ 15,386	\$ -	\$ -	\$ -	\$ -	\$ 15,386
Inventories	34,552	-	-	-	-	34,552
Other	14,228	-	-	-	-	14,228
Total Nonspendable	<u>\$ 64,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,166</u>
Restricted:						
Capital Projects	\$ -	\$ -	\$ 1,253,493	\$ -	\$ -	\$ 1,253,493
Culture, Recreation and Natural Resources	146,808	-	-	-	-	146,808
Debt Service	-	288,854	-	-	-	288,854
Education	73,633	-	-	-	-	73,633
General Control	172,943	-	-	4,559,169	14,682,066	19,414,178
Health and Human Services	107,344	-	-	-	-	107,344
Highway and Transportation	224,035	-	-	-	-	224,035
Judicial	8,272	-	-	-	-	8,272
Legislature	4,266	-	-	-	-	4,266
Public Safety	64,470	-	-	-	-	64,470
Regulation and Licensing	87,314	-	-	-	-	87,314
Total Restricted	<u>\$ 889,085</u>	<u>\$ 288,854</u>	<u>\$ 1,253,493</u>	<u>\$ 4,559,169</u>	<u>\$ 14,682,066</u>	<u>\$ 21,672,667</u>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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	\$ -	\$ -	\$ 11,315	\$ -	\$ -	\$ 11,315
Culture, Recreation and Natural Resources	6,481	-	-	-	-	6,481
Education	10,375	-	-	-	-	10,375
General Control	210,913	-	-	-	-	210,913
Health and Human Services	11,233	-	-	-	-	11,233
Highway and Transportation	-	-	-	-	-	-
Judicial	1,933	-	-	-	-	1,933
Public Safety	-	-	-	-	-	-
Regulation and Licensing	9,087	-	-	-	-	9,087
Total Committed	<u>\$ 250,021</u>	<u>\$ -</u>	<u>\$ 11,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,336</u>
Assigned:						
General Control	\$ 185	\$ -	\$ -	\$ -	\$ -	\$ 185
Health and Human Services	5,518	-	-	-	-	5,518
Judicial	3,442	-	-	-	-	3,442
Public Safety	-	-	-	-	-	-
Regulation and Licensing	844	-	-	-	-	844
Total Assigned	<u>\$ 9,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,989</u>
Unassigned:						
Capital Projects	\$ -	\$ -	\$ (9,342)	\$ -	\$ -	\$ (9,342)
Culture, Recreation and Natural Resources	3,007	-	-	-	-	3,007
Education	(3,224)	-	-	-	-	(3,224)
General Control	(117,120)	-	-	-	-	(117,120)
Health and Human Services	(10,233)	-	-	-	-	(10,233)
Highway and Transportation	12,725	-	-	-	-	12,725
Judicial	81	-	-	-	-	81
Legislature	8,802	-	-	-	-	8,802
Public Safety	(7,430)	-	-	-	-	(7,430)
Regulation and Licensing	(7,059)	-	-	-	-	(7,059)
Total Unassigned	<u>\$ (120,451)</u>	<u>\$ -</u>	<u>\$ (9,342)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (129,793)</u>

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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#### **B. 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.

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

##### **1. Correction of Errors**

During the fiscal year ended June 30, 2016, 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):

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

##### Government-wide Statements -

##### Governmental Activities:

##### Corrections of Errors:

Hyperion FY15 entries not carried forward	\$	49,377
Fund Balance issue due to FY15 adjustment		(3,118)
Correction of errors		<u>(80,252)</u>
Total government-wide adjustments		<u>(33,993)</u>

##### Governmental fund financial statements:

Agency audits - prior period adjustments		11,136
OSI moving funds to PPT		(48,908)
Hyperion FY15 entries not carried forward		(41,395)
Correction of errors		<u>(81,113)</u>
Total governmental funds adjustments		<u>(160,280)</u>

##### Internal Service Funds:

Correction of errors		-
Total internal service fund adjustments		<u>-</u>

##### Total adjustments, Governmental

Activities \$ (194,273)

##### Agency Funds:

OSI Moved Agency fund to PPT	\$	(479,027)
Correction of reporting errors		-

##### Total adjustments, Agency Funds

\$ (479,027)

##### Component Units

New Charter Schools	\$	(11,409)
Closed Charter Schools		649
Error on Great Academy		(8)
Prior Period Adjustments		612
Rounding		<u>2</u>
Total adjustments, Major Component Units	\$	<u>(10,154)</u>

##### Non-Major Component Units

Northern NM College		(9)
Addition of new CU - NMSVIF		207
Rounding		<u>1</u>
Total adjustments, Non-Major Component Units	\$	<u>199</u>

##### Private Purpose Trust Funds

OSI moving funds to PPT	\$	48,908
Prior Period Adjustment for OSI - fund 11850		(56,371)
Scholarship using FY15 audit		2,099
Rounding		<u>2</u>
Total adjustments, Private Purpose Trust	\$	<u>(5,362)</u>

##### Pension Trust Funds

PERA prior period adjment	\$	644
Leg Contrib recorded FY15		(400)
Hyperion FY15 entries not carried forward		<u>(4)</u>
Total adjustments, Pension	\$	<u>240</u>

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

##### Corrections of Errors

Overcorrection of prior year	\$	9,508
NM Tech - Blended CU balances omitted		1,067
NM SVI - Capital assets omitted		373
NMHU - Art work omitted		<u>616</u>
Total adjustments, Educ. Inst.		<u>11,564</u>

##### Adjustments,

##### Nonmajor Enterprise Funds:

Unemployment - correct Taxes Rec.		31,548
DCA - Record Loan Payable		181
Miners - Adjust Begin Bal for GASB68		(484)
Expo - Rounding		<u>1</u>
Total adjustments, nonmajor funds		<u>31,246</u>

##### Total adjustments,

Business - type Activities \$ 42,810

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

The following schedule reconciles June 30, 2016, 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	Total Net Position - Internal Svc. Funds		
Beg. Net Position/Fund Balances, as Previously Reported	\$ 25,173,210	\$ 22,868,573	\$ (35,554)		
Adjustments	<u>(33,993)</u>	<u>(160,280)</u>	<u>-</u>		
Beg. Net Position/Fund Balances, as Restated	<u>\$ 25,139,217</u>	<u>\$ 22,708,293</u>	<u>\$ (35,554)</u>		
Effect on Change in Net Position/Fund Balance FYE June 30, 2015	<u>\$ (33,993)</u>	<u>\$ (160,280)</u>	<u>\$ -</u>		
<b>Business-type Activities:</b>	Net Position - Business-type Activities	Educational Institutions	Nonmajor Enterprise		
Beg. Net Position, as Previously Reported	\$ 1,748,980	\$ 1,087,821	\$ 661,159		
Adjustments	<u>42,810</u>	<u>11,564</u>	<u>31,246</u>		
Beg. Net Position, as Restated	<u>\$ 1,791,790</u>	<u>\$ 1,099,385</u>	<u>\$ 692,405</u>		
Effect on Change in Net Position FYE June 30, 2015	<u>\$ 42,810</u>	<u>\$ 11,564</u>	<u>\$ 31,246</u>		
<b>Business-type Activities:</b>	Pension Trust Funds	External Investment Trust Funds	Major Component Units	Non-Major Component Units	
Beg. Net Position, as Previously Reported	\$ 26,881,290	\$ 548,028	\$ 1,080,450	\$ 198,922	
Adjustments	<u>240</u>	<u>-</u>	<u>(10,154)</u>	<u>199</u>	
Beg. Net Position, as Restated	<u>\$ 26,881,530</u>	<u>\$ 548,028</u>	<u>1,070,296</u>	<u>199,121</u>	
Effect on Change in Net Position FYE June 30, 2015	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ (10,154)</u>	<u>\$ 199</u>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

**Fiduciary Funds:**

	<u>Agency Funds</u>
Beg. Total Assets and Total Liabilities, as previously reported	\$ 2,746,660
Adjustment - Correction of Errors	<u>(479,027)</u>
Beg. Total Assets and Total Liabilities, as Restated	<u>\$ 2,267,633</u>
	<u>Private Purpose Trust</u>
Beg. Net Position, as Previously Reported	\$ 2,432,488
Adjustments	<u>(5,362)</u>
Beg. Net Position, as Restated	<u>2,427,126</u>
Effect on Change in Net Position FYE June 30, 2015	<u>\$ (5,362)</u>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 10

#### NOTE 10. Leases

##### Operating Leases

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

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

	<u>Governmental</u>	<u>Business-type</u>	<u>Fiduciary</u>
2017	\$ 57,362	\$ 9,556	\$ 131
2018	52,527	6,933	125
2019	35,044	6,200	123
2020	29,653	3,831	115
2021	25,592	1,826	28
2022 - 2026	35,777	10,114	-
2027 - 2031	10,820	4,724	-
2032 - 2036	1,238	4,071	-
2032 & Thereafter	62,655	161	-
	<u>\$ 310,668</u>	<u>\$ 47,416</u>	<u>\$ 522</u>

Operating lease expenditures/expenses for fiscal year 2016 for governmental activities, business-type activities, and fiduciary activities, respectively were \$71,662, \$10,927 and \$183.

##### Capital Leases

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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>
2017	\$ 4,047	\$ 613
2018	4,049	505
2019	4,047	234
2020	4,047	15
2021	4,051	5
2022-2026	20,244	-
2027-2031	20,250	-
2032-2036	20,243	-
2037-2041	8,094	-
Total Lease Payments	89,072	1,372
Less Amounts Representing Interest	<u>(36,029)</u>	<u>(65)</u>
<b>Present Value of Future Minimum Lease Payments</b>	<b><u>\$ 53,043</u></b>	<b><u>\$ 1,307</u></b>

As of June 30, 2016, the historical cost of the primary government's assets acquired through capital leases was \$53,045 for governmental activities, a building, and \$2,317 for business-type activities, consisting of 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>
2017	\$ 1,164	2017	\$ 6,445
2018	2,281	2018	4,784
2019	3,375	2019	4,187
2020	3,364	2020	4,222
2021	3,351	2021	4,144
2022 & Thereafter	38,005	2022 - 2026	5,044
	<u>\$ 51,540</u>	2027 - 2031	4,791
		2032 - 2036	4,791
		2037 - 2041	4,791
		2042 & Thereafter	11,718
			<u>\$ 54,917</u>

The historical cost for the assets which are leased is \$129.7 million for governmental activities (mostly for use of hangar and runway facilities at the Spaceport) and \$145 million for business-type activities.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 11

#### NOTE 11. Risk Management

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

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

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

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

Total insurance claims payable at June 30, 2016, were \$195,471,063. The amounts of the liabilities are determined by independent actuarial consultants to the ISF. The total liability is shown in the accompanying financial statements at the present value of the payments, computed at 2.0 percent annual rate, except for long-term disability liability, which is computed at 2.0 percent annual rate, between June 30, 2016 and the date the claims are ultimately expected to be paid.

Insurance claims payable presented are actuarial computed estimates of the costs of administering, defending, and settling claims for events that had occurred as of the year-end. Since these estimates are based on historical information and various statistical measures, actual amounts paid may vary significantly from the amount estimated by the fund

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

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

	<b>Balance</b>	<b>Incurred (Net</b>		<b>Balance</b>
	<b>June 30, 2015</b>	<b>of Actuarial</b>	<b>Payments</b>	<b>June 30, 2016</b>
		<b>Provision)</b>		
Surety Bond	\$ 4	\$ 1	\$ -	\$ 5
Public Property Reserve	1,853	4,345	(4,564)	1,634
Workers Compensation	49,017	16,367	(16,107)	49,277
Public Liability	105,186	13,193	(20,757)	97,622
State Unemployment	5,314	(655)	(1)	4,658
Local Public Body	1,169	878	(1,022)	1,025
Group Insurance Premium	38,964	321,507	(319,221)	41,250
<b>Total</b>	<b>\$ 201,507</b>	<b>\$ 355,636</b>	<b>\$ (361,672)</b>	<b>\$ 195,471</b>

	<b>Balance</b>	<b>Incurred (Net</b>		<b>Balance</b>
	<b>June 30, 2014</b>	<b>of Actuarial</b>	<b>Payments</b>	<b>June 30, 2015</b>
		<b>Provision)</b>		
Surety Bond	\$ 6	\$ 247	\$ (249)	\$ 4
Public Property Reserve	2,355	5,943	(6,445)	1,853
Workers Compensation	48,857	15,717	(15,557)	49,017
Public Liability	107,285	26,995	(29,094)	105,186
State Unemployment	5,812	(497)	(1)	5,314
Local Public Body	1,279	325	(435)	1,169
Group Insurance Premium	37,890	313,583	(312,509)	38,964
<b>Total</b>	<b>\$ 212,675</b>	<b>\$ 320,945</b>	<b>\$ (330,136)</b>	<b>\$ 203,484</b>

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

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 12

#### NOTE 12. Pension Plans

##### A. New Accounting Standard

The State adopted *GASB Statement No. 68, Financial Reporting for Pension Plans* effective July 1, 2014. 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 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.

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

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

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

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

The number of participating government employers, and the number of members for each system for the year ended June 30, 2016, were (not in thousands):

	PERS*	JRS	MRS	VFRS	EERS
<b>Number of Employers</b>					
State Agencies	122	16	1	-	11
Cities, Towns, Villages	91	-	-	-	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	99
Other	67	-	-	368	-
<b>Totals</b>	<b>313</b>	<b>16</b>	<b>1</b>	<b>368</b>	<b>218</b>
<b>Retirees and Beneficiaries</b>					
Receiving Benefits	35,858	152	102	1,004	45,797
<b>Terminated Plan Members</b>					
not yet Receiving Benefits	11,645	23	16	657	44,228
Active Plan Members	49,294	127	60	8,136	60,057

\* Note: 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

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

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.

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

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

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

**State Legislative Fund** – This plan is a defined benefit pension plan which is accounted for in PERS. State Legislators and lieutenant governors must elect to be a member no later than 180 days after first taking office to be covered under this plan. Member contributions are \$500 for each year of service credit prior to the 2012 legislative session and \$600 for each year beginning with the 2012 legislative session. The State is required to contribute sufficient amounts to finance the membership of members under state legislator coverage plan 2 on an actuarial reserve basis. The total actuarially determined amount for the State Legislative Fund for the fiscal year ended June 30, 2015 was \$0. Regarding the source of funding, Section 7 -1-6.43 of the Tax Administration Act states “A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the legislative retirement fund in an amount equal to two hundred thousand dollars (\$200,000) a month or, if larger, one-twelfth of the amount necessary to pay out the retirement benefits due under state legislator member coverage plan 2 and Paragraph (2) of Subsection C of Section 10-11-42 NMSA 1978 for the calendar year.” During the State of New Mexico (52nd Legislature) Second Special Session in

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2016, Senate Bill 6 was passed that reduced the State's distribution to the legislative retirement fund from \$200,000 a month to \$75,000 a month. As of October 19, 2016, \$900,000 will be the annual amount distributed by the State to the legislative fund.

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 changed to \$165.

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

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

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

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

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

Members contribute at a rate of 10.5 percent of their salaries and the member's court contributes at a rate of 15.0 percent of the member's salary. Additionally, the district court contributes \$38 for each civil case docket fee paid in the district court, \$25 from each civil docket fee paid in metropolitan court and \$10 (not in thousands) for each jury

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

fee paid in metropolitan court. Contribution rates are established by State statute. Various other changes took place under House Bill 33 which amended the Judicial Retirement Act.

***Magistrate Retirement Fund*** – This plan is a single employer defined benefit pension plan. Eligibility for membership in the Magistrate Retirement Fund is set forth in Chapter 10-12C-4, NMSA 1978. Every magistrate becomes a member in the Magistrate Retirement Fund upon election or appointment to office, unless an application for exemption has been appropriately filed or unless specifically excluded. Benefits are available at age 64 or older to any member having served as a magistrate for a minimum of five years. Retirement is available at age 60 to any magistrate or former magistrate having served at least 15 years or at any age with 24 or more years of service credit. The annual pension amount is determined by multiplying 75.0% of the salary received during the last year in office prior to retirement by 5.0% of the number of years of service, not exceeding 15 years, plus five years.

Effective July 1, 2014, membership is mandatory, all magistrate pension factors were reduced, employee contributions increased 3 percent, and the computation of final average salary increased as the average of salary for the 60 consecutive months prior to retirement. Employer contributions increased by 4% effective July 1, 2016. In addition, cost-of-living increases were suspended for two consecutive fiscal years, and future cost-of-living adjustments are reduced to 2% every third year until the Fund is projected to be 100% funded.

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

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

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

This plan is a cost-sharing multiple employer pension plan established by statute and administered by ERB to provide retirement, disability, and death benefits for all certified teachers and other employees of the State's elementary,

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

secondary, and higher educational institutions, junior colleges, and technical-vocational institutions. Employees who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded. The plan served a total of 218 educational employers in fiscal year 2016.

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. For plan members whose annual salary is over \$20,000, they are required to contribute 10.7% of their gross salary to the plan in fiscal year 2016 and thereafter. Employers are required to contribute 13.9% of gross covered salaries in fiscal year 2016 and thereafter. The statutory contribution requirements can be changed by the State Legislature.

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

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

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

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

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

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

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

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

*Benefit Options* - There are three benefit options available:

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

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

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

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

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

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

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

*Disability Benefit:*

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

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

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

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

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

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

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

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

#### **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, 2015. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2016. The net pension liability of each plan as of June 30, 2016, is as follows (in thousands):

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

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

**Public Employees Retirement Association and Education Retirement Board**  
**Net Pension Liability, By Fund**  
*(Expressed in Thousands)*

	PERA-Public Employees Retirement System	PERA-Judicial Retirement System	PERA-Magistrate Retirement System	PERA-Volunteer Firefighters Retirement System	ERB-Educational Employees Retirement System
Total Pension Liability	\$ 19,986,038	\$ 191,554	\$ 74,518	\$ 48,936	\$ 18,729,272
Plan's Fiduciary Net Position	13,826,658	84,933	31,039	61,049	11,532,839
Net Pension Liability	<u>\$ 6,159,380</u>	<u>\$ 106,621</u>	<u>\$ 43,480</u>	<u>\$ (12,113)</u>	<u>\$ 7,196,433</u>
Percentage of Fiduciary Net Position to Total Pension Liability	<u>69.18%</u>	<u>44.34%</u>	<u>41.65%</u>	<u>124.75%</u>	<u>61.58%</u>

The assumptions which follow were adopted by the respective Boards for use in the June 30, 2015 actuarial valuation:

	PERS	JRS	MRS	VFRS	EERS
Valuation date	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
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	7.48%	7.48%	7.48%	7.48%	7.75%
Payroll Growth	2.75% - 3.25%	2.75% - 3.25%	2.75% - 3.25%	N/A	-
Project Salary Increases	2.75% - 14.00%	3.50% - 4.00%	3.00% - 3.50%	N/A	3.75%
Includes Inflation At	2.75% - 2.75%	2.75% - 2.75%	-	-	3.00%
Municipal Bond Rate	-	3.01%	3.01%	-	-
Discount Rate	7.48%	4.40%	4.40%	7.48%	7.75%

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

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

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

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

The following schedule shows the current asset allocation policy adopted on August 26, 2016 as well as the prior allocation policy targets.

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

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

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

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

For the years ended June 30, 2016 and 2015, the annual money-weighted rates of return on the PERA pension plan investments net of investment expense were 0.70% and 1.90%, respectively. For the ERB pension plan, it was 2.68% and 4.06%, respectively.

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

##### State – Funded Divisions of PERA

For the fiscal year ended June 30, 2016, the State Funded Divisions of PERA were composed of State General, State Police and Legislative.

**Contributions** – As stated earlier in this note, the contribution requirements of the plan members and the State are established in the state statute. Statutorily required contributions from the State to the State funded divisions of the pension plan were \$176,394 for the fiscal year ended June 30, 2016.

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

The State-Funded Divisions of PERA reported net pension liabilities as follows:

<u>Division</u>	<u>Net Pension Liability</u>
State General	\$ 2,451,563
State Police	(197,222)
Legislative	(10,376)
Total	<u>\$ 2,243,965</u>

This pension liability is reported in the financial statements as follows:

Governmental Activities (including Internal Service Funds)	\$ 2,199,245
Business-type Activities (including Nonmajor enterprise funds and two educational institutions)	<u>44,720</u>
Total	<u>\$ 2,243,965</u>

At June 30, 2016, the State's total proportion was 52.67 percent. Total contributions were \$154,699, \$19,298, and \$2,400 for the three divisions respectively. Pension expense was \$180,254, (\$15,184), and (\$437), respectively.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### Single-Employer Funds

The State contributes 100 percent of the contributions to three single-employer funds in the PERA System. They are the Judicial, Magistrate, and Volunteer Firefighters Retirement Funds.

	<b>Judicial Year-Ended June 30, 2016</b>	<b>Magistrate Year-Ended June 30, 2016</b>	<b>Volunteer Firefighters Year-Ended June 30, 2016</b>
<b>Total Pension Liability</b>			
Service Cost	\$ 3,245	\$ 1,118	\$ 1,439
Interest	10,238	3,452	3,376
Benefit Changes	-	-	-
Difference Between Expected and Actual Experience	4,737	1,571	(498)
Changes of Assumptions	46,155	8,832	1,976
Benefit Payments	(9,813)	(3,977)	(1,835)
Refunds of Contributions	(45)	(14)	-
Net Change in Total Pension Liability	<u>54,517</u>	<u>10,982</u>	<u>4,458</u>
Total Pension Liability - Beginning	<u>137,038</u>	<u>63,536</u>	<u>44,477</u>
Total Pension Liability - Ending (a)	<u>191,555</u>	<u>74,518</u>	<u>48,935</u>
<b>Plan Net Position</b>			
Contributions - Employer	4,237	1,280	750
Contributions - Member	1,582	587	-
Net Investment Income	232	70	206
Benefit Payments	(9,813)	(3,977)	(1,835)
Administrative Expense	(64)	(24)	(47)
Refunds of Contributions	(45)	(15)	-
Other	72	27	51
Net Change in Plan Net Position	<u>(3,799)</u>	<u>(2,052)</u>	<u>(875)</u>
Plan Net Position - Beginning	88,988	33,187	62,103
Prior period adjustments	(257)	(98)	(179)
Plan net position - Beginning, Restated	<u>88,731</u>	<u>33,089</u>	<u>61,924</u>
Plan Net Position - Ending (b)	<u>84,932</u>	<u>31,038</u>	<u>61,049</u>
<b>Net Pension Liability Ending (a) - (b)</b>	<u>\$ 106,623</u>	<u>\$ 43,480</u>	<u>\$ (12,114)</u>

**Contributions** – Statutorily required contributions from the State to the PERA Judicial, Magistrate, and Volunteer Firefighter Retirement Funds were \$4,237, \$1,280, and \$750, respectively, for the year ended June 30, 2016.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - The State reported liabilities of \$106,623 and \$43,480 for the net pension liabilities of the Judicial and Magistrate Retirement Funds, respectively, which were 100 percent of the proportionate share. For the year ended June 30, 2016, the State recognized (\$4,392) and (\$1,776) as pension expense for the Judicial and Magistrate Retirement Funds, respectively.

The Volunteer Firefighters Retirement Fund reported a plan net position of \$61,049 and a total pension liability of \$48,935 for a positive net position of \$12,114. Therefore, in accordance with accounting guidance, the positive net position is reported as a net pension asset in the financial statements.

At June 30, 2016, these plans reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources:

PERA - State-Funded and Single-Employer Funds (Judicial and Magistrates Funds)	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 22,633	\$ (5,532)	\$ 383	\$ (99)
Changes of assumptions	-	(45,416)	-	(876)
Net difference between projected and actual earnings on pension plan investments	117	(4,057)	-	(79)
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-	-	-
State contributions subsequent to measurement date	182,320	-	3,334	-
Totals	\$ 205,070	\$ (55,005)	\$ 3,717	\$ (1,054)

The amounts of \$182,320 for governmental activities and \$3,334 for business-type activities, reported as deferred outflows of resources related to pensions resulting from the State's contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the respective net pension liability in the following year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Governmental		Business-type	
Year ended June 30:		Year ended June 30:	
2016	\$ (35,844)	2016	\$ (745)
2017	(38,714)	2017	(805)
2018	(38,710)	2018	(805)
2019	81,013	2019	1,684
2020	-	2020	-
Thereafter	-	Thereafter	-

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

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

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

	Governmental		Year ended June 30	
	Deferred Outflows of Resources	Deferred Inflows of Resources		
<b>Volunteer Firefighter's Fund</b>				
Differences between expected and actual experiences	\$ 625	\$ -	2016	\$ 142
			2017	73
Changes of assumptions	169	-	2018	(99)
			2019	734
Net difference between projected and actual earnings on pension plan investments	56	-	2020	-
			Thereafter	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-		
State contributions subsequent to measurement date	750	-		
Totals	<u>\$ 1,600</u>	<u>\$ -</u>		

#### F. Employer Reporting – Educational Retirement Board (ERB)

**Contributions** – As stated earlier in this note, the contribution requirements of ERB plan members and the State are established in state statute. Statutorily required contributions for the fiscal year ended June 30, 2016, from the State to the ERB were \$1,190 for governmental activities and \$113,215 from the ten educational institutions reported as business-type activities.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principals. Therefore, the employer’s portion was established as of the measurement date June 30, 2015. At June 30, 2016, the State reported a liability of \$22,015 for its proportionate share of the net pension liability covering state employees in governmental activities, and \$1,868,432 for the collective proportionate share of the ten educational institutions reported as business-type activities. The State’s proportion of the net pension liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the proportion was 0.3399 percent for governmental activities and 28.85 percent for business-type activities.

For the year ended June 30, 2016, the State recognized pension expense of \$2,205 in governmental activities and \$187,102 in business-type activities. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

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

	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>ERB Fund</b>				
Differences between expected and actual experiences	\$ -	\$ (408)	\$ -	\$ (34,595)
Changes of assumptions	757	-	63,553	(136)
Net difference between projected and actual earnings on pension plan investments	-	(99)	325	(10,709)
Changes in proportion and differences between State contributions and proportionate share of contributions	211	(2,867)	18,808	(24,895)
State contributions subsequent to measurement date	1,190	-	113,215	-
Totals	<u>\$ 2,158</u>	<u>\$ (3,374)</u>	<u>\$ 195,901</u>	<u>\$ (70,335)</u>

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

Governmental		Business-type	
Year ended June 30		Year ended June 30	
2016	\$ (1,504)	2016	\$ (5,015)
2017	(1,309)	2017	(4,596)
2018	101	2018	(2,316)
2019	306	2019	(24,278)
2020	-	2020	-
Thereafter	-	Thereafter	-

### Net Pension Liabilities and Related Deferred Inflows/Outflows of Resources Reconciliation to Financial Statements

	Net Pension Asset	Net Pension Liability		Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental Activities</b>			<b>Governmental Activities</b>		
PERA - State Divisions	\$ -	\$ 2,199,245	PERA - State Divisions, Judicial & Magistrate	\$ 205,070	\$ 55,004
PERA - Judicial	-	48,050	PERA - Volunteer Firefighters	1,600	-
PERA - Magistrate	-	30,349	ERB	2,159	3,374
PERA - Volunteer Firefighters	17,626	-	Rounding	-	-
ERB	-	22,015	Total Governmental Activities	208,829	58,378
Total Governmental Activities	17,626	2,299,659			
			<b>Business-type Activities</b>		
PERA - State Divisions	-	44,720	PERA - State Divisions	3,717	1,054
ERB	-	1,868,432	ERB	195,902	70,335
Total Business-type Activities	-	1,913,152	Rounding	-	-
			Total Business-type Activities	199,619	71,389
Component Units	-	146,788	Component Units	3,448	6,153

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

#### G. Discount Rates and Sensitivity Analysis

##### *Discount Rate –*

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

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

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

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

<u>Net Pension Liability</u>	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
State-Funded Divisions	\$ 3,304,335	\$ 2,243,965	\$ 1,358,956
<b>Single-Employer Funds:</b>			
Judicial	\$ 61,188	\$ 48,050	\$ 36,746
Volunteer Firefighters	\$ (12,504)	\$ (17,626)	\$ (21,894)
	1% Decrease (4.61%)	Current Discount Rate (5.61%)	1% Increase (6.61%)
<u>Net Pension Liability</u>			
Magistrate	\$ 37,548	\$ 30,349	\$ 24,310

**ERB** - A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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

Net Pension Liability	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
State Employees (Governmental Activities)	\$ 29,623	\$ 22,015	\$ 15,624
Educational Institution Employees (Business-type Activities)	2,514,100	1,868,432	1,326,003
<b>Total Primary Government- ERB</b>	<b>\$ 2,543,723</b>	<b>\$ 1,890,447</b>	<b>\$ 1,341,627</b>

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2013

### 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, 2016

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

**Plan Membership (Not in Thousands):**

Current Retirees and Surviving Spouses	\$	49,550
Inactive and Eligible for Deferred Benefit		11,515
Current Active Members		<u>98,577</u>
<b>Total</b>	<b>\$</b>	<b><u>159,642</u></b>

**Active Membership:**

State General	\$	20,251
State Police and Corrections		1,842
Municipal General		20,806
Municipal Police		3,721
Municipal FTRE		2,231
ERB		<u>49,726</u>
<b>Total</b>	<b>\$</b>	<b><u>98,577</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, 2016, 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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

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, 2016, the statute required each participating employer to contribute 2.5 percent of each participating employee's annual salary, and each participating employee was required to contribute 1.25 percent of their salary.

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 three preceding fiscal years are as follows:

#### Schedule of Required Contributions (In Thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Actual Contributions - Employers	Percentage Contributed
2016	N/A	N/A	N/A
2015	\$ 292,657	N/A	-
2014	367,804	\$ 149,277	40.6 %
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

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.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

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

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

The funded status as of June 30, 2016, 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, 2016	\$ 471,978	\$ 4,277,042	\$ 3,805,064	11.04 %	\$ 4,271,184	89 %
June 30, 2014	377,087	3,740,368	3,363,280	10.08	3,941,588	85
June 30, 2012	227,488	3,915,114	3,687,626	5.81	3,877,827	95
June 30, 2010	176,923	3,523,665	3,346,742	5.02	4,001,802	84
June 30, 2008	170,626	3,116,916	2,946,290	5.47	4,020,509	73
June 30, 2006	154,539	4,264,181	4,109,643	3.62	4,073,732	101

The actuarial methods and assumptions for the Plan at June 30, 2016, were as follows:

Valuation date:	June 30, 2016
Actuarial cost method:	Entry age normal, level percent of pay calculated on individual employee basis
Amortization method:	30-year open-ended amortization, level percent of payroll
Remaining amortization period:	30 years as of June 30, 2016
Asset valuation method:	Market value of assets
Actuarial assumptions:	
Discount rate:	5.00%
Projected payroll increases:	3.50%
Healthcare cost trend rate:	8% from July 1, 2009 to July 1, 2018, decreasing by 0.5% for each year until it reaches an unlimited rate of 5.0%

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# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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. This report is also available online at: <http://www.nmpera.org/deferred-compensation>.

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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:

	<b>First Computation Date</b>	<b>First Payment Due to IRS</b>	<b>Computation of Arbitrage Completed</b>	<b>Next Payment Due to IRS</b>
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
General Obligation Bonds Series 2015	3/25/2020	5/26/2020	X	3/1/2025
Severance Tax Bonds Series 2009A	7/30/2014	9/29/2014	X	7/1/2019
Severance Tax Bonds Series 2010A	3/24/2015	5/26/2015	X	3/24/2020
Supplemental Severance Tax Bonds Series 2010B	3/24/2015	5/26/2015	X	3/24/2020
Severance Tax Bonds Refunding 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 Refunding 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	6/29/2019	8/23/2019	X	6/24/2024

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### 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	\$ 3,500	\$ 9,420	\$ 143,111	\$ 69,766	\$ 16,932	\$ 76,038	\$ 21,041	\$ 21,181	\$ 1,005,758
Other Assets	-	1,000	131,073	10,007	8,681	57,932	43,347	2,873	351,336
Capital Assets, Net	43,426	27,433	504,968	167,775	90,536	156,057	71,123	51,962	1,146,095
<b>Total Assets</b>	<b>46,927</b>	<b>37,853</b>	<b>779,152</b>	<b>247,548</b>	<b>116,148</b>	<b>290,026</b>	<b>135,511</b>	<b>76,016</b>	<b>2,503,189</b>
Deferred Outflows of Resources	263	1,713	45,437	8,421	4,866	7,883	3,605	2,818	135,701
Current Liabilities	4,990	5,483	66,182	19,577	11,619	10,580	4,472	5,292	360,442
Long-term Liabilities	2,953	30,379	639,167	126,436	76,883	113,696	39,410	57,347	1,661,626
<b>Total Liabilities</b>	<b>7,943</b>	<b>35,862</b>	<b>705,349</b>	<b>146,014</b>	<b>88,502</b>	<b>124,277</b>	<b>43,883</b>	<b>62,638</b>	<b>2,022,068</b>
Deferred Inflows of Resources	73	477	22,874	4,751	3,099	6,013	699	2,799	27,514
Net Investment in Capital Assets	43,426	15,241	390,726	124,936	62,920	144,367	60,794	32,179	668,039
Restricted	1,602	1,000	134,608	27,311	14,062	79,698	39,973	13,336	184,849
Unrestricted	(5,854)	(13,015)	(428,968)	(47,043)	(47,568)	(56,446)	(6,233)	(32,119)	(263,580)
<b>Total Net Position</b>	<b>\$ 39,174</b>	<b>\$ 3,226</b>	<b>\$ 96,366</b>	<b>\$ 105,204</b>	<b>\$ 29,414</b>	<b>\$ 167,619</b>	<b>\$ 94,535</b>	<b>\$ 13,396</b>	<b>\$ 589,308</b>
<b>Condensed Statement of Activities:</b>									
Operating Revenues:									
Charges for Services	\$ 11,928	\$ 26,672	\$ 21,461	\$ 7,551	\$ 3,743	\$ 4,936	\$ 6,861	\$ 3,590	\$ 237,500
Net Student Tuition and Fees	-	-	71,294	18,811	13,157	11,076	2,807	11,396	134,062
Loan and Other Income	-	124	-	-	-	-	-	-	-
State, Local, Private Grants/Contracts	-	-	-	-	-	-	-	-	-
Patient Income	-	-	-	-	-	-	-	-	857,431
Federal Funds	-	-	90,638	8,074	8,566	33,501	861	1,797	210,968
Other Operating Revenues	927	318	43,000	11,165	7,191	23,177	5,863	4,018	124,053
<b>Total Operating Revenue</b>	<b>12,856</b>	<b>27,115</b>	<b>226,393</b>	<b>45,601</b>	<b>32,657</b>	<b>72,690</b>	<b>16,392</b>	<b>20,801</b>	<b>1,564,014</b>

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

	State Fair Commission	Miners' Colfax Medical Center	Educational Institutions						Western New Mexico University	University of New Mexico
			New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	New Mexico University		
<b>Condensed Statement of Activities</b>										
<b>(Continued)</b>										
Operating Expenses:										
Operating Expenses	\$ 477	\$ 1,883	\$ 371,323	\$ 70,537	\$ 39,445	\$ 48,350	\$ 18,462	\$ 31,859	\$ 990,535	
Depreciation Expense	2,495	2,205	35,546	7,489	4,458	10,230	2,922	3,831	93,959	
General and Administrative	12,735	26,788	132,339	27,396	22,634	72,044	15,590	12,796	1,036,040	
<b>Total Operating Expenses</b>	<b>15,707</b>	<b>31,295</b>	<b>539,209</b>	<b>105,421</b>	<b>66,538</b>	<b>130,624</b>	<b>36,973</b>	<b>48,486</b>	<b>2,120,534</b>	
Operating Income (Loss)	(2,851)	(4,181)	(312,816)	(59,820)	(33,881)	(57,934)	(20,581)	(27,685)	(556,519)	
Nonoperating Revenue (Expense)										
Clinical Operations	-	-	-	-	-	-	-	-	114,354	
Government Grants and Contracts	-	486	69,653	9,775	-	-	-	5,235	90,033	
Net Investment Income	-	-	1,669	55	381	1,136	5,185	427	11,845	
Other Revenue	-	-	1,152	1,825	-	8,116	473	-	3,800	
Interest Expense	-	-	(5,219)	(1,457)	(1,220)	-	(285)	-	(14,510)	
Private Grants And Gifts	-	-	13,827	300	-	1,173	-	-	30,482	
State Permanent Fund Income	-	-	-	-	71	-	-	72	(3,075)	
Gain (Loss) On Sale Of Capital Assets	-	-	(306)	-	-	-	-	-	(169)	
<b>Total Nonoperating Income (Expense)</b>	<b>-</b>	<b>486</b>	<b>80,776</b>	<b>10,498</b>	<b>(767)</b>	<b>10,426</b>	<b>5,373</b>	<b>5,735</b>	<b>232,760</b>	
Capital Contributions	-	-	6,237	-	(138)	1,564	(906)	-	149	
Permanent Fund Contributions	-	-	36,413	6,750	10,332	3,886	-	4,126	25,190	
Net Transfers	1,303	-	210,407	47,211	31,726	40,047	20,462	20,723	321,581	
Change in Net Position	(1,548)	(3,695)	21,018	4,640	7,272	(2,011)	4,347	2,899	23,160	
Net Position, Beginning, restated	40,721	6,921	75,348	100,564	22,142	169,631	90,188	10,498	566,148	
<b>Net Position, Ending</b>	<b>\$ 39,173</b>	<b>\$ 3,226</b>	<b>\$ 96,366</b>	<b>\$ 105,204</b>	<b>\$ 29,414</b>	<b>\$ 167,619</b>	<b>\$ 94,535</b>	<b>\$ 13,396</b>	<b>\$ 589,308</b>	

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

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

	State Fair Commission	Miners' Colfax Medical Center	Educational Institutions						
			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	\$ 723	\$ 4,994	\$ (277,295)	\$ (51,089)	\$ (27,079)	\$ (45,704)	\$ (16,963)	\$ (21,070)	\$ (429,884)
Noncapital Financing Activities	1,303	486	294,511	59,459	31,797	48,741	20,695	26,030	591,358
Capital and Related Financing Activities	(1,369)	(1,707)	(8,046)	(18,673)	(4,856)	(5,158)	(4,013)	(2,871)	(35,639)
Investing Activities	-	219	(2,651)	(19,802)	259	680	(314)	381	(71,555)
Cash and Cash Equivalents at Beginning of Year, as Restated	2,736	1,594	77,551	54,647	11,199	45,613	15,920	5,704	251,192
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,392</b>	<b>\$ 5,586</b>	<b>\$ 84,069</b>	<b>\$ 24,542</b>	<b>\$ 11,319</b>	<b>\$ 44,172</b>	<b>\$ 15,324</b>	<b>\$ 8,174</b>	<b>\$ 305,471</b>

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# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 17

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#### **NOTE 17. State General Fund Investment Pool**

The Financial Control Division (FCD), within the Department of Finance and Administration (DFA), in collaboration with the New Mexico State Treasurer's Office (STO), implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool (SGFIP) to the associated resources held by STO. This process has been in place for nearly two years and applied across three fiscal years with stable results. There have been many reviews of the process and each review has deemed it to be adequate and in compliance with established procedures. Successfully addressing this issue in fiscal year 2015 allowed the DFA to reinstate \$100 million that had been reserved as a loss contingency.

For fiscal year 2016, the following assertions are provided:

- 1) The calculated difference between resources maintained by the STO and the agency claims has remained stable and with a very narrow and acceptable range over the twelve months of fiscal year 2016.
- 2) Resources are equivalent to and can cover the face value of all agency claims against the pool.
- 3) All claims honored at face value.

For cash management and investment purposes, funds of various state agencies are deposited in the SGFIP, which is managed by STO. The SGFIP is reported as a fiduciary fund in the financial statements of STO. Claims on the SGFIP are reported as assets by the various agencies investing in the SGFIP. By statute, the DFA is responsible for reconciling the SGFIP balances. As of June 30, 2016, the Component Appropriations Funds report an aggregate investment of \$522,796,686 in the SGFIP.

The monthly reconciliations suggest a variable but reasonable difference between claims and resources. Management recorded \$991,000 as an increase to other investments, and STO is to record the reconciled difference in the claims to resources reconciliation.

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 18

#### NOTE 18. Special Items

##### A. Public Employees Retirement Association of New Mexico (PERA)

On June 11, 2015, the Public Employees Retirement Association of New Mexico (PERA) was awarded \$50 million in two parts; \$40 million within 10 days of execution of agreement and \$10 million upon the occurrence of a subsequent event. A final distribution brought the total received in fiscal year 2016 to \$11.8 million.

##### B. Office of the State Engineer

###### *The Arizona Water Settlement*

As previously mentioned in Note 4. Receivables, the State of New Mexico entered into the Arizona Water Settlement with the federal government. This receivable will be reduced as payments are received from the federal government according to the settlement agreement. In addition, the actual amounts received may require adjustments relative to the receivable recorded, due to indexing.

###### *Indian Water Rights Settlements*

Also noted under Other Liabilities in Note 8, New Mexico currently has three Indian water rights settlements pending implementation: the Navajo Nation Settlement in the San Juan River adjudication, the Settlement Agreement with the Pueblos of Nambe, Pojoaque, Tesuque, and San Ildefonso in the Aamodt adjudication, and the Taos Pueblo Settlement in the Rio Pueblo de Taos/Rio Hondo adjudication.

As of the June 30, 2016, the Office of the State Engineer (OSE) expended \$41.8 million of the total of \$47.7 million in state funding received to date restricted and appropriated to the Indian Water Rights Settlement Fund and agreements, with \$5.9 million expended as of June 30, 2016.

The OSE has recorded, as a special item, the estimated settlement expense in the government-wide financial statements, of \$79.2 million, as of June 30, 2016. This includes adjustments reflecting revised estimates for the State's cost share under the Aamodt Settlement Agreement as well as a credit received for prior expenditures related to the settlement.

##### C. State Fair Commission

On January, 19, 2016, the State Fair Commission signed an Agreement and Release of Claims relating to the Lease Agreement for the property located at 145 Louisiana Boulevard in Albuquerque, NM. The State Fair Commission has recorded a special item in the amount \$865,779 in their fiscal year 2016 audit to account for this.

# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 19

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#### NOTE 19. Commitments

##### A. Construction Commitments

The State has active construction projects as of June 30, 2016. The projects include highway construction, university infrastructure, and facilities construction and renovation. At year-end, the State's commitments for construction were \$129.7 million for governmental activities and \$134.1 million for business-type activities.

##### B. Loan Commitments

###### *New Mexico Environment Department*

The New Mexico Environment Department had loan commitments at June 30, 2016 of the following:

Wastewater Loan Construction Fund – the agency has executed binding commitments to disburse \$28,033,000 for future loans.

Rural Infrastructure Loan Fund – the agency has executed binding commitments to disburse \$6,075,005 for loans and grants.

##### C. Capital Commitments

###### *State of New Mexico Investment Council*

The State of New Mexico Investment Council has commitments for capital contributions to various private equity partnerships and real estate/real asset investments. As of June 30, 2016, unfunded commitments to private equity partnerships were approximately \$1.6 billion, and unfunded commitments to real estate and real asset investments were approximately \$1.7 billion.

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 20

#### NOTE 20. Contingencies

##### A. Contingent Liabilities

###### *Public Education Department*

The State did not meet its required level of financial support for the Special Education Cluster of programs for fiscal years 2011 and 2012. As a result, the Department may have a one-time reduction of future federal funding. Management's estimate of the potential one-time reduction in federal funding ranges from \$0 to \$63,491,592.

The Maintenance of Effort (MOE) shortfall for fiscal year 2011 is under appeal and is currently still undergoing final determination of MOE by the U.S. Department of Education at June 30, 2016. Concerning the potential shortfall of MOE, the agency has booked \$16,118,548 for any potential liabilities.

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

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

###### *Second Judicial District Attorney*

During fiscal year 2013, the Second Judicial District Attorney's Office entered into phone services with a private vendor and discontinued using phone services provided by the Department of Information Technology (DoIT). However, the District Attorney was still charged for phone services from DoIT after services with the private vendor had begun. The District Attorney has been in continued dispute over these fees and there has been no resolution as of

June 30, 2016. A liability in the amount of \$93,709 has been recorded as a contingent liability on the government-wide financial statements to account for the amount claimed by DoIT.

###### *New Mexico Environment Department*

In January of 2012, the Office of the Inspector General (OIG) of the Environmental Protection Agency (EPA) 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. The Department submitted further certifications and supporting documents to the EPA in FY15. The EPA reviewed the documentation in October 2016, determining the Department is responsible for \$161,115 of these costs.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 20 (CONTINUED)

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#### *Office of the State Engineer*

A state district judge ruled that the Interstate Stream Commission violated the Open Meetings Act when approving two contracts involving a diversion project in southern part of the state. As a result of the ruling, the Office of the State Engineer is exposed to a liability of \$77,500 (previously reported as \$268,000 in the FY2015 audit report) as the plaintiff is seeking reimbursement of legal costs.

#### *Northern New Mexico College*

During the course of the June 30, 2016 routine audit, potential embezzlement and larceny of College funds was uncovered. As of March 27, 2017, the impact of this on the College's finances and compliance has not been determined. Management has recorded a \$250,000 loss contingency for this matter. The loss amount could be higher since the actual loss amount is unknown at this time. Restitution and amounts owed to the College are an unrecorded receivable to the College, as it would be fully offset by an allowance and the receivable is unknown.

#### *New Mexico Mortgage Finance Authority*

The New Mexico Mortgage Finance Authority (NMMFA) entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development (HUD) under Section 542(c) of the Housing and Community Development Act of 1992, whereby HUD and the NMMFA provide credit enhancements for third party multifamily housing project loans. HUD has assumed 90% of the risk and the NMMFA guarantees the remaining 10% risk of loss in the event of default on specific loans. As of September 30, 2016, the NMMFA's assumed risk is \$1.8 million.

The NMMFA also entered into a risk-sharing agreement with the U.S. Department of Agriculture under Section 538 Rural Rental Housing Guaranteed Loan Program. The Rural Housing Service (RHS), Department of Agriculture (USDA) provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The NMMFA assumes 10% of the risk of loss and as of September 30, 2016, is committed to assume a risk of \$116,000 on these loans.

On June 27, 2007, the Board of Directors approved the write-off of two HOME Loans: Mesa Grande Apartments, LTD., and Sunrise Homes Apartments, LTD. Management has determined that it is probable that the NMMFA has incurred a contingent liability of \$438,000 for the balance of the loans, which may be payable to HUD for non-compliance with the affordability requirement.

On September 30, 2014, management approved a reserve for contingent liability for Home for Women and Children for \$19,000. Management has determined that it is probable that the NMMFA has incurred a contingent liability under the 2012 Emergency Solutions Grant, which may be payable to HUD for unsupported expenditures.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 20 (CONTINUED)

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#### **B. Other Matters**

##### *Federal Funds*

The State received funding from federal sources for specific purposes. The funds are subject to audit, which may result in expenses that are disallowed, or other noncompliance findings under the terms of the funding source's guidelines. The State believes that such disallowances or other noncompliance findings, if any, would not be material to the State's financial position.

##### *Taxation and Revenue Department*

There is pending or threatened litigation in the form of various protests and lawsuits by taxpayers or other parties claiming abatements, refunds and the recovery of unclaimed property arising from various tax programs administered by the Taxation and Revenue Department. The total dollar amount representing the claims in protest or pending in state courts is \$98,201,173.

##### *New Mexico Department of Transportation*

On November 11, 2016 a prior contractor claim against the New Mexico Department of Transportation (NMDOT) was fully resolved. The court ruled in favor of the contractor and the NMDOT is to pay the judgement in the amount of \$266,636.45 by May 24, 2017.

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# STATE OF NEW MEXICO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21

#### NOTE 21. Subsequent Events

##### A. Bond Issues

On November 15, 2016, the State issued 2016D Severance Tax Bonds in the principal amount of \$45,815 and Series 2016E Taxable Severance Tax Bonds in the principal amount of \$19,090. The bonds were issued to provide funds for capital improvements as approved by the State Legislature. Series 2016D bonds have a coupon rate of 5.00% with a final maturity in 2027. Series 2016E bonds have a coupon rate ranging from 1.25% to 2.35% with a final maturity in 2021.

##### B. Other Events

On October 26, 2016, the Legislature passed Senate Bill 9 relating to state expenditures. The bill reduces legislative appropriations in Laws 2016, Chapter 1 for Fiscal Year 2017 by \$148.5 million. Under this legislation, the majority of state agency budgets are reduced by 5.5 percent, with judicial and legislative cuts of 3.0 percent. The Children, Youth and Families Department, Department of Public Safety and sexual assault services and prevention contracts and the Department of Health, were not subject to cuts.

##### *Commissioner of Public Lands*

On February 15, 2017, the District Court entered its Findings of Fact, Conclusions of Law, and Judgement ordering the Commissioner, pursuant to NMSA 1978, § 19-7-61, to refund to the Defendants \$3.3 million they have paid as royalties for production of carbon dioxide gas under State Land Office oil and gas leases. The Commissioner has appealed the judgement to the New Mexico Supreme Court.

##### *Energy, Minerals, and Natural Resources Department– Advanced Redemption of Debt*

On November 1, 2016, the state's Energy, Minerals and Natural Resources Department paid off the principal on two bond issues. These were Series 1998A and 1999B in the amount of \$735 thousand and Series 2001 in the amount of \$1,318 thousand. These bonds had scheduled final maturities of 2018 and 2020, respectively. The source of the funds for the early redemption was the mandatory reserve funds.

##### *Energy, Minerals, and Natural Resources Department – Oil Conservation Division*

The Oil Conservation Division (OCD) of the Energy, Minerals, and Natural Resources Department was informed by the Tax and Revenue Department (TRD) that it overpaid its Oil Reclamation Fund by \$2.2 million. This overpayment is a result of TRD not adjusting the amount monies paid into this fund when the price of crude oil is below \$70 per barrel. This overpayment must be repaid to TRD from the Oil Reclamation Fund, as the monies, if properly calculated by TRD, should go into the state's general fund. The OCD is working with TRD to determine whether the repayment will have to be repaid as a lump sum payment or if it can be done incrementally by reducing the agency's oil and gas distribution payment. The repayment will impact the overall health of the Oil Reclamation Fund.

# STATE OF NEW MEXICO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

### NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

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#### *New Mexico Department of Health*

As of April 28, 2017, there is pending litigation from various cases previously filed against the New Mexico Department of Health due to the nature of services it provides. The outcome of any of these lawsuits is not fully foreseeable at this time. Any adverse ruling against the Department of Health could result in possible monetary damages, fees and litigation expenses that would have to be paid by the agency in the future.

On July 1, 2017, the Department of Health will transition the authority of the New Mexico State Veterans' Home in Truth or Consequences, New Mexico to the Department of Veterans' Services. This transition includes movement of a \$14.7 million operating budget and 212 FTE positions.

#### *New Mexico Department of Transportation*

As of May 11, 2017, the New Mexico Department of Transportation was named as defendant in several lawsuits or complaints. Neither the final outcome nor the amount of potential loss from these cases is presently determinable. However, management estimates that the potential loss to the department, if any, is not likely to be material to the financial statements.

#### *New Mexico Department of Veterans' Services*

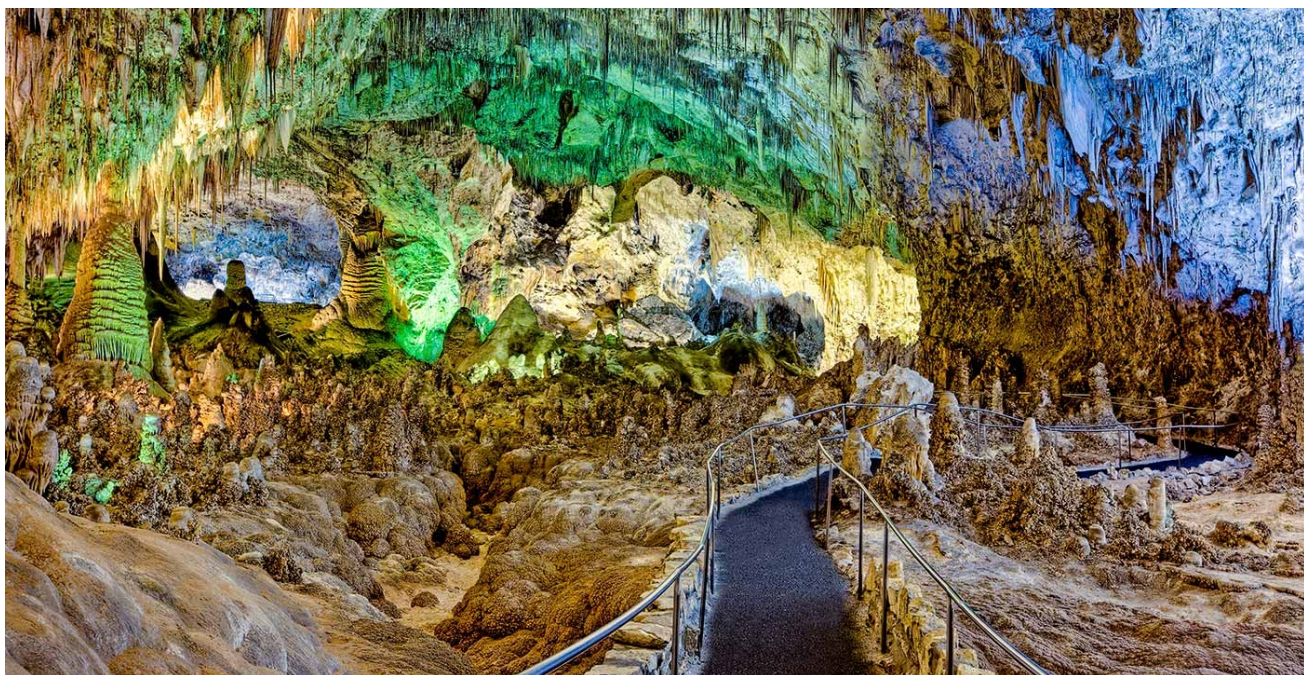
Effective July 1, 2017, The New Mexico Department of Veterans' Services (DVS) will assume operation of the Veteran's Home located in Truth or Consequences from the New Mexico Department of Health. This assumption will increase the FTE count by 212 FTE positions and will increase the budget by \$14.7 million. In addition, DVS will assume operation of the Vietnam War Memorial in Angel Fire from the Energy, Minerals and Natural Resources Department and this will increase the FTE count by 1.5 positions. Funding for this will come from the New Mexico Legislature and State Personal Income Tax (PIT) donations. In FY18, construction of veteran's cemeteries is scheduled to begin in Gallup, Carlsbad and Angel Fire.

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STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

# FINANCIAL SECTION

## REQUIRED SUPPLEMENTARY INFORMATION



CARLSBAD CAVERNS – CARLSBAD, NM  
SOURCE – WWW.PINTEREST.COM

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND For the Year Ended June 30, 2016 (In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Taxes	\$ 520,000	\$ 526,500	\$ 405,903	\$ (120,597)
Federal Revenue	6,453,815	6,698,892	6,353,067	(345,825)
Investment Income	79,947	79,947	30,324	(49,623)
Rentals and Royalties	22,298	22,332	29,901	7,569
Charges for Services	118,151	129,810	117,883	(11,927)
Licenses, Fees, and Permits	120,068	120,820	236,016	115,196
Assessments	13,076	13,076	13,992	916
Miscellaneous and Other	177,643	191,937	555,041	363,104
Operating Transfers In	5,797,424	5,802,352	5,495,673	(306,679)
<b>Total Revenues and Other Financing Sources</b>	<b>13,302,422</b>	<b>13,585,666</b>	<b>13,237,800</b>	<b>(347,866)</b>
Fund Balance Budgeted	117,263	511,571		
Total	13,419,685	14,097,237		
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
<b>Culture, Recreation, and Natural Resources</b>				
Museums and Monuments	24,419	25,157	23,780	1,377
Preservation	4,652	4,652	3,597	1,055
Library Services	5,902	5,762	5,583	179
Program Support	3,991	3,991	3,964	27
Water Resource Allocation	16,685	16,788	16,207	581
Interstate Stream Compact Compliance and Water Development	23,435	24,170	16,309	7,861
Litigation and Adjudication	10,666	10,666	8,629	2,037
Program Support	5,608	5,608	5,173	435
Commissioner of Public Lands	14,753	14,871	14,030	841
Livestock inspection	6,202	6,531	5,617	914
Youth Conservation Corps	4,676	4,676	3,703	973
Office of the Natural Resources Trustee	2,301	4,401	2,275	2,126
Sport Hunting and Fishing	8,230	8,190	7,942	248
Conservation Services	22,661	27,260	24,581	2,679
Wildlife Depredation and Nuisance Abatement	1,039	1,039	940	99
Program Support	7,957	8,115	7,571	544
Renewable Energy and Energy Efficiency	2,894	3,058	2,421	637
Healthy Forests	12,834	16,634	13,398	3,236
Parks and Recreation	20,899	21,737	18,212	3,525
Mine Reclamation	8,232	8,276	5,688	2,588
Oil and Gas Conservation	11,489	11,989	7,870	4,119
Program Leadership and Support	5,067	5,067	5,007	60
Arts	2,125	2,141	2,069	72
Intertribal Ceremonial	104	105	105	-
Special Appropriations	450	450	450	-
<b>Total Culture, Recreation, and Natural Resources</b>	<b>227,271</b>	<b>241,334</b>	<b>205,121</b>	<b>36,213</b>
<b>Education</b>				
Operations	22,397	24,160	-	24,160
Student Financial Aid	88,455	90,106	-	90,106
Rehab Services	28,498	28,498	25,518	2,980
Independent Living	1,540	1,740	1,644	96
Disability Determination	17,108	17,108	11,187	5,921
SDE Operation	19,097	19,415	18,869	546
Education Trust	-	3,131	1,881	1,250
Public Schools Facilities Auth	6,133	6,133	5,541	592
Special Appropriations	2,744,041	2,745,525	2,710,918	34,607
<b>Total Education</b>	<b>2,927,269</b>	<b>2,935,816</b>	<b>2,775,558</b>	<b>160,258</b>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

EXPENDITURES AND OTHER FINANCING USES (CONT.)	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
<b>General Control</b>				
Policy Development, Budget Oversight and				
Educational Accountability	\$ 3,286	\$ 3,286	\$ 3,015	\$ 271
Program Support	1,084	1,054	262	792
Community Development, Local Government				
Assistance and Fiscal Oversight	44,276	47,137	42,581	4,556
Fiscal Management and Oversight	77,878	77,877	77,295	582
Program Support	21,373	21,340	20,510	830
Tax Administration	31,306	31,525	30,600	925
Motor Vehicle	27,966	29,576	26,787	2,789
Property Tax	3,452	3,517	3,323	194
Compliance Enforcement	1,766	1,799	1,614	185
State Purchasing	2,340	2,380	2,149	231
Facilities Management Division	13,047	13,047	12,416	631
Office of the Attorney General	26,300	27,716	26,052	1,664
Medicaid Fraud Program	2,252	2,712	2,161	551
State Auditor	3,777	3,777	3,493	284
State Investment Program	57,110	57,110	43,484	13,626
Criminal & Juvenile Justice	575	575	758	(183)
Governor	3,573	3,573	3,221	352
Lieutenant Governor	583	583	452	131
Records Info & Archival Mgmt.	2,775	2,804	2,629	175
Secretary of State	4,824	5,295	4,967	328
New Mexico State Personnel	4,550	4,601	4,592	9
State Treasurer	3,883	3,883	3,749	134
Public Defender Department	-	-	-	0
Public Employees Labor Relations Board	230	230	218	12
Enterprise Services	616	766	526	240
Elections	3,613	3,828	3,749	79
Compliance and Project Management	970	970	911	59
Administrative Hearings Office	1,546	1,546	1,390	156
Special Appropriations	22,756	23,919	19,286	4,633
<b>Total General Control</b>	<b>367,707</b>	<b>376,426</b>	<b>342,190</b>	<b>34,236</b>
<b>Health and Human Services</b>				
Administration	14,147	14,841	14,365	476
Financial Oversight	180,694	194,114	169,668	24,446
Epidemiology and Response	29,072	31,583	28,212	3,371
Laboratory Services	13,056	13,652	13,068	584
Program Area 6 - Facilities	132,649	133,649	134,772	(1,123)
Developmental Disabilities Support	163,423	165,923	161,369	4,554
Health Certification, Licensing and Oversight	12,636	12,935	12,199	736
Program Support	56,597	56,762	52,819	3,943
Child Support Enforcement	36,358	36,471	34,416	2,055
Medical Assistance Program	5,098,046	5,172,107	5,146,662	25,445
Income Support Program	910,448	955,969	941,784	14,185
Resource Management	8,912	9,206	8,259	947
Water Quality	21,149	22,949	17,312	5,637
Environmental Health	25,735	26,721	20,767	5,954
Environmental Protection	15,716	16,326	13,631	2,695
Program Support	19,780	19,755	19,343	412
Juvenile Justice Facilities	73,677	74,170	71,590	2,580
Protective Services	141,988	143,536	141,097	2,439
Program Support	4,538	4,540	4,494	46

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>Health and Human Services (Continued)</b>				
Consumer and Elder Rights	\$ 4,052	\$ 4,395	\$ 4,236	\$ 159
Adult Protective Services	13,747	13,747	13,432	315
Community Involvement	41,034	41,173	40,344	829
Office of African-American Affairs	803	803	760	43
Commission For Deaf and Hard of Hearing	3,763	3,763	2,793	970
Martin Luther King Jr., Commission	334	334	306	28
Blind Services Program	7,800	8,040	7,817	223
Indian Affairs Department	2,932	2,932	2,229	703
Workers' Compensation Administration	11,205	11,455	10,993	462
Governor's Commission On Disability	1,633	1,954	1,745	209
Brain Injury Advisory Council	214	214	198	16
Veterans' Services Department	4,818	4,954	4,317	637
Developmental Disabilities Planning Council	1,333	1,333	1,262	71
Office of Guardianship	5,046	5,206	3,714	1,492
Medicaid Behavioral Health	485,753	481,168	479,333	1,835
Behavioral Health Services	60,092	62,934	60,254	2,680
Workforce Transition Services	10,583	10,593	9,663	930
Labor Relations	3,770	4,375	4,256	119
Workforce Technology	14,712	14,667	13,536	1,131
Business Services	17,044	17,044	14,373	2,671
Program Support	25,233	25,028	19,703	5,325
Uninsured Employers Fund	1,169	1,169	688	481
Early Childhood Services	216,648	219,342	202,814	16,528
Early Childhood Services	1,425	2,061	1,974	87
Program Support	-	-	-	-
Uninsured Employers Fund	-	-	-	-
Early Childhood Services	16,824	17,430	16,207	1,223
Special Revenue	7,136	7,507	6,423	1,084
Early Childhood Services	46,267	49,189	40,726	8,463
Family Services	-	-	-	-
Special Appropriations	96,027	96,004	95,359	645
<b>Total Health and Human Services</b>	<b>8,060,018</b>	<b>8,214,023</b>	<b>8,065,282</b>	<b>148,741</b>
<b>Highways &amp; Transportation</b>				
Construction Program	577,569	973,681	557,719	415,962
Maintenance Program	233,753	270,716	250,191	20,525
Program Support	42,922	42,922	42,642	280
MODAL	-	-	219	(219)
<b>Total Highways and Transportation</b>	<b>854,244</b>	<b>1,287,319</b>	<b>850,771</b>	<b>436,548</b>
<b>Judicial</b>				
Supreme Court Law Library	1,561	1,561	1,555	6
New Mexico Compilation Commission	1,835	1,835	1,690	145
Judicial Standards Commission	854	856	849	7
Court of Appeals	5,900	5,900	5,885	15
Supreme Court	3,333	3,333	3,318	15
Supreme Court Building Commission	971	971	961	10
First Judicial District Court	8,215	8,295	8,121	174
Second Judicial District Court	27,720	27,777	26,810	967
Third Judicial District Court	7,666	7,754	7,670	84
Fourth Judicial District Court	2,548	2,548	2,530	18
Fifth Judicial District Court	7,297	7,315	7,239	76
Sixth Judicial District Court	3,520	3,584	3,579	5
Seventh Judicial District Court	2,844	2,844	2,763	81
Eighth Judicial District Court	3,297	3,297	3,243	54
Ninth Judicial District Court	4,192	4,254	4,236	18
Tenth Judicial District Court	966	966	929	37
Eleventh Judicial District Court	7,341	7,416	7,313	103

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(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>				
Twelfth Judicial District Court	\$ 3,690	\$ 3,683	\$ 3,619	\$ 64
Thirteenth Judicial District Court	8,370	8,645	8,513	132
Bernalillo County Metropolitan Court	27,155	27,323	26,746	577
First Judicial District Attorney	5,448	5,506	5,386	120
Second Judicial District Attorney	19,275	19,396	19,076	320
Third Judicial District Attorney	5,512	5,584	5,489	95
Fourth Judicial District Attorney	3,152	3,152	3,144	8
Fifth Judicial District Attorney	5,003	5,131	5,040	91
Sixth Judicial District Attorney	3,145	3,216	3,025	191
Seventh Judicial District Attorney	2,506	2,506	2,476	30
Eighth Judicial District Attorney	2,676	2,678	2,675	3
Ninth Judicial District Attorney	2,882	2,882	2,867	15
Tenth Judicial District Attorney	1,251	1,251	1,250	1
Eleventh Judicial District Attorney-Division I	4,267	4,325	4,206	119
Twelfth Judicial District Attorney	3,154	3,226	3,190	36
Thirteenth Judicial District Attorney	5,278	5,278	5,208	70
Administrative Office of the District Attorneys	2,538	2,548	2,484	64
Eleventh Judicial District Attorney-Division II	2,381	2,349	2,330	19
Administrative Support	12,181	12,979	12,883	96
Administrative Support	9,209	9,209	8,420	789
Statewide Judiciary Automation	31,003	31,033	30,426	607
Special Court Services	-	-	-	-
Administrative Support	48,100	48,423	48,171	252
Special Appropriations	15,945	16,431	14,132	2,299
<b>Total Judicial</b>	<b>314,181</b>	<b>317,260</b>	<b>309,447</b>	<b>7,813</b>
<b>Legislative</b>				
Leg Analysis/Oversight Program	4,324	4,324	4,261	63
Education Study Committee	1,301	1,301	1,177	124
Special Appropriations	12,726	12,726	11,067	1,659
<b>Total Legislative</b>	<b>18,351</b>	<b>18,351</b>	<b>16,505</b>	<b>1,846</b>
<b>Public Safety</b>				
Program Support	8,797	8,797	6,512	2,285
Law Enforcement	119,874	122,669	110,611	12,058
Program Support	11,962	12,316	12,281	35
Inmate Management and Control	258,842	259,182	259,060	122
Community Offender Management	34,041	34,044	33,008	1,036
Parole Board	487	487	436	51
Juvenile Parole Board	15	15	14	1
Victim Compensation	3,092	3,092	2,969	123
Federal Grant Administration	5,296	10,157	6,837	3,320
National Guard Support	22,512	24,510	21,624	2,886
Crisis Response	-	-	-	-
Homeland Security and Emergency Management Department	42,390	42,390	-	42,390
Motor Transportation Program	-	-	-	-
State Law Enforcement Support Program	21,755	23,397	15,788	7,609
Special Appropriations	3,026	29,221	2,714	26,507
<b>Total Public Safety</b>	<b>532,089</b>	<b>570,277</b>	<b>471,854</b>	<b>98,423</b>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>EXPENDITURES AND OTHER FINANCING USES (CONT.)</b>				
<b>Regulation and Licensing</b>				
Economic Development	\$ 6,740	\$ 15,846	\$ 6,713	\$ 9,133
Film	759	759	755	4
Program Support	1,939	1,939	1,822	117
Job Creation & Job Growth	-	-	-	-
Program Support	1,468	1,468	1,294	174
Outreach	2,061	2,553	2,026	527
Marketing and Promotion	10,998	10,998	10,853	145
Construction Industries and Manufactured Housing	8,637	9,035	8,502	533
Financial Institutions and Securities	2,483	2,483	2,126	357
Alcohol and Gaming	1,081	1,081	945	136
Program Support	3,581	3,566	3,452	114
Policy and Regulation	7,240	7,406	7,164	242
Public Safety	5,702	12,793	12,081	712
Program Support	1,753	1,677	1,600	77
Special Revenues	961	1,006	961	45
Board of Examiners for Architects	388	388	361	27
New Mexico Border Authority	489	1,634	1,399	235
Program Five	-	-	-	-
Program Six	-	-	-	-
Program Seven	-	-	-	-
Program Eight	-	-	-	-
Program Nine	-	-	-	-
Program Ten	-	-	-	-
Program Eleven	-	-	-	-
Program Twelve	-	-	-	-
Program Thirteen	-	-	-	-
Program Fourteen	-	-	-	-
Program Fifteen	-	-	-	-
Program Sixteen	-	-	-	-
Program Seventeen	-	-	-	-
Program Eighteen	-	-	-	-
Program Nineteen	-	-	-	-
Program Twenty	-	-	-	-
Program Twenty-one	-	-	-	-
Program Twenty-two	-	-	-	-
Program Twenty-three	-	-	-	-
Program Twenty-four	-	-	-	-
Program Twenty-five	-	-	-	-
Program Twenty-six	-	-	-	-
Program Twenty-seven	-	-	-	-
Program Twenty-eight	-	-	-	-
Program Twenty-nine	-	-	-	-
Program Thirty	-	-	-	-
Program Thirty-one	-	-	-	-
Medical Board	1,845	1,845	1,677	168
Board of Nursing	2,330	2,330	2,202	128
ASD/PEPS	832	832	592	240
Gaming Control Board	5,766	5,766	5,618	148
State Racing Commission	3,743	3,743	3,054	689
Board of Veterinary Medicine	333	348	336	12
Office of Military Base Planning and Support	199	199	188	11

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED) For the Year Ended June 30, 2016 (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>				
Program Thirty-three	\$ -	\$ -	\$ -	\$ -
Program Thirty-four	-	-	-	-
Spaceport Authority	6,896	6,896	4,084	2,812
Special Revenue	7,711	7,262	7,262	-
Insurance Operations Program	11,354	10,907	9,265	1,642
Patient Compensation Program	-	-	-	-
Boards and Commission	12,196	12,601	10,319	2,282
Securities Division	2,205	2,205	1,421	784
Special Appropriations	6,865	6,865	6,761	104
<b>Total Regulation and Licensing</b>	<b>118,555</b>	<b>136,431</b>	<b>114,833</b>	<b>21,598</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>13,419,685</b>	<b>14,097,237</b>	<b>13,151,561</b>	<b>\$ 945,676</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 86,239</b>	

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

### Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance (Budgetary Basis) \$ 86,239

#### Differences:

NonBudgeted Revenue - Taxes	4,441,067
NonBudgeted Revenue - Federal Revenue	499,259
NonBudgeted Revenue - Investment Income	772,407
NonBudgeted Revenue - Rent and Royalties	437,846
NonBudgeted Revenue - Charges for Services	1,626
NonBudgeted Revenue - Licenses, Fees and Permits	69,329
NonBudgeted Revenue - Assessments	397
NonBudgeted Revenue - Miscellaneous and Other Revenue	9,789
NonBudgeted Revenue - Miscellaneous/Other Revenue-499999	15,500
NonBudgeted Revenue - Miscellaneous/Other Revenue-Other Bud Refs	624
NonBudgeted Revenue - Reversions (Transfers In) - BU34101	59,823
NonBudgeted Revenue - Reversions - Transfers In - Other BU	1,156,209
NonBudgeted Revenue - Tobacco Settlement(497101)	41,581
NonBudgeted Revenue - Sale of Capital Assets	1,798
State General Fund Transfers Out - 555100	(652,894)
State General Fund Allotments - Account 577100	(5,721,081)
NonBudgeted Transfers Out - 555100 - Other State Agencies	(103,349)
State General Fund Allotments CUs - Account 577200	(509,550)
State General Fund Allotments CUs - Account 577300	(94,843)
Account Code 566100 not included in Actuals - Other Bud Refs	(8,707)
Account Code 555200 not included in Actuals- Other Bud Refs	(2,148)
Accounts 975001, 520100 - 549900 not included in Actuals - Other Bud Refs	(865,334)
Account Code 565300 not included in Actuals - CY Bud Refs	(109,052)
Account Code 568900 not included in Actuals - Other Bud Refs	34
Account Code 569000 not included in Actuals - CY Bud Refs	(30,205)
Account Code 566100 not included in Actuals- CY Bud Refs	(52,585)
Account Code 565200 not included in Actuals - CY Bud Refs	(43,813)
Elimination Expenses not included in Actuals	(7,469)
Capital Projects Expenditures - A Codes	(2,269)
Account 975001, Indirect Expenses - Current Year Bud Ref	(287)
Special Item - BU 55000 - Account 570000	(35)
Special Item - Arizona Water Settlement - BU 55000 - A/C 496906	9,040

**Total Net Change in Fund Balance as Reported on the Statement of  
Revenues, Expenditures, and Changes in Fund Balances**

**\$ (601,053)**

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2016

(In Thousands)

### **Budget Process**

The State Legislature makes annual appropriations, which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget (Modified Accrual Budgetary Basis) and a financial control system, which permits a budget to actual expenditures comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Program appropriation unit is identified in the State's accounting records and in the budgetary schedules as P-Codes, such as "P523 Child Support Enforcement." Budgeted program appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements represent the final authorized amounts. Administrative line item expenditures (personnel, contractual, and other) may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed the approved budget for the program appropriation. Chapter 6-3, NMSA 1978, sets forth the process used to develop the budget for the State of New Mexico. The process is as follows:

1. No later than September 1, the appropriation request is submitted to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of those hearings are incorporated in the State's General Appropriations Act (Act).
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. Not later than May 1, an annual operating budget is submitted to DFA by appropriation unit and object code based upon the appropriation authorized by the Legislature. DFA reviews and approves the operating budget, which becomes effective on July 1.
5. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds.

### **Budgetary Basis of Accounting**

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

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2016

(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 Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year Ended June 30 , 2016	Fiscal Year Ended June 30 , 2015	Fiscal Year Ended June 30,2014
<b>Total Pension Liability</b>			
Service Cost	\$ 390,221	\$ 389,052	\$ 418,996
Interest	1,393,557	1,335,950	1,286,996
Benefit Changes	-	-	-
Difference Between Expected and Actual Experience	330,751	59,112	-
Changes of Assumptions	424,792	-	(91,857)
Benefit Payments	(1,024,399)	(966,237)	(905,329)
Refunds of Contributions	(44,938)	(46,010)	(47,377)
Net Change in Total Pension Liability	1,469,984	771,867	661,429
Total Pension Liability - Beginning	18,516,054	17,744,187	17,082,758
Total Pension Liability - Ending	19,986,038	18,516,054	17,744,187
<b>Plan Net Position</b>			
Contributions - Employer	324,752	317,164	370,766
Contributions - Member	265,529	258,920	174,037
Net Investment Income	47,445	251,488	2,118,285
Benefit Payments	(1,024,399)	(966,237)	(905,329)
Administrative Expenses	(10,754)	(9,886)	(10,336)
Refunds of Contributions	(44,938)	(46,010)	(47,377)
Other	12,318	25,296	17,006
Net Change in Plan Net Position	(430,047)	(169,265)	1,717,052
Plan Net Position - Beginning	14,255,528	14,424,793	12,707,741
Prior Period Adjustments	1,177	-	-
Plan Net Position - beginning, restated	14,256,705	14,424,793	12,707,741
Plan Net Position - Ending	13,826,658	14,255,528	14,424,793
<b>Net Pension Liability - Ending</b>	<b>\$ 6,159,380</b>	<b>\$ 4,260,526</b>	<b>\$ 3,319,394</b>

# STATE OF NEW MEXICO

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

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>			
Service Cost	\$ 3,245	\$ 3,344	\$ 3,793
Interest	10,238	9,900	10,798
Benefit Changes	-	-	(16,059)
Difference Between Expected and Actual Experience	4,737	755	-
Changes of Assumptions	46,155	-	(1,004)
Benefit Payments	(9,813)	(9,373)	(8,770)
Refunds of Contributions	(45)	(40)	(52)
Net Change in Total Pension Liability	54,517	4,586	(11,294)
Total Pension Liability - Beginning	137,037	132,451	143,746
Total Pension Liability - Ending	191,554	137,037	132,452
<b>Plan Net Position</b>			
Contributions - Employer	4,237	4,196	3,741
Contributions - Member	1,581	1,579	1,086
Net Investment Income	232	1,512	13,197
Benefit Payments	(9,813)	(9,373)	(8,770)
Administrative Expenses	(64)	(60)	(64)
Refunds of Contributions	(45)	(40)	(53)
Other	72	33	486
Net Change in Plan Net Position	(3,800)	(2,153)	9,623
Plan Net Position - Beginning	88,989	91,142	81,519
Prior Period Adjustments	(256)	-	-
Plan Net Position - beginning, restated	88,732	91,142	81,519
Plan Net Position - Ending	84,933	88,989	91,142
<b>Net Pension Liability - Ending</b>	<b>\$ 106,621</b>	<b>\$ 48,048</b>	<b>\$ 41,310</b>

# STATE OF NEW MEXICO

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

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>			
Service Cost	\$ 1,118	\$ 948	\$ 1,428
Interest	3,453	3,445	3,689
Benefit Changes	-	-	(7,528)
Difference Between Expected and Actual Experience	1,571	6,703	-
Changes of Assumptions	8,832	-	(7,644)
Benefit Payments	(3,977)	(3,956)	(3,690)
Refunds of Contributions	(15)	(5)	(15)
Net Change in Total Pension Liability	10,982	7,135	(13,760)
Total Pension Liability - Beginning	63,536	56,401	70,161
Total Pension Liability - Ending	74,518	63,536	56,401
<b>Plan Net Position</b>			
Contributions - Employer	1,280	937	793
Contributions - Member	587	490	266
Net Investment Income	70	579	5,199
Benefit Payments	(3,977)	(3,956)	(3,690)
Administrative Expenses	(24)	(23)	(24)
Refunds of Contributions	(15)	(5)	(15)
Other	27	(19)	217
Net Change in Plan Net Position	(2,052)	(1,997)	2,746
Plan Net Position - Beginning	33,188	35,185	32,439
Prior Period Adjustments	(98)	-	-
Plan Net Position - beginning, restated	33,090	35,185	32,439
Plan Net Position - Ending	31,038	33,188	35,185
<b>Net Pension Liability - Ending</b>	<b>\$ 43,480</b>	<b>\$ 30,348</b>	<b>\$ 21,216</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>			
Service Cost	\$ 1,440	\$ 1,251	\$ 1,254
Interest	3,376	3,105	2,872
Benefit Changes	-	-	-
Difference Between Expected and Actual Experience	(499)	874	-
Changes of Assumptions	1,976	-	408
Benefit Payments	(1,835)	(1,633)	(1,419)
Refunds of Contributions	-	-	-
Net Change in Total Pension Liability	4,458	3,597	3,115
Total Pension Liability - Beginning	44,478	40,881	37,766
Total Pension Liability - Ending	48,936	44,478	40,881
<b>Plan Net Position</b>			
Contributions - Employer	750	750	750
Contributions - Member	-	-	-
Net Investment Income	206	1,094	8,920
Benefit Payments	(1,835)	(1,633)	(1,419)
Administrative Expenses	(47)	(43)	(44)
Refunds of Contributions	-	-	-
Other	51	12	404
Net Change in Plan Net Position	(875)	180	8,611
Plan Net Position - Beginning	62,103	61,923	53,312
Prior Period Adjustments	(179)	-	-
Plan Net Position - beginning, restated	61,924	61,923	53,312
Plan Net Position - Ending	61,049	62,103	61,923
<b>Net Pension Liability - Ending</b>	<b>\$ (12,113)</b>	<b>\$ (17,625)</b>	<b>\$ (21,042)</b>

# STATE OF NEW MEXICO

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

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
<b>Total Pension Liability</b>			
Service Cost	\$ 356,874	\$ 346,956	\$ 350,248
Interest	1,367,647	1,321,048	1,254,730
Benefit Changes	-	-	-
Difference Between Expected and Actual Experience	42,492	(86,722)	(114,508)
Changes of Assumptions	-	299,085	-
Benefit Payments	(1,012,731)	(957,183)	(907,214)
Refunds of Contributions	-	-	-
Net Change in Total Pension Liability	754,282	923,184	583,256
Total Pension Liability - Beginning	17,974,990	17,051,806	16,468,551
Total Pension Liability - Ending	18,729,272	17,974,990	17,051,807
<b>Plan Net Position</b>			
Contributions - Employer	396,989	395,130	362,463
Contributions - Member	295,946	292,822	271,514
Net Investment Income	364,572	423,330	1,444,233
Benefit Payments	(1,012,731)	(957,183)	(907,214)
Administrative Expenses	(9,661)	(10,598)	(16,619)
Refunds of Contributions	-	-	-
Other	-	8,147	-
Net Change in Plan Net Position	35,115	151,648	1,154,377
Plan Net Position - Beginning	11,497,724	11,346,076	10,191,699
Prior Period Adjustments	-	-	-
Plan Net Position - beginning, restated	11,497,724	11,346,076	10,191,699
Plan Net Position - Ending	11,532,839	11,497,724	11,346,076
<b>Net Pension Liability - Ending</b>	<b>\$ 7,196,433</b>	<b>\$ 6,477,266</b>	<b>\$ 5,705,731</b>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 19,986,038	\$ 18,516,054	\$ 17,744,187
Plan Net Position	<u>13,826,658</u>	<u>14,255,528</u>	<u>14,424,793</u>
Net Pension Liability	<u>\$ 6,159,380</u>	<u>\$ 4,260,526</u>	<u>\$ 3,319,394</u>
Percentage of Plan Net Position to Total Pension Liability	<u>69.18%</u>	<u>76.99%</u>	<u>81.29%</u>
Covered Employee Payroll	<u>\$ 2,326,943</u>	<u>\$ 2,248,254</u>	<u>\$ 2,102,265</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>264.70%</u>	<u>189.50%</u>	<u>157.90%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2016  
(In Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 191,555	\$ 137,037	\$ 132,452
Plan Net Position	84,932	88,989	91,141
Net Pension Liability	<u>\$ 106,623</u>	<u>\$ 48,048</u>	<u>\$ 41,311</u>
Percentage of Plan Net Position to Total Pension Liability	<u>44.34%</u>	<u>64.94%</u>	<u>68.81%</u>
Covered Employee Payroll	<u>\$ 15,612</u>	<u>\$ 15,084</u>	<u>\$ 13,163</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>682.96%</u>	<u>318.54%</u>	<u>313.84%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2016  
(In Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 74,518	\$ 63,536	\$ 56,401
Plan Net Position	31,039	33,188	35,185
Net Pension Liability	<u>\$ 43,479</u>	<u>\$ 30,348</u>	<u>\$ 21,216</u>
Percentage of Plan Net Position to Total Pension Liability	<u>41.65%</u>	<u>52.23%</u>	<u>62.38%</u>
Covered Employee Payroll	<u>\$ 5,243</u>	<u>\$ 5,066</u>	<u>\$ 3,516</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>829.28%</u>	<u>599.05%</u>	<u>603.41%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 48,936	\$ 44,478	\$ 40,881
Plan Net Position	<u>61,049</u>	<u>62,103</u>	<u>61,923</u>
Net Pension Liability	<u>\$ (12,113)</u>	<u>\$ (17,625)</u>	<u>\$ (21,042)</u>
Percentage of Plan Net Position to Total Pension Liability	<u>124.75%</u>	<u>139.63%</u>	<u>151.47%</u>
Covered Employee Payroll	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY EDUCATIONAL EMPLOYEES RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2016 (In Thousands)

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 18,729,272	\$ 17,974,990	\$ 17,051,807
Plan Net Position	<u>11,532,839</u>	<u>11,497,724</u>	<u>11,346,076</u>
Net Pension Liability	<u>\$ 7,196,433</u>	<u>\$ 6,477,266</u>	<u>\$ 5,705,731</u>
Percentage of Plan Net Position to Total Pension Liability	<u>61.58%</u>	<u>63.97%</u>	<u>66.54%</u>
Covered Employee Payroll	<u>\$ 2,740,527</u>	<u>\$ 2,730,320</u>	<u>\$ 2,718,101</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>262.59%</u>	<u>237.23%</u>	<u>209.92%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2016 (In Thousands)

	Fiscal Year				
	2016	2015	2014	2013	2012
Contractually Required Contributions	\$ 324,752	\$ 317,164	\$ 370,766	\$ 285,560	\$ 274,906
Actual Employer Contributions	<u>324,752</u>	<u>317,164</u>	<u>370,766</u>	<u>285,560</u>	<u>274,906</u>
Annual Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee Payroll	<u>\$ 2,326,943</u>	<u>\$ 2,248,254</u>	<u>\$ 2,102,265</u>	<u>\$ 2,049,738</u>	<u>\$ 1,994,280</u>
Annual Contribution as a Percentage of Covered-employee Payroll	<u>13.96%</u>	<u>14.11%</u>	<u>17.64%</u>	<u>13.93%</u>	<u>13.78%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED) For the Last Ten Years (a) Ending June 30, 2016 (In Thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007
Contractually Required Contributions	\$ 283,377	\$ 291,683	\$ 311,082	\$ 292,569	\$ 269,571
Actual Employer Contributions	<u>283,377</u>	<u>291,683</u>	<u>311,082</u>	<u>292,569</u>	<u>269,571</u>
Annual Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee Payroll	<u>\$ 1,935,014</u>	<u>\$ 1,993,517</u>	<u>\$ 2,081,259</u>	<u>\$ 1,965,064</u>	<u>\$ 1,908,520</u>
Annual Contribution as a Percentage of Covered-employee Payroll	<u>14.64%</u>	<u>14.63%</u>	<u>14.95%</u>	<u>14.89%</u>	<u>14.12%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year				
	2016	2015	2014	2013	2012
Actuarially Determined Contributions	\$ 4,816	\$ 4,919	\$ 6,413	\$ 7,235	\$ 5,835
Actual Employer Contributions	<u>4,237</u>	<u>4,196</u>	<u>3,741</u>	<u>3,527</u>	<u>3,266</u>
Annual Contribution Deficiency (Excess)	<u>\$ 579</u>	<u>\$ 723</u>	<u>\$ 2,672</u>	<u>\$ 3,708</u>	<u>\$ 2,569</u>
Covered-employee Payroll	<u>\$ 15,612</u>	<u>\$ 15,084</u>	<u>\$ 13,163</u>	<u>\$ 13,226</u>	<u>\$ 12,691</u>
Annual Contribution as a Percentage of Covered-employee Payroll	<u>27.14%</u>	<u>27.82%</u>	<u>28.42%</u>	<u>26.67%</u>	<u>25.73%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS JUDICIAL RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007
Actuarially Determined Contributions	\$ 5,784	\$ 5,658	\$ 4,690	\$ 4,549	\$ 4,149
Actual Employer Contributions	<u>3,824</u>	<u>3,699</u>	<u>4,058</u>	<u>3,832</u>	<u>3,623</u>
Annual Contribution Deficiency (Excess)	<u>\$ 1,960</u>	<u>\$ 1,959</u>	<u>\$ 632</u>	<u>\$ 717</u>	<u>\$ 526</u>
Covered-employee Payroll	<u>\$ 12,267</u>	<u>\$ 13,042</u>	<u>\$ 13,011</u>	<u>\$ 11,697</u>	<u>\$ 11,754</u>
Annual Contribution as a Percentage of Covered-employee Payroll	<u>31.17%</u>	<u>28.36%</u>	<u>31.19%</u>	<u>32.76%</u>	<u>30.82%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year				
	2016	2015	2014	2013	2012
Actuarially Determined Contributions	\$ 1,463	\$ 1,967	\$ 1,992	\$ 2,286	\$ 1,793
Actual Employer Contributions	<u>1,280</u>	<u>937</u>	<u>793</u>	<u>805</u>	<u>676</u>
Annual Contribution Deficiency (Excess)	<u>\$ 183</u>	<u>\$ 1,030</u>	<u>\$ 1,199</u>	<u>\$ 1,481</u>	<u>\$ 1,117</u>
Covered-employee Payroll	<u>\$ 5,243</u>	<u>\$ 5,066</u>	<u>\$ 3,516</u>	<u>\$ 3,137</u>	<u>\$ 3,214</u>
Annual Contribution as a Percentage of Covered-employee Payroll	<u>24.41%</u>	<u>18.50%</u>	<u>22.55%</u>	<u>25.66%</u>	<u>21.03%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS MAGISTRATE RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007
Actuarially Determined Contributions	\$ 2,014	\$ 1,698	\$ 1,151	\$ 1,030	\$ 944
Actual Employer Contributions	<u>895</u>	<u>825</u>	<u>1,000</u>	<u>981</u>	<u>920</u>
Annual Contribution Deficiency (Excess)	<u>\$ 1,119</u>	<u>\$ 873</u>	<u>\$ 151</u>	<u>\$ 49</u>	<u>\$ 24</u>
Covered-employee Payroll	<u>\$ 3,405</u>	<u>\$ 3,520</u>	<u>\$ 4,129</u>	<u>\$ 3,363</u>	<u>\$ 3,465</u>
Annual Contribution as a Percentage of Covered-employee Payroll	<u>26.28%</u>	<u>23.44%</u>	<u>24.22%</u>	<u>29.17%</u>	<u>26.55%</u>

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year				
	2016	2015	2014	2013	2012
Actuarially Determined Contributions	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Actual Employer Contributions	750	750	750	750	750
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Annual Contribution as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007
Actuarially Determined Contributions	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Actual Employer Contributions	750	750	750	750	750
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Annual Contribution as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2016 (In Thousands)

	Fiscal Year				
	2016	2015	2014	2013	2012
Actuarially Determined Contributions	\$ 465,341	\$ 450,951	\$ 479,884	\$ 480,700	\$ *
Actual Employer Contributions	396,989	395,130	362,463	299,658	
Annual Contribution Deficiency (Excess)	<u>\$ 68,352</u>	<u>\$ 55,821</u>	<u>\$ 117,421</u>	<u>\$ 181,042</u>	<u>\$</u>
Covered-employee Payroll	<u>\$ 2,740,527</u>	<u>\$ 2,730,320</u>	<u>\$ 2,718,101</u>	<u>\$ 2,706,170</u>	<u>\$</u>
Annual Contribution as a Percentage of Covered-employee Payroll	<u>14.49%</u>	<u>14.47%</u>	<u>13.34%</u>	<u>11.07%</u>	<u></u>

\* Information for prior years not available.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (CONTINUED) For the Last Ten Years (a) Ending June 30, 2016 (In Thousands)

	Fiscal Year				
	2011	2010	2009	2008	2007
Actuarially Determined Contributions	\$ *	\$ *	\$ *	\$ *	\$ *
Actual Employer Contributions					
Annual Contribution Deficiency (Excess)	\$	\$	\$	\$	\$
Covered-employee Payroll	\$	\$	\$	\$	\$
Annual Contribution as a Percentage of Covered-employee Payroll					

\* Information for prior years not available.

# STATE OF NEW MEXICO

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## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – ALL RETIREMENT SYSTEMS

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	<b>Fiscal Year, Ended June 30, 2016</b>	<b>Fiscal Year, Ended June 30, 2015</b>	<b>Fiscal Year, Ended June 30, 2014</b>
Annual Money-weighted Rate of Return, Net of Investment Expenses	<u>0.70%</u>	<u>1.90%</u>	<u>17.40%</u>

\* Information for prior years not available.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM For the Last Ten Years (a) Ending June 30, 2016 (In Thousands)

	Fiscal Year						
	2016	2015	2014	2013	#	2012	2011
Annual Money-weighted Rate of Return, Net of Investment Expenses	<u>2.68%</u>	<u>4.06%</u>	<u>14.71%</u>	<u>11.12%</u>		<u>1.87%</u>	<u>19.30%</u>

\* Information for prior years not available.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

### ALL RETIREMENT SYSTEMS

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

	<u>PERS</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Valuation date	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
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	30 years	Solved for Based on Statutory Rates	30 years	30 years
Asset valuation method	4 year smoothed Market Value	4 year smoothed Market Value	4 year smoothed Market Value	4 year smoothed Market Value	5 Year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.48%	7.48%	7.48%	7.48%	7.75%
Payroll Growth	2.75% first 10 years, then 3.25%	2.75% first 10 years, then 3.25%	2.75% first 10 years, then 3.25%	N/A	-
Projected Salary Increases	2.75% - 14.00%	3.5% first 10 years, then 4.00%	3.0% first 10 years, then 3.5%	N/A	3.00% Inflation, plus .75% Prod, Inc.
Includes Inflation At	2.25% first 10 years, then 2.75%	2.25% first 10 years, then 2.75%	-	N/A	3.00%
Discount Rate		4.4%	4.4%		
Municipal Bond Rate		3.0%	3.0%		

All percentages are stated at an annual rate.

Investment rate of return is net of investment expenses.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS OF THE RETIREE HEALTH CARE AUTHORITY For the Last Ten Years (a) Ending June 30, 2016 (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, 2016	\$ 471,978	\$ 4,277,042	\$ 3,805,064	11.04 %	\$ 4,271,184	89.0 %
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
2016	\$ 303,631	\$ 159,863	52.7 %
2015	292,657	156,670	53.5
2014	367,804	149,277	40.6
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, 2016
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%
	This schedule of funding progress is based on healthcare laws and regulations existing at June 30, 2016.

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

The Following Presents Required Supplementary Information for the Pension Plans

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2016

(In Thousands)

<u>PERA - State-Funded Divisions</u>	<u>Measurement Date</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
State proportion of the net pension liability	\$ 2,243,965	\$ 1,795,898
State proportionate share of the net pension liability	52.70%	54.10%
State covered employee payroll (b)	\$ 1,184,830	\$ 1,137,325
State proportionate share of the net pension liability as a percentage of its covered employee payroll	189.39%	157.91%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

<b>PERA - Judicial Fund</b>	<b>Measurement Date</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>
State proportion of the net pension liability	\$ 48,050	\$ 41,310
State proportionate share of the net pension liability	100.00%	100.00%
State covered employee payroll (b)	\$ 15,084	\$ 13,163
State proportionate share of the net pension liability as a percentage of its covered employee payroll	318.54%	313.83%
Plan fiduciary net position as a percentage of the total pension liability	64.94%	68.81%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

PERA - Magistrate Fund	Measurement Date	
	June 30, 2015	June 30, 2014
State proportion of the net pension liability	\$ 30,349	\$ 21,216
State proportionate share of the net pension liability	100.00%	100.00%
State covered employee payroll (b)	\$ 5,066	\$ 3,516
State proportionate share of the net pension liability as a percentage of its covered employee payroll	599.09%	603.49%
Plan fiduciary net position as a percentage of the total pension liability	52.23%	62.38%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

<b>PERA - Volunteer Firefighters Fund</b>	<b>Measurement Date</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>
State proportion of the net pension liability	\$ (17,626)	\$ (21,042)
State proportionate share of the net pension liability	100.00%	100.00%
State covered employee payroll (b)	*	*
State proportionate share of the net pension liability as a percentage of its covered employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

\* There is no covered payroll. The State Legislature provides a contribution of \$750 thousand per year.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

<b>ERB - State Agencies</b>	<b>Measurement Date</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>
State proportion of the net pension liability	\$ 22,015	\$ 19,127
State proportionate share of the net pension liability	0.34%	0.34%
State covered employee payroll (b)	\$ 9,280	\$ 9,242
State proportionate share of the net pension liability as a percentage of its covered employee payroll	237.23%	206.96%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	66.54%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

<b>ERB - Educational Institutions</b>	<b>Measurement Date</b>	
	<b>June 30, 2015</b>	<b>June 30, 2014</b>
State proportion of the net pension liability	\$ 1,868,432	\$ 1,665,276
State proportionate share of the net pension liability	28.85%	29.19%
State covered employee payroll (b)	\$ 787,588	\$ 930,167
State proportionate share of the net pension liability as a percentage of its covered employee payroll	237.23%	179.03%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	66.54%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

The Following Presents Required Supplementary Information for the State as Employer

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

<b>PERA - State-Funded Divisions</b>	<b>FY2016</b>	<b>FY2015</b>
Actuarial determined contribution	\$ 171,144	\$ 176,397
Contributions in relation to contractually required contribution	171,144	176,397
Contribution deficiency	\$ -	\$ -
State covered employee payroll	\$ 1,184,830	\$ 1,137,393
Contributions as a percentage of covered-employee payroll	14.44%	15.51%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

<b>PERA - Judicial Fund</b>	<b>FY2016</b>	<b>FY2015</b>	<b>FY2014</b>
Actuarial determined contribution	\$ 4,816	\$ 4,919	\$ 6,413
Contributions in relation to contractually required contribution	4,237	4,196	3,741
Contribution deficiency	<u>\$ 579</u>	<u>\$ 723</u>	<u>\$ 2,672</u>
State covered employee payroll	\$ 15,612	\$ 15,084	\$ 13,163
Contributions as a percentage of covered-employee payroll	27.14%	27.82%	28.42%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

<b>PERA - Magistrate Fund</b>	<b>FY2016</b>	<b>FY2015</b>	<b>FY2014</b>
Actuarial determined contribution	\$ 1,463	\$ 1,967	\$ 1,992
Contributions in relation to contractually required contribution	1,280	937	793
Contribution deficiency	<u>\$ 183</u>	<u>\$ 1,030</u>	<u>\$ 1,199</u>
State covered employee payroll	\$ 5,243	\$ 5,066	\$ 3,516
Contributions as a percentage of covered-employee payroll	24.42%	18.49%	22.56%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

PERA - Volunteer Firefighters Fund	FY2016	FY2015	FY2014
Statutorily determined contribution *	\$ 750	\$ 750	\$ 750
Contributions in relation to statutorily determined contributions	750	750	750
Contribution deficiency	\$ 750	\$ 750	\$ 750
State covered employee payroll	*	*	*
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

\* There is no covered payroll. The State Legislature provides a contribution of \$750 thousand per year.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

<b>ERB - State Agencies</b>	<b>FY2016</b>	<b>FY2015</b>
Actuarial determined contribution	\$ 1,343	\$ 1,215
Contributions in relation to contractually required contributions	1,343	1,215
Contribution	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	9,280	9,240
Contributions as a percentage of covered-employee payroll	14.47%	13.15%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

# STATE OF NEW MEXICO

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30, 2016

(In Thousands)

<b>ERB - Educational Institutions</b>	<b>FY2016</b>	<b>FY2015</b>
Actuarial determined contribution	\$ 109,475	\$ 129,246
Contributions in relation to contractually required contributions	113,979	105,788
Contribution excess	<u>\$ (4,504)</u>	<u>\$ 23,458</u>
Educational Institutions' covered-employee payroll	787,588	929,829
Contributions as a percentage of covered-employee payroll	14.47%	11.38%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered employee payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

# **FINANCIAL SECTION OTHER SUPPLEMENTARY INFORMATION**



NEW MEXICO STATE BIRD - ROADRUNNER  
SOURCE - [WWW.AUDUBON.ORG](http://WWW.AUDUBON.ORG)

# 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, 2016 was not available for this entity, so FY14 information has been provided.

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

**State Fair Commission** – This fund administers the operations of the annual New Mexico State Fair and the use of the Fairgrounds facilities during the year

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

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2016 (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	\$ -	\$ -	\$ 45,230
Investment in the State General Fund					
Investment Pool	412	2,407	145,307	1,214	628
Investment in the Local Government					
Investment Pool	-	-	-	-	30,966
Prepaid Expenses and Other Assets	-	1	-	77	256
Due From Other Funds	-	-	-	-	-
Receivables, Net	297	1,452	17,623	77	1,315
Investments	-	-	-	-	-
Inventories	-	1,236	-	26	-
<b>Total Current Assets</b>	<b>709</b>	<b>5,098</b>	<b>162,930</b>	<b>1,394</b>	<b>78,395</b>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Loans Receivable	-	-	172,095	-	-
Investments	-	-	-	-	31,678
Nondepreciable Capital Assets	-	-	-	-	237
Capital Assets, Net	66	861	-	-	89
<b>Total Noncurrent Assets</b>	<b>66</b>	<b>861</b>	<b>172,095</b>	<b>-</b>	<b>32,004</b>
<b>Total Assets</b>	<b>775</b>	<b>5,959</b>	<b>335,025</b>	<b>1,394</b>	<b>110,399</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows - Pension	26	181	-	99	121

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

	State Infrastructure Bank	Miners' Collfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ -	\$ 3,371	\$ 334,180	\$ 1,761	-	\$ 384,544
Investment in the State General Fund						
Investment Pool	19,121	2,214	13	1,631	698	173,645
Investment in the Local Government						
Investment Pool	-	-	-	-	-	30,966
Prepaid Expenses and Other Assets	-	-	-	-	-	334
Due From Other Funds	-	552	-	-	-	552
Receivables, Net	1,875	2,566	94,037	108	-	119,350
Investments	-	-	-	-	-	-
Inventories	-	716	-	-	-	1,978
<b>Total Current Assets</b>	<b>20,996</b>	<b>9,419</b>	<b>428,230</b>	<b>3,500</b>	<b>698</b>	<b>711,369</b>
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Loans Receivable	-	-	-	-	-	172,095
Investments	-	1,000	-	-	-	32,678
Nondepreciable Capital Assets	-	710	-	819	-	1,766
Capital Assets, Net	-	26,723	-	42,607	183	70,529
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>28,433</b>	<b>-</b>	<b>43,426</b>	<b>183</b>	<b>277,068</b>
<b>Total Assets</b>	<b>20,996</b>	<b>37,852</b>	<b>428,230</b>	<b>46,926</b>	<b>881</b>	<b>988,437</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - Pension	-	1,713	-	263	-	2,403

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	\$ 537	\$ 1,023	\$ 32	\$ 103	\$ 42
Accrued Liabilities	9	134	-	81	85
Unearned Revenue	-	10	-	116	73
Due to Other Funds	-	-	-	-	-
Funds Held for Others	-	-	-	-	-
Bonds Payable - Current Portion	-	-	-	-	-
Other Liabilities - Current Portion	-	19	-	700	30,903
<b>Total Current Liabilities</b>	<b>546</b>	<b>1,186</b>	<b>32</b>	<b>1,000</b>	<b>31,103</b>
Noncurrent Liabilities:					
Bonds Payable	-	-	-	-	-
Other Liabilities	297	2,029	-	1,346	64,739
<b>Total Noncurrent Liabilities</b>	<b>297</b>	<b>2,029</b>	<b>-</b>	<b>1,346</b>	<b>64,739</b>
<b>Total Liabilities</b>	<b>843</b>	<b>3,215</b>	<b>32</b>	<b>2,346</b>	<b>95,842</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows - Pension	7	50	-	28	34
<b>NET POSITION</b>					
Net Investment in Capital Assets	66	861	-	-	326
Restricted for:					
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Unemployment and Insurance	-	-	-	-	-
Loans	-	-	334,993	-	-
Other Purposes	163	3,913	-	-	45,468
Unrestricted (Deficit)	(278)	(1,899)	-	(881)	(31,150)
<b>Total Net Position</b>	<b>\$ (49)</b>	<b>\$ 2,875</b>	<b>\$ 334,993</b>	<b>\$ (881)</b>	<b>\$ 14,644</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED) For the Year Ended June 30, 2016 (In Thousands)

	State Infrastructure Bank	Miners' Collfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	\$ -	\$ 3,202	\$ -	\$ 4,558	\$ 346	\$ 9,843
Accrued Liabilities	-	1,205	6,630	253	-	8,397
Unearned Revenue	-	-	11,819	111	-	12,129
Due to Other Funds	-	-	633	20	-	653
Funds Held for Others	-	-	-	3	-	3
Bonds Payable - Current Portion	-	955	-	-	-	955
Other Liabilities - Current Portion	180	121	56	44	3	32,026
<b>Total Current Liabilities</b>	<b>180</b>	<b>5,483</b>	<b>19,138</b>	<b>4,989</b>	<b>349</b>	<b>64,006</b>
Noncurrent Liabilities:						
Bonds Payable	-	11,010	-	-	-	11,010
Other Liabilities	-	19,369	-	2,953	-	90,733
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>30,379</b>	<b>-</b>	<b>2,953</b>	<b>-</b>	<b>101,743</b>
<b>Total Liabilities</b>	<b>180</b>	<b>35,862</b>	<b>19,138</b>	<b>7,942</b>	<b>349</b>	<b>165,749</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - Pension	-	477	-	73	-	669
<b>NET POSITION</b>						
Net Investment in Capital Assets	-	15,241	-	43,426	183	60,103
Restricted for:						
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	1,602	-	1,602
Unemployment and Insurance	-	-	409,092	-	-	409,092
Loans	20,816	-	-	-	-	355,809
Other Purposes	-	1,000	-	-	-	50,544
Unrestricted (Deficit)	-	(13,015)	-	(5,854)	349	(52,728)
<b>Total Net Position</b>	<b>\$ 20,816</b>	<b>\$ 3,226</b>	<b>\$ 409,092</b>	<b>\$ 39,174</b>	<b>\$ 532</b>	<b>\$ 824,422</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

### NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2016

(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	\$ 3,217	\$ 8,181	\$ -	\$ 2,557	\$ 363,948
Unemployment Insurance	-	-	-	-	-
Federal Revenue	-	-	6,911	-	-
Loan and Other Income	-	-	3,830	-	-
Other Operating Revenues	-	-	332	27	-
<b>Total Operating Revenues</b>	<u>3,217</u>	<u>8,181</u>	<u>11,073</u>	<u>2,584</u>	<u>363,948</u>
<b>OPERATING EXPENSES</b>					
Benefits, Claims, and Premiums	-	-	-	-	14,191
General and Administrative Expenses	297	3,016	2,266	2,329	52,380
Insurance Losses	-	-	-	-	328,984
Depreciation Expense	19	115	-	-	24
Other Operating Expenses	3,063	5,976	-	156	-
<b>Total Operating Expenses</b>	<u>3,379</u>	<u>9,107</u>	<u>2,266</u>	<u>2,485</u>	<u>395,579</u>
<b>Operating Income (Loss)</b>	<u>(162)</u>	<u>(926)</u>	<u>8,807</u>	<u>99</u>	<u>(31,631)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and Investment Income	-	6	-	-	807
Interest Expense on Capital Asset- related Debt	-	-	-	-	-
Government Grants and Contracts	-	-	-	-	-
Other Revenue (Expenses)	2	146	-	-	468
<b>Total Nonoperating Revenues (Expenses)</b>	<u>2</u>	<u>152</u>	<u>-</u>	<u>-</u>	<u>1,275</u>
<b>Income (Loss) Before Transfers</b>	<u>(160)</u>	<u>(774)</u>	<u>8,807</u>	<u>99</u>	<u>(30,356)</u>
<b>CAPITAL CONTRIBUTIONS AND ENDOWMENTS</b>					
Capital Grants and Gifts	-	-	-	-	-
<b>TRANSFERS</b>					
Transfers In	-	17	1,300	-	1,360
Transfers Out	-	-	(1,739)	-	(1,360)
<b>Total Transfers</b>	<u>-</u>	<u>17</u>	<u>(439)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	(160)	(757)	8,368	99	(30,356)
<b>Net Position - Beginning, as Restated</b>	111	3,632	326,625	(980)	45,000
<b>Net Position - Ending</b>	<u>\$ (49)</u>	<u>\$ 2,875</u>	<u>\$ 334,993</u>	<u>\$ (881)</u>	<u>\$ 14,644</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS (CONTINUED) For the Year Ended June 30, 2016 (In Thousands)

	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>OPERATING REVENUES</b>						
Charges for Services	\$ -	\$ 26,672	\$ 361	\$ 11,928	\$ -	\$ 416,864
Unemployment Insurance	-	-	342,488	-	-	342,488
Federal Revenue	-	-	3,273	-	-	10,184
Loan and Other Income	56	124	5,828	-	-	9,838
Other Operating Revenues	-	318	5,137	927	-	6,741
<b>Total Operating Revenues</b>	<b>56</b>	<b>27,114</b>	<b>357,087</b>	<b>12,855</b>	<b>-</b>	<b>786,115</b>
<b>OPERATING EXPENSES</b>						
Benefits, Claims, and Premiums	-	-	195,506	-	-	209,697
General and Administrative Expenses	-	28,670	-	12,344	1,396	102,698
Insurance Losses	-	-	-	-	-	328,984
Depreciation Expense	-	2,205	-	2,494	158	5,015
Other Operating Expenses	-	420	-	865	-	10,480
<b>Total Operating Expenses</b>	<b>-</b>	<b>31,295</b>	<b>195,506</b>	<b>15,703</b>	<b>1,554</b>	<b>656,874</b>
<b>Operating Income (Loss)</b>	<b>56</b>	<b>(4,181)</b>	<b>161,581</b>	<b>(2,848)</b>	<b>(1,554)</b>	<b>129,241</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Income	-	-	-	-	-	813
Interest Expense on Capital Asset- related Debt	-	-	-	-	-	-
Government Grants and Contracts	-	486	-	-	-	486
Other Revenue (Expenses)	-	-	-	-	-	616
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>486</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,915</b>
<b>Income (Loss) Before Transfers</b>	<b>56</b>	<b>(3,695)</b>	<b>161,581</b>	<b>(2,848)</b>	<b>(1,554)</b>	<b>131,156</b>
<b>CAPITAL CONTRIBUTIONS AND ENDOWMENTS</b>						
Capital Grants and Gifts	-	-	-	-	-	-
<b>TRANSFERS</b>						
Transfers In	-	6,000	-	1,303	-	9,980
Transfers Out	-	(6,000)	(18)	-	-	(9,117)
<b>Total Transfers</b>	<b>-</b>	<b>-</b>	<b>(18)</b>	<b>1,303</b>	<b>-</b>	<b>863</b>
<b>Change in Net Position</b>	<b>56</b>	<b>(3,695)</b>	<b>161,563</b>	<b>(1,545)</b>	<b>(1,554)</b>	<b>132,019</b>
<b>Net Position - Beginning, as Restated</b>	<b>20,760</b>	<b>6,921</b>	<b>247,529</b>	<b>40,719</b>	<b>2,086</b>	<b>692,403</b>
<b>Net Position - Ending</b>	<b>\$ 20,816</b>	<b>\$ 3,226</b>	<b>\$ 409,092</b>	<b>\$ 39,174</b>	<b>\$ 532</b>	<b>\$ 824,422</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2016 (In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	Public Schools Insurance Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from:					
Fees for Service	\$ 3,214	\$ -	\$ -	\$ 2,606	\$ 363,949
Sale of Products	-	7,597	-	24	-
Gifts, Grants, and Contracts	-	-	5,011	-	-
Loan and Note Repayments	-	-	13,596	-	(311,891)
Unemployment Insurance	-	-	-	-	-
Other Sources	-	-	835	-	-
Cash Payments to or for:					
Suppliers	(3,085)	(6,280)	(334)	(1,938)	(46,406)
Employees	(114)	(1,736)	-	(706)	-
Unemployment Benefits	-	-	-	-	-
Loans, Loan Losses, Insurance Losses	-	-	-	-	-
Other Payments	-	-	(14,791)	-	(20,162)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>15</b>	<b>(419)</b>	<b>4,317</b>	<b>(14)</b>	<b>(14,510)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	-	-	1,300	-	-
Transfers Out	-	-	(500)	-	-
Gifts for Other Than Capital Purposes	-	-	-	-	-
Intergovernmental Receipts	-	-	(1,089)	-	-
Other Noncapital Financing	-	-	-	-	467
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(289)</b>	<b>-</b>	<b>467</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	(40)	(370)	-	-	-
Capital Gifts, Grants, and Contracts	-	-	-	-	-
Capital Debt Service Payments - Principal	-	-	-	-	-
Capital Debt Service Payments - Interest	-	-	-	-	-
Capital Contributions and Debt Proceeds	-	-	-	-	-
Proceeds from Sale of Capital Assets	1	-	-	-	-
Other Capital Financing	-	-	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(39)</b>	<b>(370)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Receipts of Interest and Dividends of Investments	-	6	-	-	807
Purchase of Investments	-	-	-	-	-
Receipts of Rent	-	146	-	-	-
Proceeds from Sale and Maturity of Investments	-	-	-	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>152</b>	<b>-</b>	<b>-</b>	<b>807</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(24)</b>	<b>(637)</b>	<b>4,028</b>	<b>(14)</b>	<b>(13,236)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>436</b>	<b>3,046</b>	<b>141,279</b>	<b>1,228</b>	<b>90,060</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 412</b>	<b>\$ 2,409</b>	<b>\$ 145,307</b>	<b>\$ 1,214</b>	<b>\$ 76,824</b>
<b>Cash and Cash Equivalents</b>					
Unrestricted	\$ -	\$ 2	\$ -	\$ -	\$ 45,230
Restricted	-	-	-	-	-
Investment in State Gen. Fund Investment Pool	412	2,407	145,307	1,214	628
Investment in Local Government Invest Pool	-	-	-	-	30,966
<b>Total Cash and Cash Equivalents</b>	<b>\$ 412</b>	<b>\$ 2,409</b>	<b>\$ 145,307</b>	<b>\$ 1,214</b>	<b>\$ 76,824</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS (CONTINUED) For the Year Ended June 30, 2016 (In Thousands)

	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from:						
Fees for Service	\$ -	\$ 24,158	\$ -	\$ 13,600	\$ -	\$ 407,527
Sale of Products	-	-	-	-	-	7,621
Gifts, Grants, and Contracts	-	-	3,273	-	-	8,284
Loan and Note Repayments	-	-	-	-	-	(298,295)
Unemployment Insurance	-	-	351,732	-	-	351,732
Other Sources	(883)	-	5,828	-	-	5,780
Cash Payments to or for:						
Suppliers	-	(10,466)	-	(7,102)	(1,543)	(77,154)
Employees	-	(15,888)	-	(5,774)	-	(24,218)
Unemployment Benefits	-	-	(193,616)	-	-	(193,616)
Loans, Loan Losses, Insurance Losses	-	-	-	-	-	-
Other Payments	46	7,190	-	-	-	(27,717)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(837)</b>	<b>4,994</b>	<b>167,217</b>	<b>724</b>	<b>(1,543)</b>	<b>159,944</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers In	-	-	-	1,303	-	2,603
Transfers Out	-	-	(18)	-	-	(518)
Gifts for Other Than Capital Purposes	-	-	-	-	-	-
Intergovernmental Receipts	-	-	68	-	-	(1,021)
Other Noncapital Financing	-	486	-	-	-	953
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>-</b>	<b>486</b>	<b>50</b>	<b>1,303</b>	<b>-</b>	<b>2,017</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of Capital Assets	-	(723)	-	(1,371)	-	(2,504)
Capital Gifts, Grants, and Contracts	-	-	-	-	-	-
Capital Debt Service Payments - Principal	-	(985)	-	-	-	(985)
Capital Debt Service Payments - Interest	-	-	-	-	-	-
Capital Contributions and Debt Proceeds	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	1
Other Capital Financing	-	-	-	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(1,708)</b>	<b>-</b>	<b>(1,371)</b>	<b>-</b>	<b>(3,488)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Receipts of Interest and Dividends of Investments	-	-	-	-	-	813
Purchase of Investments	-	-	-	-	-	-
Receipts of Rent	-	-	-	-	-	146
Proceeds from Sale and Maturity of Investments	-	219	-	-	-	219
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,178</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(837)</b>	<b>3,991</b>	<b>167,267</b>	<b>656</b>	<b>(1,543)</b>	<b>159,651</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>19,958</b>	<b>1,594</b>	<b>166,926</b>	<b>2,736</b>	<b>2,241</b>	<b>429,504</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 19,121</b>	<b>\$ 5,585</b>	<b>\$ 334,193</b>	<b>\$ 3,392</b>	<b>\$ 698</b>	<b>\$ 589,155</b>
<b>Cash and Cash Equivalents</b>						
Unrestricted	\$ -	\$ 3,371	\$ 334,180	\$ 1,761	\$ -	\$ 384,544
Restricted	-	-	-	-	-	-
Investment in State Gen. Fund Investment Pool	19,121	2,214	13	1,631	698	173,645
Investment in Local Government Invest Pool	-	-	-	-	-	30,966
<b>Total Cash and Cash Equivalents</b>	<b>\$ 19,121</b>	<b>\$ 5,585</b>	<b>\$ 334,193</b>	<b>\$ 3,392</b>	<b>\$ 698</b>	<b>\$ 589,155</b>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(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)	\$ (162)	\$ (926)	\$ 8,807	\$ 99	\$ (31,631)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	19	115	-	-	24
Change in net pension liability	111	319	-	(121)	27
Change in deferred outflows of resources	-	-	-	-	-
Change in deferred inflows of resources	-	-	-	-	-
Bad Debt Expense	-	-	-	-	14,191
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	(4)	(584)	(4,522)	(29)	3,187
Notes/Loans	-	-	-	-	-
Inventories	-	(9)	-	78	-
Prepaid Items/Other Assets	-	1	-	(21)	(479)
Claims Payable	-	-	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	51	665	32	(96)	184
Loss Adjustments	-	-	-	-	-
Unearned Revenue	-	-	-	76	(13)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 15</b>	<b>\$ (419)</b>	<b>\$ 4,317</b>	<b>\$ (14)</b>	<b>\$ (14,510)</b>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

	State Infrastructure Bank	Miners' Colfax Medical Center	Unemployment Insurance Fund	State Fair Commission	Dept. of Cultural Affairs	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 56	\$ (4,181)	\$ 161,581	\$ (2,848)	\$ (1,554)	\$ 129,241
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	-	2,205	-	2,494	158	5,015
Change in net pension liability	-	1,883	-	(389)	-	1,830
Change in deferred outflows of resources	-	-	-	-	-	-
Change in deferred inflows of resources	-	-	-	-	-	-
Bad Debt Expense	-	365	-	-	-	14,556
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables/Due From Other Funds	(10)	3,868	2,505	764	-	5,175
Notes/Loans	-	-	-	-	-	-
Inventories	-	(107)	-	-	-	(38)
Prepaid Items/Other Assets	-	-	-	-	-	(499)
Claims Payable	-	-	-	-	-	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	(883)	961	3,131	720	(147)	4,618
Loss Adjustments	-	-	-	-	-	-
Unearned Revenue	-	-	-	(17)	-	46
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (837)</b>	<b>\$ 4,994</b>	<b>\$ 167,217</b>	<b>\$ 724</b>	<b>\$ (1,543)</b>	<b>\$ 159,944</b>

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# STATE OF NEW MEXICO

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## OTHER SUPPLEMENTARY INFORMATION NONMAJOR 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 NONMAJOR INTERNAL SERVICE FUNDS For the Year Ended June 30, 2016 (In Thousands)

	Fleet Operations	Risk Management	Printing and Records
<b>ASSETS</b>			
Current Assets:			
Investment in the State General Fund			
Investment Pool	\$ 1,333	\$ 155,250	\$ 1,166
Due From Other Funds	-	100	-
Receivables, Net	577	44	114
Inventories and Other Assets	-	-	12
<b>Total Current Assets</b>	<u>1,910</u>	<u>155,394</u>	<u>1,292</u>
Noncurrent Assets:			
Capital Assets, Net	<u>5,927</u>	<u>25</u>	<u>212</u>
<b>Total Noncurrent Assets</b>	<u>5,927</u>	<u>25</u>	<u>212</u>
<b>Total Assets</b>	<u>7,837</u>	<u>155,419</u>	<u>1,504</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - Pension	<u>195</u>	<u>495</u>	<u>486</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	450	10,435	253
Accrued Liabilities	128	100,717	285
Due to Other Funds	-	5,500	16
Other Liabilities	-	-	-
<b>Total Current Liabilities</b>	<u>578</u>	<u>116,652</u>	<u>554</u>
Noncurrent Liabilities:			
Other Liabilities	<u>2,203</u>	<u>100,540</u>	<u>5,494</u>
<b>Total Noncurrent Liabilities</b>	<u>2,203</u>	<u>100,540</u>	<u>5,494</u>
<b>Total Liabilities</b>	<u>2,781</u>	<u>217,192</u>	<u>6,048</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pension	<u>54</u>	<u>138</u>	<u>135</u>
<b>NET POSITION</b>			
Net Investment in			
Capital Assets	5,927	25	212
Restricted for:			
Other Purposes	-	-	12
Unrestricted (Deficit)	<u>(730)</u>	<u>(61,441)</u>	<u>(4,417)</u>
<b>Total Net Position</b>	<u>\$ 5,197</u>	<u>\$ (61,416)</u>	<u>\$ (4,193)</u>

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

	Communication Services	Information Processing	Total
<b>ASSETS</b>			
Current Assets:			
Investment in the State General Fund			
Investment Pool	\$ 17,160	\$ 22,117	\$ 197,026
Due From Other Funds	375	31,672	32,147
Receivables, Net	11,789	238	12,762
Inventories and Other Assets	-	-	12
<b>Total Current Assets</b>	<u>29,324</u>	<u>54,027</u>	<u>241,947</u>
Noncurrent Assets:			
Capital Assets, Net	24,439	10,005	40,608
<b>Total Noncurrent Assets</b>	<u>24,439</u>	<u>10,005</u>	<u>40,608</u>
<b>Total Assets</b>	<u>53,763</u>	<u>64,032</u>	<u>282,555</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - Pension	1,391	634	3,201
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	6,051	1,278	18,467
Accrued Liabilities	928	388	102,446
Due to Other Funds	28,188	3,854	37,558
Other Liabilities	9	-	9
<b>Total Current Liabilities</b>	<u>35,176</u>	<u>5,520</u>	<u>158,480</u>
Noncurrent Liabilities:			
Other Liabilities	15,616	7,120	130,973
<b>Total Noncurrent Liabilities</b>	<u>15,616</u>	<u>7,120</u>	<u>130,973</u>
<b>Total Liabilities</b>	<u>50,792</u>	<u>12,640</u>	<u>289,453</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pension	387	176	890
<b>NET POSITION</b>			
Net Investment in			
Capital Assets	24,439	10,005	40,608
Restricted for:			
Other Purposes	-	48,807	48,819
Unrestricted (Deficit)	(20,464)	(6,962)	(94,014)
<b>Total Net Position</b>	<u>\$ 3,975</u>	<u>\$ 51,850</u>	<u>\$ (4,587)</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR INTERNAL SERVICE FUNDS For the Year Ended June 30, 2016 (In Thousands)

	Fleet Operations	Risk Management	Printing and Records
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 6,526	\$ 448,955	\$ 1,756
Other Operating Revenues	53	145	211
Interest Income	-	319	-
<b>Total Operating Revenues</b>	<u>6,579</u>	<u>449,419</u>	<u>1,967</u>
<b>OPERATING EXPENSES</b>			
General and Administrative Expenses	6,599	413,905	5,409
Depreciation Expense	1,057	9	97
Other Operating Expenses	-	600	9
<b>Total Operating Expenses</b>	<u>7,656</u>	<u>414,514</u>	<u>5,515</u>
<b>Operating Income (Loss)</b>	<u>(1,077)</u>	<u>34,905</u>	<u>(3,548)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and Investment Income	-	-	-
Gain (Loss) on Sale of Capital Assets	179	-	112
Nonoperating Revenues (Expenses)	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>179</u>	<u>-</u>	<u>112</u>
<b>Income (Loss) Before Transfers</b>	<u>(898)</u>	<u>34,905</u>	<u>(3,436)</u>
<b>TRANSFERS</b>			
Transfers In	600	7,407	4,080
Transfers Out	(355)	(16,284)	(75)
<b>Total Transfers</b>	<u>245</u>	<u>(8,877)</u>	<u>4,005</u>
<b>Special Item</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	(653)	26,028	569
<b>Net Position - Beginning</b>	5,850	(87,444)	(4,762)
<b>Net Position - Ending</b>	<u>\$ 5,197</u>	<u>\$ (61,416)</u>	<u>\$ (4,193)</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

### NONMAJOR INTERNAL SERVICE FUNDS (CONTINUED)

For the Year Ended June 30, 2016

(In Thousands)

	Communication Services	Information Processing	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 49,854	\$ 9,026	\$ 516,117
Other Operating Revenues	1,368	5	1,782
Interest Income	-	-	319
<b>Total Operating Revenues</b>	<b>51,222</b>	<b>9,031</b>	<b>518,218</b>
<b>OPERATING EXPENSES</b>			
General and Administrative Expenses	45,122	6,619	477,654
Depreciation Expense	5,991	3,389	10,543
Other Operating Expenses	-	-	609
<b>Total Operating Expenses</b>	<b>51,113</b>	<b>10,008</b>	<b>488,806</b>
<b>Operating Income (Loss)</b>	<b>109</b>	<b>(977)</b>	<b>29,412</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and Investment Income	-	34	34
Gain (Loss) on Sale of Capital Assets	(7)	-	284
Nonoperating Revenues (Expenses)	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(7)</b>	<b>34</b>	<b>318</b>
<b>Income (Loss) Before Transfers</b>	<b>102</b>	<b>(943)</b>	<b>29,730</b>
<b>TRANSFERS</b>			
Transfers In	6,164	16,340	34,591
Transfers Out	(8,237)	(8,403)	(33,354)
<b>Total Transfers</b>	<b>(2,073)</b>	<b>7,937</b>	<b>1,237</b>
<b>Special Item</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(1,971)</b>	<b>6,994</b>	<b>30,967</b>
<b>Net Position - Beginning</b>	<b>5,946</b>	<b>44,856</b>	<b>(35,554)</b>
<b>Net Position - Ending</b>	<b>\$ 3,975</b>	<b>\$ 51,850</b>	<b>\$ (4,587)</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR INTERNAL SERVICE FUNDS For the Year Ended June 30, 2016 (In Thousands)

	Fleet Operations	Risk Management	Printing and Records
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from:			
Fees for Service	\$ 6,559	\$ 449,248	\$ 2,081
Other Sources	53	-	-
Cash Payments to or for:			
Suppliers	(5,223)	(411,251)	(1,858)
Employees	(1,773)	(3,942)	(4,050)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(384)</u>	<u>34,055</u>	<u>(3,827)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	600	4,030	4,080
Transfers Out	(355)	(12,907)	(76)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>245</u>	<u>(8,877)</u>	<u>4,004</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Sale of Capital Assets	-	-	-
Other	179	-	(157)
Acquisition of Capital Assets	(1,441)	(28)	(106)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(1,262)</u>	<u>(28)</u>	<u>(263)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts of Interest and Dividends of Investments	-	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents at Beginning of Year, as Restated</b>	(1,401)	25,150	(86)
<b>Cash and Cash Equivalents at End of Year</b>	<u>2,734</u>	<u>130,100</u>	<u>1,252</u>
<b>Cash and Cash Equivalents</b>	<u>\$ 1,333</u>	<u>\$ 155,250</u>	<u>\$ 1,166</u>
<b>Cash and Cash Equivalents</b>			
Investment in the State General Fund Investment Pool	1,333	155,250	1,166
Total Cash and Cash Equivalents	<u>\$ 1,333</u>	<u>\$ 155,250</u>	<u>\$ 1,166</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (1,077)	\$ 34,905	\$ (3,548)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,057	9	98
Change in net pension liability	(239)	(17)	(413)
Change in deferred outflows of resources	-	-	-
Change in deferred inflows of resources	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:			
Receivables/Due From Other Funds	33	685	55
Inventories	-	-	27
Prepaid Items/Other Assets	-	-	112
Insurance Claims Payable	-	(6,036)	-
Accounts Payable/Accrued Liabilities/Due To Other Funds	(158)	4,509	(158)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (384)</u>	<u>\$ 34,055</u>	<u>\$ (3,827)</u>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR INTERNAL SERVICE FUNDS (CONTINUED) For the Year Ended June 30, 2016 (In Thousands)

	Communication Services	Information Processing	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from:			
Fees for Service	\$ 48,210	\$ 8,950	\$ 515,048
Other Sources	-	-	53
Cash Payments to or for:			
Suppliers	(29,588)	(3,139)	(451,059)
Employees	(10,718)	(3,972)	(24,455)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>7,904</u>	<u>1,839</u>	<u>39,587</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	1,250	400	10,360
Transfers Out	(4,169)	4,309	(13,198)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(2,919)</u>	<u>4,709</u>	<u>(2,838)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Sale of Capital Assets	-	-	-
Other	-	-	22
Acquisition of Capital Assets	-	(4,870)	(6,445)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>-</u>	<u>(4,870)</u>	<u>(6,423)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts of Interest and Dividends of Investments	-	35	35
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>-</u>	<u>35</u>	<u>35</u>
<b>Net Increase (Decrease) in Cash</b>	4,985	1,713	30,361
<b>Cash and Cash Equivalents at Beginning of Year, as Restated</b>	12,175	20,404	166,665
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 17,160</u>	<u>\$ 22,117</u>	<u>\$ 197,026</u>
<b>Cash and Cash Equivalents</b>			
Investment in the State General Fund Investment Pool	17,160	22,117	197,026
Total Cash and Cash Equivalents	<u>\$ 17,160</u>	<u>\$ 22,117</u>	<u>\$ 197,026</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 109	\$ (977)	\$ 29,412
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	5,991	3,389	10,544
Change in net pension liability	(107)	(378)	(1,154)
Change in deferred outflows of resources	-	-	-
Change in deferred inflows of resources	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:			
Receivables/Due From Other Funds	(3,013)	(91)	(2,331)
Inventories	-	-	27
Prepaid Items/Other Assets	-	-	112
Insurance Claims Payable	-	-	(6,036)
Accounts Payable/Accrued Liabilities/Due To Other Funds	4,924	(104)	9,013
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 7,904</u>	<u>\$ 1,839</u>	<u>\$ 39,587</u>

**STATE OF NEW MEXICO**

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**OTHER SUPPLEMENTARY INFORMATION  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR INTERNAL SERVICE FUNDS (CONTINUED)  
For the Year Ended June 30, 2016  
(In Thousands)**

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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

For the Year Ended June 30, 2016

(In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
<b>ASSETS</b>					
Cash and Short-Term Investments	\$ 618,551	\$ 213,250	\$ -	\$ -	\$ 831,801
Investment in State General Fund Investment Pool	20,430	13,009	10,835	-	44,274
Investments:					
U.S. Gov't. and Agency Securities	862,052	577,345	-	-	1,439,397
International Securities	3,624,525	1,965,670	113,087	-	5,703,282
Corporate Equity Securities	3,350,756	4,345,506	107,914	-	7,804,176
Corporate and Municipal Bonds	1,796,562	291,669	97,529	-	2,185,760
Partnerships and Other Investments	3,929,072	4,124,409	148,128	492,579	8,694,188
Securities Lending Collateral Invest.	544,078	-	-	-	544,078
Receivables:					
Brokers	732	-	-	-	732
Contributions	-	-	-	174	174
Accrued Interest and Other	606,081	-	-	-	606,081
Accounts Receivable	11,131	222,783	24,867	-	258,781
Participant Loans	-	-	-	10,087	10,087
Other Assets	-	-	-	-	-
Capital Assets, Net	12,426	2,219	2,074	-	16,719
<b>Total Assets</b>	<b>15,376,396</b>	<b>11,755,860</b>	<b>504,434</b>	<b>502,840</b>	<b>28,139,530</b>
<b>LIABILITIES</b>					
Accounts Payable	12,634	5,276	6,623	-	24,533
Security Lending Liability	-	-	-	-	-
Accrued Liabilities	497	746	128	-	1,371
Due to Brokers	-	-	-	-	-
Unearned Revenue	-	-	5,610	-	5,610
Deposits Held in Trust	(343)	22	-	-	(321)
Other Liabilities	1,359,930	216,978	19,599	-	1,596,507
<b>Total Liabilities</b>	<b>1,372,718</b>	<b>223,022</b>	<b>31,960</b>	<b>-</b>	<b>1,627,700</b>
<b>NET POSITION</b>					
Held in Trust for:					
Pension Benefits	14,003,678	11,532,838	-	-	25,536,516
Other Employee Benefits	-	-	472,474	-	472,474
Defined Contribution	-	-	-	502,840	502,840
<b>Net Position</b>	<b>\$ 14,003,678</b>	<b>\$ 11,532,838</b>	<b>\$ 472,474</b>	<b>\$ 502,840</b>	<b>\$ 26,511,830</b>

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS (CONTINUED)

For the Year Ended June 30, 2016

(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	\$ 267,698	\$ 293,848	\$ 145,828	\$ -	\$ 707,374
Employer Contributions	331,020	396,989	129,044	-	857,053
Other	-	-	-	35,261	35,261
Total Contributions	<u>598,718</u>	<u>690,837</u>	<u>274,872</u>	<u>35,261</u>	<u>1,599,688</u>
Investment Income (Loss):					
Net Increase in Fair Value of Investments	(195,025)	326,027	(2,161)	994	129,835
Interest and Dividends	289,441	126,427	57	502	416,427
	<u>94,416</u>	<u>452,454</u>	<u>(2,104)</u>	<u>1,496</u>	<u>546,262</u>
Less Investment Expense	46,463	87,883	-	-	134,346
Net Investment Income	<u>47,953</u>	<u>364,571</u>	<u>(2,104)</u>	<u>1,496</u>	<u>411,916</u>
Other Additions:					
Other Operating Revenues	661	2,098	51,010	-	53,769
Total Other Additions	<u>661</u>	<u>2,098</u>	<u>51,010</u>	<u>-</u>	<u>53,769</u>
<b>Total Additions</b>	<u>647,332</u>	<u>1,057,506</u>	<u>323,778</u>	<u>36,757</u>	<u>2,065,373</u>
<b>DEDUCTIONS</b>					
Benefits and Claims	1,040,024	973,704	288,039	34,154	2,335,921
Refunds	44,998	39,027	455	-	84,480
General and Administrative Expenses	10,166	9,432	4,801	1,110	25,509
Other Operating Expenses	723	229	15	-	967
<b>Total Deductions</b>	<u>1,095,911</u>	<u>1,022,392</u>	<u>293,310</u>	<u>35,264</u>	<u>2,446,877</u>
<b>Special Item</b>	<u>11,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,805</u>
<b>Change in Net Position</b>	(436,774)	35,114	30,468	1,493	(369,699)
<b>Net Position - Beginning, as Restated</b>	14,440,452	11,497,724	442,006	501,347	26,881,529
<b>Net Position - Ending</b>	<u>\$ 14,003,678</u>	<u>\$ 11,532,838</u>	<u>\$ 472,474</u>	<u>\$ 502,840</u>	<u>\$ 26,511,830</u>

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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 For the Year Ended June 30, 2016 (In Thousands)

	State Investment Council	State Treasurer	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,799	\$ 241,448	\$ 243,247
Investment in Local Government			
Investment Pool	-	-	-
Investments	66,570	240,540	307,110
Receivables	2,158	636	2,794
<b>Total Assets</b>	<u>70,527</u>	<u>482,624</u>	<u>553,151</u>
<b>LIABILITIES</b>			
Intergovernmental Payables	-	-	-
Other Liabilities	5,435	-	5,435
<b>Total Liabilities</b>	<u>5,435</u>	<u>-</u>	<u>5,435</u>
<b>NET POSITION</b>			
Held in Trust for			
External Investment Pool Participants	65,092	482,624	547,716
<b>Net Position</b>	<u>\$ 65,092</u>	<u>\$ 482,624</u>	<u>\$ 547,716</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, 2016 (In Thousands)

	State Investment Council	State Treasurer	Total
<b>ADDITIONS</b>			
Pool Participant Deposits	\$ 2,352	\$ 351,906	\$ 354,258
Investment Income (Loss):			
Net Increase (Decrease) in			
Fair Value of Investments	(1,519)	-	(1,519)
Interest and Dividends	-	1,793	1,793
<b>Total Additions</b>	<b>833</b>	<b>353,699</b>	<b>354,532</b>
<b>DEDUCTIONS</b>			
General and Administrative Expenses	89	284	373
Distributions	5,007	349,464	354,471
<b>Total Deductions</b>	<b>5,096</b>	<b>349,748</b>	<b>354,844</b>
<b>Change in Net Position</b>	<b>(4,263)</b>	<b>3,951</b>	<b>(312)</b>
<b>Net Position - Beginning</b>	<b>69,355</b>	<b>478,673</b>	<b>548,028</b>
<b>Net Position - Ending</b>	<b>\$ 65,092</b>	<b>\$ 482,624</b>	<b>\$ 547,716</b>

\* 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 For the Year Ended June 30, 2016 (In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 20	\$ 7,456	\$ 1,285	\$ -
Investment in State General Fund Investment Pool	2,225	-	-	130
Investments:				
U.S. Gov't. and Agency Securities	-	-	-	-
International Securities	-	-	-	-
Corporate Equity Securities	-	-	-	-
Corporate and Municipal Bonds	-	-	-	-
Partnerships and Other Investments	-	2,284,217	-	-
Investment Pools	8,596	-	44,305	-
Receivables:				
Brokers	-	-	612	-
Accrued Interest and Other	-	1,838	-	-
Accounts Receivable	-	2,665	84	-
Other Receivables	-	(2)	-	-
<b>Total Assets</b>	<u>10,841</u>	<u>2,296,174</u>	<u>46,286</u>	<u>130</u>
<b>LIABILITIES</b>				
Accounts Payable	-	-	-	-
Accrued Liabilities	-	4,149	-	-
Due to Brokers	-	-	-	-
Other Liabilities	-	-	1,732	-
<b>Total Liabilities</b>	<u>-</u>	<u>4,149</u>	<u>1,732</u>	<u>-</u>
<b>NET POSITION</b>				
Held in Trust for Other Purposes	10,841	2,292,025	44,554	130
<b>Net Position</b>	<u>\$ 10,841</u>	<u>\$ 2,292,025</u>	<u>\$ 44,554</u>	<u>\$ 130</u>

NOTE: Scholarship Fund – Using FY15 Balances

# STATE OF NEW MEXICO

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

For the Year Ended June 30, 2016

(In Thousands)

	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,607	\$ 10,368
Investment in State General Fund Investment Pool	1,745	534	1,824	6,458
Investments:				
U.S. Gov't. and Agency Securities	-	-	-	-
International Securities	-	-	-	-
Corporate Equity Securities	-	-	-	-
Corporate and Municipal Bonds	-	-	-	-
Partnerships and Other Investments	-	-	-	2,284,217
Investment Pools	3,876	1,286	31,504	89,567
Receivables:				
Brokers	-	-	-	612
Accrued Interest and Other	-	-	-	1,838
Accounts Receivable	13	-	-	2,762
Other Receivables	1	-	477,115	477,114
<b>Total Assets</b>	<u>5,635</u>	<u>1,820</u>	<u>512,050</u>	<u>2,872,936</u>
<b>LIABILITIES</b>				
Accounts Payable	-	-	63	63
Accrued Liabilities	-	-	2	4,151
Due to Brokers	-	-	-	-
Other Liabilities	68	26	547,033	548,859
<b>Total Liabilities</b>	<u>68</u>	<u>26</u>	<u>547,098</u>	<u>553,073</u>
<b>NET POSITION</b>				
Held in Trust for Other Purposes	5,567	1,794	(35,048)	2,319,863
<b>Net Position</b>	<u>\$ 5,567</u>	<u>1,794</u>	<u>(35,048)</u>	<u>2,319,863</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, 2016 (In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust
<b>ADDITIONS</b>				
Member Contributions	\$ -	\$ 717,495	\$ -	\$ -
Total Contributions	-	717,495	-	-
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	-	(31,986)	(153)	-
Interest and Dividends	201	33,279	910	-
	201	1,293	757	-
Less Investment Expense	-	-	-	-
Net Investment Income	201	1,293	757	-
Other Additions:				
Other Operating Revenues	-	9	-	-
Total Other Additions	-	9	-	-
<b>Total Additions</b>	201	718,797	757	-
<b>DEDUCTIONS</b>				
Distributions	-	781,520	4,000	-
General and Administrative Expenses	2,300	11,781	25	13
<b>Total Deductions</b>	2,300	793,301	4,025	13
<b>Change in Net Position</b>	(2,099)	(74,504)	(3,268)	(13)
<b>Net Position - Beginning, as Restated</b>	12,940	2,366,529	47,822	143
<b>Net Position - Ending</b>	\$ 10,841	\$ 2,292,025	\$ 44,554	\$ 130

# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS (CONTINUED)

For the Year Ended June 30, 2016

(In Thousands)

	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Total
<b>ADDITIONS</b>				
Member Contributions	\$ -	\$ -	\$ -	\$ 717,495
Total Contributions	-	-	-	717,495
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	68	26	1,163	(30,882)
Interest and Dividends	4	1	4	34,399
	72	27	1,167	3,517
Less Investment Expense	-	-	-	-
Net Investment Income	72	27	1,167	3,517
Other Additions:				
Other Operating Revenues	106	-	11,684	11,799
Total Other Additions	106	-	11,684	11,799
<b>Total Additions</b>	<b>178</b>	<b>27</b>	<b>12,851</b>	<b>732,811</b>
<b>DEDUCTIONS</b>				
Distributions	-	-	-	785,520
General and Administrative Expenses	-	-	40,436	54,555
<b>Total Deductions</b>	<b>-</b>	<b>-</b>	<b>40,436</b>	<b>840,075</b>
<b>Change in Net Position</b>	<b>178</b>	<b>27</b>	<b>(27,585)</b>	<b>(107,264)</b>
<b>Net Position - Beginning, as Restated</b>	<b>5,389</b>	<b>1,767</b>	<b>(7,463)</b>	<b>2,427,127</b>
<b>Net Position - Ending</b>	<b>\$ 5,567</b>	<b>\$ 1,794</b>	<b>\$ (35,048)</b>	<b>\$ 2,319,863</b>

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# STATE OF NEW MEXICO

## OTHER SUPPLEMENTARY INFORMATION STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES For the Year Ended June 30, 2016 (In Thousands)

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

	Balance July 1, 2015 as Restated	Additions	Deletions	Balance June 30, 2016
<b>Assets</b>				
Cash and Cash Equivalents	\$ 20,127	\$ 11,465	\$ 12,762	\$ 18,830
Investment in State General Fund Investment Pool	1,029,518	18,574,776	19,524,534	79,760
Investment in Local Government Investment Pool	4,884	554	715	4,723
Investments	22,129	395	332	22,192
Due from Other Parties	62,385	109,253	171,638	-
Receivables, Net	1,128,589	1,290,741	1,450,304	969,026
<b>Total Assets</b>	<u>\$ 2,267,632</u>	<u>\$ 19,987,184</u>	<u>\$ 21,160,285</u>	<u>\$ 1,094,531</u>
<b>Liabilities</b>				
Accounts Payable	\$ 49,143	\$ 1,527,339	\$ 1,525,130	\$ 51,352
Accrued Liabilities	-	43,655	43,655	-
Due to Component Units	266,505	1,341,639	1,403,033	205,111
Due to Other Parties	1,177,668	2,115,581	3,293,249	-
Intergovernmental Payables	304,346	447,993	452,175	300,164
Deposits Held in Trust	364,633	11,830,955	11,809,696	385,892
Other Liabilities	105,337	104,179	57,504	152,012
<b>Total Liabilities</b>	<u>\$ 2,267,632</u>	<u>\$ 17,411,341</u>	<u>\$ 18,584,442</u>	<u>\$ 1,094,531</u>