

New Issue

This Official Statement (“Official Statement”) has been prepared by the State Board of Finance to provide information on the \$317,170,000 State of New Mexico Severance Tax Bonds, Series 2021A (the “Bonds”). Selected information is presented on this cover page for the convenience of the user. To make an informed decision, a prospective investor should read the entire Official Statement. Certain capitalized terms used in the cover page and elsewhere in this Official Statement have the meanings given in the Official Statement.



\$317,170,000 STATE OF NEW MEXICO SEVERANCE TAX BONDS SERIES 2021A

Dated: Delivery Date

Due: January 1, as shown on the inside front cover

Ratings on Bonds

“Aa2” Moody’s Investors Service
“AA-” S&P Global Ratings

Tax Exemption

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

Redemption of Bonds

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

Source of Payment

The Bonds are special limited obligations of the State payable from, and secured by, taxes levied upon certain natural resource products severed and saved from the soil of the State deposited into the Severance Tax Bonding Fund.

Priority

The Bonds are being issued under the authority of NMSA 1978, Sections 7-27-1 to -27 (1961, as amended through 2021 (the “Severance Tax Bonding Act”). The Bonds will be on a parity with Severance Tax Bonds now or hereafter outstanding and senior to Supplemental Severance Tax Bonds now or hereafter outstanding.

Purposes

Net proceeds of the Bonds are being used to provide funds to finance capital improvements approved by the State Legislature.

Interest Payment Dates

January 1 and July 1, commencing January 1, 2022.

Public Sale

The Bonds were sold pursuant to a competitive bidding process on June 17, 2021.

Closing/Settlement

On or about June 29, 2021.

Book-Entry System

The Depository Trust Company.

Registrar/Paying Agent

State Treasurer of New Mexico.

Co-Bond Counsel

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

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Issuer Contact

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Date of Official Statement:

June 17, 2021.

MATURITY SCHEDULE
STATE OF NEW MEXICO
SEVERANCE TAX BONDS, SERIES 2021A

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield at Issuance⁽¹⁾	Price at Issuance⁽¹⁾	CUSIP⁽²⁾
2022	\$25,065,000	5.00%	0.18%	104.840%	647310 3L3
2023	26,350,000	5.00	0.22	109.560	647310 3M1
2024	27,705,000	5.00	0.32	113.987	647310 3N9
2025	29,125,000	5.00	0.46	117.998	647310 3P4
2026	30,615,000	5.00	0.61	121.609	647310 3Q2
2027	32,185,000	5.00	0.77	124.778	647310 3R0
2028	33,840,000	5.00	0.88	127.931	647310 3S8
2029	35,575,000	5.00	1.00	130.700	647310 3T6
2030	37,395,000	5.00	1.10	133.350	647310 3U3
2031	39,315,000	5.00	1.15	136.289	647310 3V1

⁽¹⁾ This information has not been provided by the State.

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

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Governor

MAGGIE TOULOUSE OLIVER

Secretary of State

HOWIE MORALES

Lieutenant Governor

TIM EICHENBERG

State Treasurer

BRIAN COLÓN

State Auditor

HECTOR BALDERAS

Attorney General

STEPHANIE GARCIA RICHARD

Commissioner of Public Lands

Public Regulation Commissioners:

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JEFFERSON L. BYRD

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THERESA BECENTI-AGUILAR

District IV

STEPHEN FISCHMANN

District V

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FINANCIAL ADVISORS

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Boulder, Colorado*

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

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

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

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

The State Board of Finance (the "Board") is the author of this Official Statement and is responsible for its accuracy and completeness. BofA Securities, Inc. (the "Underwriter") purchased the Bonds pursuant to a public sale held on June 17, 2021. Both the Preliminary Official Statement and the Official Statement are "deemed final" by the Board for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

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

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SUMMARY OF INFORMATION

\$317,170,000

**STATE OF NEW MEXICO
SEVERANCE TAX BONDS
SERIES 2021A**

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

<i>Dated:</i>	Delivery Date.
<i>Interest Payment:</i>	Interest is payable semi-annually on January 1 and July 1, commencing on January 1, 2022.
<i>Principal Payment:</i>	The Bonds mature in serial installments as set forth on the inside cover page of this Official Statement.
<i>Redemption of Bonds:</i>	The Bonds will not be subject to optional or mandatory redemption prior to maturity.
<i>Registration:</i>	The Bonds are being issued solely in book-entry form in the denomination of \$5,000 or any integral multiple thereof. The Bonds are being registered to Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as depository.
<i>Legal Opinion:</i>	The Bonds are offered when, as and if issued, subject to the approval of legality by Sherman & Howard L.L.C. and Rodey, Dickason, Sloan, Akin & Robb, P.A., Co-Bond Counsel and Gilmore & Bell, P.C., Tax Counsel.
<i>Security:</i>	The Bonds constitute special limited obligations of the State of New Mexico and will be payable solely from deposits to and revenues of the Severance Tax Bonding Fund (the “Bonding Fund”), consisting primarily of receipts from certain taxes levied on certain natural resource products severed and saved from the soil of the State of New Mexico as more fully described herein.
<i>Additional Parity Bonds:</i>	The Board is prohibited by statute from issuing Senior Severance Tax Bonds and short-term Senior Severance Tax Funding Notes unless the aggregate amount of total Senior Severance Tax Bonds and Senior Funding Notes outstanding, after giving effect to the proposed issuance, can be serviced with not more than 47.6 percent of the annual deposits into the Bonding Fund, as determined by the lesser of the deposits during the preceding Fiscal Year or the deposits during the current Fiscal Year, as estimated by the Board of Finance Division of the Department of Finance and Administration (the “Division”).

\$317,170,000
THE STATE OF NEW MEXICO
SEVERANCE TAX BONDS
SERIES 2021A

INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page, the Summary of Information and the Appendices hereto, is to furnish information regarding the issuance of the \$317,170,000 State of New Mexico Severance Tax Bonds, Series 2021A (the “Bonds”) of the State of New Mexico (the “State”) by the State Board of Finance (the “Board”).

The Bonds are being issued under authority of the Severance Tax Bonding Act, NMSA 1978, Sections 7-27-1 to -27 (1961, as amended through 2021) (the “Severance Tax Bonding Act”), the Supplemental Public Securities Act, NMSA 1978, Sections 6-14-8 to -11 (1983, as amended through 2021) and pursuant to a resolution of the Board adopted on May 18, 2021, as amended pursuant to a resolution of the Board to be adopted on June 15, 2021 and as supplemented by a Final Terms Certificate approved in accordance with the terms of such resolution (collectively, the “Bond Resolution”).

This Official Statement contains summaries of the terms of the Bonds, certain fiscal matters of the State, and the Severance Taxes (defined below) imposed by the State. The descriptions included in this Official Statement do not purport to be comprehensive or definitive, and such summaries and descriptions are qualified in their entirety by reference to such laws, and the definitive forms of documents, exhibits or appendices where applicable.

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

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TABLE 1
Summary of Projected and Historical Coverage in Severance Tax Bonding Fund
Fiscal Year Ended June 30
(Dollars in thousands)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Projected Bonding Fund Receipts	\$654,355	\$710,632	\$736,139	\$744,632	\$755,526
Senior Bond Debt Service ^{(1),(2)}	136,901	141,446	164,991	156,115	137,098
Senior Bond Debt Service Coverage Ratio	4.78x	5.02x	4.46x	4.77x	5.51x
Supplemental Bond Debt Service ⁽²⁾	20,591	9,121	9,123	9,125	9,122
Supplemental Bond Debt Service Coverage Ratio	4.15x	4.72x	4.23x	4.51x	5.17x
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonding Fund Receipts	\$309,940	\$354,884	\$471,047	\$686,924	\$698,585
Senior Bond Debt Service ^{(1),(2)}	142,085	141,063	142,160	145,381	146,969
Senior Bond Debt Service Coverage Ratio	2.18x	2.52x	3.31x	4.72x	4.75x
Supplemental Bond Debt Service ⁽²⁾	13,842	19,026	20,474	21,142	21,143
Supplemental Bond Debt Service Coverage Ratio	1.99x	2.22x	2.90x	4.13x	4.15x

⁽¹⁾ Includes debt service on the Bonds.

⁽²⁾ Excludes debt service on refunded bonds, if any, which will be paid from escrowed securities and severance tax debt obligations sold to the State Treasurer that are retired within the same fiscal year.

Sources: New Mexico State Board of Finance and Fiscal Strategies Group

Impacts of COVID-19 Pandemic

Public Health Orders and Response to COVID-19. The COVID-19 pandemic has impacted and altered the behavior of businesses and people in a manner that is having significant negative effects on global, national, state and local economies. The contagious nature of the COVID-19 virus resulted in the Governor of the State issuing a public health order on March 19, 2020, to implement social distancing measures, close non-essential businesses, and limit and reduce business capacity. A subsequent executive order implemented school closures. As the pandemic continued, the State developed public health gating criteria to measure the level of COVID-19 cases and other risk factors and assess when it would be safe to gradually reopen the economy and society. The criteria have been a part of New Mexico’s phased plan for reopening and have been assessed regularly to measure the ability of the State to move into more relaxed social distancing and non-essential in-person commercial business operation restrictions.

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

In December 2020, the Governor established a COVID-19 vaccination program, establishing three phases of vaccine roll-out in order to prioritize vulnerable individuals and ensure equitable vaccine distribution. New Mexico has been ranked among the top states for vaccine doses administered per 100,000 of the total population. As of March 2021, New Mexico’s COVID-10 vaccinations were reported to be outpacing new infections 72 to 1. With this roll out of vaccines and improved metrics and risk assessments for counties, the State has seen social distancing restrictions and commercial operation restrictions relaxed. Businesses have been able to increase operations and allow a larger percentage of customers inside establishments. Additionally, schools statewide have been able to reopen, with the State’s largest school district resuming in-person learning in early April 2021. On April 5, 2021, the

second phase of vaccine distribution began, with all New Mexicans 16 years old and older being eligible to receive the COVID-19 vaccine.

As vaccines were more widely distributed, the Governor began to ease restrictions on commercial operations. As of May 3, 2021, all but three counties were classified under the least restrictive tier, or low risk, level. This means capacity restrictions were significantly relaxed at commercial businesses. In June 2021, all counties were classified under the least restrictive tier. In June 2021, more than 66 percent of New Mexico residents had received at least one dose of the COVID-19 vaccine and more than 56 percent were fully vaccinated.

Employment. One significant impact of the COVID-19 virus can be seen in the State's employment data. From February 2020 to April of 2020, the State lost more than 104,000 jobs. While the State has regained some of the lost employment (19,800 jobs) from April 2020 to January 2021, the recovery still has a way to go for employment to reach pre-COVID-19 levels. On a year-over-year basis, in March 2021, total employment is down 7.6 percent (65,000 jobs) when compared to March 2020. The most severely impacted sectors are the leisure and hospitality sector, the mining sector and the information sector which are down 17.9 percent (17,700 jobs), 29.6 percent (7,400 jobs) and 23.1 percent (2,400 jobs) respectively, when compared to March 2020.

The State unemployment rate peaked at 12.5 percent in July 2020 and has decreased to 8.3 percent in March 2021. The State's year-over-year employment declined across most sectors in January 2021.

The national unemployment rate peaked at 14.8 percent in April 2020 and has decreased to 6.1 percent in April 2021. Employment recovery in New Mexico to pre-COVID-19 levels is expected to take several years under Moody's Analytics baseline and alternative scenario forecasts, with New Mexico's employment level expected to not reach pre-COVID-19 levels until the last quarter of calendar year 2022.

Tax Collections. Collections of various taxes in the State have, in certain cases, shown some impact from COVID-19. Matched taxable gross receipts ("MTGR") collections declined 6.7 percent in April 2020 versus April 2019 at the onset of the COVID-19 pandemic. On a monthly basis, the brunt of the MTGR decline was experienced in October of 2020, when MTGR was down 11.8 percent compared to the same month one year prior. On a year-over-year basis, more current data showed improved collections in January 2021, down 4.5 percent, while February data shows MTGR down 9.5 percent.

Measuring MTGR on a fiscal year-to-date basis, collections in Fiscal Year 2021 from July 2020 through February 2021 are down 9.5 percent when compared to the same period in Fiscal Year 2020.

Personal income tax revenues year-to-date through January were \$897 million, which represents an increase of 7.7 percent from the prior fiscal-year-to-date revenues (\$832.7 million). Prior estimates expected more severe declines in personal income tax revenues; however, this revenue stream has consistently performed slightly better than the estimates for Fiscal Year 2021. It is also worth noting that due to a delay in the opening of the tax season, the volume of personal income tax returns normally filed in January were filed in February. This led to the condensing of two months of tax returns being processed in one month and subsequently a large number of refunds being issued in February. The income tax revenue activity in February accrues to January and an abnormally high refund amount meant a negative general fund number for personal income tax in January 2021.

The most recent February 2021 consensus revenue estimating group ("consensus group") forecast weighs all available information, and while much of the revenue outlook has improved relative to the

expectations from early in the pandemic last year, the COVID-19 pandemic remains a headwind to economic recovery in the State.

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

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

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

The State economy was bolstered in the second quarter of 2020 by the fiscal stimulus provided in the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Measures included loans to businesses under the paycheck protection program, unemployment benefits for self-employed and independent contractors, one-time \$1,200 stimulus checks to individuals, and an extra \$600 per week in unemployment benefits. Additionally, the State received \$1.2 billion in CRF monies to assist in managing the healthcare crisis. CRF must be allocated between state, local, and tribal governments. The Governor approved \$150 million of CRF for small businesses (\$50 million distributed) and local governments (\$100 million distributed) and \$28 million for tribal governments in July 2020. Funds were provided as grants at the beginning of September 2020. These funds covered the costs of necessary expenditures incurred due to the public health emergency for the period beginning on March 1, 2020, through December 30, 2020.

There were more than 40 grants in addition to the CRF included in the federal stimulus legislation. Many of these grants were allocated directly to State government agencies. Here are some of the most significant grants. The Governor's Emergency Education Relief Fund ("GEER") appropriated \$22.26 million to be distributed for services to students throughout the State. This funding is distributed between the Public Education Department, Higher Education Department and the new Early Childhood Education and Care Department. The Elementary and Secondary School Emergency Relief Fund ("ESSERF") awarded \$108.6 million to the Public Education Department to be distributed to local education agencies ("LEAs"), including charter schools that are LEAs. The Higher Education Emergency Relief Funding ("HEERF") provided \$76.8 million to State institutions of higher education based on a formula stipulated in the original legislation. Supplemental funding for the Child Care and Development Block Grant ("CCDBG") of \$29.4 million was allocated for supporting childcare programs for low-

income working families and is administered by the State's Children, Youth and Families Department. \$77.3 million was allocated for Centers for Disease Control testing. Unemployment Insurance Administration funding of \$2.6 million via the federal Families First Coronavirus Response Act is designated for expanded services to workers who may not ordinarily be eligible for benefits. An Election Security Grant through the Help America Vote Act ("HAVA") made \$3.9 million available to the State to prevent, prepare for and respond to the virus for the 2020 federal election cycle. Supplemental funding of \$5.4 million was provided for the Low-Income Home Energy Assistance Program ("LIHEAP") with continued administration by the State's Human Services Department.

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

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

During the 2021 session, due to better than expected revenues and improved consensus forecast outlooks, the targeted decreases of 1 to 4 percent from the 2020 first special session in the State budget were no longer needed, and neither was the elimination of 4 percent salary increases for state employees. In fact, the Legislature passed a cost of living adjustment and state employees' salaries were increased by 1.5 percent in Fiscal Year 2022. The 2021 session adjusted the Fiscal Year 2021 general fund recurring budget upward, with a slight increase of 1.8 percent or \$130 million to \$7.22 billion. The Fiscal Year 2022 general fund recurring budget increased by 3.2 percent (\$229 million).

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

The ARPA also included several dozen grants to support New Mexican individuals, businesses, and governmental entities. The most significant source of funding is the Coronavirus State and Local Fiscal Relief Fund. The Fiscal Relief Fund can be used for a wide range of activities to respond to the pandemic or its negative economic impacts, including governmental revenue replacement to reduce or

prevent cuts in service delivery resulting from the widespread decline in governmental revenues caused by the pandemic. The State of New Mexico is set to receive \$1.6 billion, while New Mexico local and county governments will receive \$703 million.

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

THE SEVERANCE TAX BONDS

General Terms

The Bonds are dated their date of delivery, bear interest until the principal amount thereof is paid, and mature as set forth on the inside cover page hereof. Interest on the Bonds is payable on January 1 and July 1, commencing on January 1, 2022. The Bonds are being issued solely in book-entry form in denominations of \$5,000 or integral multiples thereof. The Bonds are being registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as depository for the Bonds. The Bonds are subject to transfer and exchange as set forth in the Bond Resolution.

No Optional or Mandatory Redemption of Bonds

The Bonds are not subject to optional or mandatory redemption prior to maturity.

Security for the Bonds

There are two categories of bonds issued by the Board for which the money in the Bonding Fund is pledged for their retirement. Those bonds are referred to in the Severance Tax Bonding Act as “New Mexico Severance Tax Bonds” and as “New Mexico Supplemental Severance Tax Bonds” but, for clarity, are referred to herein as “Senior Severance Tax Bonds” and “Supplemental Severance Tax Bonds,” respectively. Where appropriate, Senior Severance Tax Bonds and Supplemental Severance Tax Bonds are collectively referred to herein as “Severance Tax Bonds.”

Security for the Bonds. The Board is prohibited by statute from issuing Senior Severance Tax Bonds with a term that extends beyond the Fiscal Year in which they are issued unless the aggregate amount of Senior Severance Tax Bonds and Senior Funding Notes outstanding, after giving effect to the proposed issuance, can be serviced with not more than 47.6 percent of the annual deposits into the Bonding Fund, as determined by the lesser of the deposits during the preceding Fiscal Year or the deposits during the current Fiscal Year, as estimated by the Division.

In addition, short-term Supplemental Severance Tax Funding Notes (“Supplemental Funding Notes”) may be issued if the debt service on such Supplemental Funding Notes, when added to the debt service previously paid or scheduled to be paid during that Fiscal Year on Senior Severance Tax Bonds, Senior Funding Notes and Supplemental Severance Tax Bonds does not exceed the following percentages of the lesser of the deposits in the Bonding Fund during the preceding Fiscal Year or the deposits into the Bonding Fund during the current Fiscal Year, as estimated by the Division:

- (1) For Fiscal Year 2021, 87.8 percent; and
- (2) For Fiscal Year 2022 and subsequent Fiscal Years, 86.2 percent.

The Senior Severance Tax Bonds and Senior Funding Notes fund a wide variety of capital projects, while Supplemental Severance Tax Bonds and Supplemental Funding Notes are earmarked for capital projects for public education. The Board has authority to issue Supplemental Severance Tax Bonds for public school projects in amounts certified to the Board from time to time by the Public School Capital Outlay Council of the State. During Fiscal Years 2018 through 2022, certain public school capital expenditures, including instructional materials and school bus transportation, will be funded via the issuance of Supplemental Severance Tax Bonds as certified by the Public Education Department Secretary. The lien of the pledge of such Supplemental Severance Tax Bonds (including Supplemental Funding Notes) is subordinate to any outstanding Senior Severance Tax Bonds.

NMSA 1978 Section 7-27-8 requires that on each December 31 and each June 30 the State Treasurer shall transfer to the Severance Tax Permanent Fund all money in the Bonding Fund except the amount necessary to meet all principal and interest payments on bonds payable from the Bonding Fund on the next two ensuing semiannual payment dates.

Following the 2019 legislative session, Senate Bill 535 was signed into law. The bill stipulated that the Board not issue and sell more than \$181.8 million of Supplemental Severance Tax Bonds in Fiscal Year 2019. The bill also requires the Board, by December 31 of each year for 2019 through 2028 (Fiscal Years 2020 through 2029), to transfer \$23.69 million from the Bonding Fund to the Severance Tax Permanent Fund. The amount of the Severance Tax Permanent Fund transfer would be considered before determining the bonding capacity. The Board may determine that a lesser transfer amount is necessary per NMSA 1978 Section 7-27-8 in order to pay debt service obligations.

The total aggregate principal amount of outstanding Severance Tax Bonds issued by the State does not now, nor will such amount upon the issuance of the Bonds, exceed any applicable limit prescribed by the Constitution or laws of the State.

The Bonds, all currently outstanding Senior Severance Tax Bonds, and any Senior Severance Tax Bonds or Senior Funding Notes issued on a parity with the Bonds will have a pledge and lien senior to any Supplemental Severance Tax Bonds or Supplemental Funding Notes now outstanding or hereafter issued.

The Bonds are special obligations of the State secured by and payable solely from, on a parity basis to Senior Severance Tax Bonds and Senior Funding Notes now or hereafter outstanding and on a prior lien basis to Supplemental Severance Tax Bonds and Supplemental Funding Notes now or hereafter outstanding, deposits to the Bonding Fund into which are deposited, pursuant to the Severance Tax Bonding Act, the net receipts from taxes levied in accordance with the Severance Tax Act, NMSA 1978, Sections 7-26-1 to -8 (1937, as amended through 1999) (the "Severance Tax Act"), and the Oil and Gas Severance Tax Act, NMSA 1978, Sections 7-29-1 to -23 (1959, as amended through 2005) (the "Oil and Gas Severance Tax Act"), upon certain natural resource products severed and saved from the soil of the State ("Severance Taxes"), investment earnings on such deposits and on unused bond proceeds in certain accounts, and such other moneys as the Legislature in its sole discretion may from time to time determine. On June 30 and December 31 of each year, the excess money in the Bonding Fund over the amount necessary to meet all principal and interest payments on all outstanding Severance Tax Bonds on the next two ensuing semiannual payment dates must be transferred to the Severance Tax Permanent Fund.

Once moneys are so transferred, they no longer may be used to pay, or to secure payment of, principal, premium, if any, or interest on any Severance Tax Bonds. Severance Tax Bonds are

not general obligations of the State and the State is prohibited by law from using the proceeds of property taxes as a source of payment of revenue bonds, including Severance Tax Bonds.

The State Treasurer keeps separate accounts for all money collected as Severance Taxes, and is directed by State statute to pay Severance Tax Bonds from moneys on deposit in the Bonding Fund. The Bond Resolution provides for the creation of a separate Debt Service Account within the Bonding Fund for the payment of principal and interest on the Bonds.

The Severance Tax Bonding Act requires the Legislature to provide for the continued assessment, levy, collection and deposit into the Bonding Fund of Severance Taxes which, together with such other moneys as may be deposited into the Bonding Fund, will be sufficient to produce an amount at least equal to annual debt service on all outstanding Severance Tax Bonds.

In addition, the Board covenants in the Bond Resolution that the State will use its best efforts to collect and deposit in the Bonding Fund proceeds from Severance Taxes as set forth in the Severance Tax Bonding Act which, when combined with other amounts the State Legislature, in its sole discretion, may from time to time deposit in the Bonding Fund will equal at least two-hundred percent (200%) of the amount of the principal and interest scheduled to be due in each fiscal year of the State on Severance Tax Bonds, including the Bonds. However, the Board does not have the power to levy or impose Severance Taxes, and no assurance exists that the 200 percent requirement will be met.

USE OF PROCEEDS

Purpose

The proceeds of the Bonds are being used to provide funds to finance capital improvements as described in legislation approved by the State Legislature and signed by the Governor.

The proceeds of the Bonds are expected to be applied in the manner set forth in the following table:

SOURCES:	
Par Amount	\$317,170,000.00
Net Original Issue Premium	<u>74,551,244.75</u>
TOTAL SOURCES	<u>\$391,721,244.75</u>
USES:	
Deposit to Capital Project Account	\$391,337,644.00
Underwriter's Discount	382,939.33
Additional Proceeds	<u>661.42</u>
TOTAL USES	<u>\$391,721,244.75</u>

SEVERANCE TAX BONDING FUND AND DEBT SERVICE REQUIREMENTS

Severance Taxes have been collected by the State since the adoption of the Severance Tax Act in 1937. Since 1959, certain Severance Tax receipts and certain other moneys determined by the Legislature have been deposited into the Bonding Fund and used, in part, to service bond issues, which have funded a variety of capital improvements in the State. Pursuant to the provisions of the Severance Tax Act and the Oil and Gas Severance Tax Act, Severance Tax receipts, including penalties and interest, and such other moneys as the Legislature in its sole discretion may from time to time determine (including interest earnings on moneys in the Bonding Fund and the project accounts and reversions from project accounts in

the Bonding Fund), are deposited into the Bonding Fund. As of the date of this Official Statement, other moneys including interest earnings on moneys in the Bonding Fund, reversions from project accounts in the Bonding Fund, prepayments and tax settlements have been deposited. See Table 5 entitled “Severance Tax Bonding Fund Receipts, Disbursements and Transfers” herein. The moneys in the Bonding Fund are pledged for the payment of principal, premium, if any, and interest on Severance Tax Bonds and Supplemental Severance Tax Bonds, and there are no other liens or encumbrances of any nature on or against (i) the Bonding Fund, or (ii) the net revenues derived from Severance Taxes that are required to be credited to the Bonding Fund; provided, however, that semiannual transfers of excess funds in the Bonding Fund to the Severance Tax Permanent Fund are required by state statute December 31 and June 30 of each fiscal year. See “—Issuance of Severance Tax Bonds” below. The moneys in the Bonding Fund are also available to pay costs of issuance in connection with the sale of Severance Tax Bonds and Supplemental Severance Tax Bonds.

Severance taxation is determined by State statute. For a description of the various Severance Tax rates and methods of their calculation, see “SEVERANCE TAX REVENUE” below.

Investments

Funds on deposit in the Bonding Fund are invested by the State Treasurer at the direction and approval of the Board, pursuant to the State Treasurer’s Investment Policy (“Investment Policy”), adopted on December 17, 2019. For a description of the Investment Policy, see State Treasurer’s Investment Responsibilities in “Appendix A.” Investments are made in securities, which are at the time legal investments of the State, and no such investment or deposit shall violate any applicable restrictions imposed by the Tax Code (defined herein) and applicable Treasury Department regulations relating to the market price and the existence of an established market.

Except for funds deposited into the Rebate Fund (defined in the Bond Resolution) for any bond series, net interest earned on the amounts on deposit in the Debt Service Account for those bonds shall be retained therein, and net interest earned on amounts on deposit in the Project Fund for those bonds shall be credited to the Debt Service Account for those bonds and applied to the payment of principal and interest on the bonds next becoming due. Any net loss, after applying any earnings in that account or fund to the loss, resulting from any investment shall be charged to the applicable account from which such investment was made.

Issuance of Severance Tax Bonds

The Severance Tax Bonding Act authorizes the issuance and sale of Senior Severance Tax Bonds and Supplemental Severance Tax Bonds payable from the net receipts from taxes levied upon certain natural resource products severed and saved from the soil (“Severance Taxes”) in accordance with the provisions of, and as described in, the Severance Tax Bonding Act.

Severance Taxes are collected on a monthly basis by the New Mexico Taxation and Revenue Department (the “TRD”) and deposited in the Extraction Taxes Suspense Fund within the General Fund of the State. If the TRD determines that there is no substantial risk of protest or litigation related to those tax revenues, they are released from the Extraction Taxes Suspense Fund and deposited in the Bonding Fund in the month following the collection of the Severance Taxes; otherwise the tax revenues are held in the Extraction Taxes Suspense Fund until the substantial risk of protest or litigation is no longer present.

On December 31 and June 30 of each fiscal year, excess funds in the Bonding Fund are transferred into the Severance Tax Permanent Fund. Excess funds are defined as funds in excess of the

next two semi-annual payments of debt service on Severance Tax Bonds. **Balances in the Severance Tax Permanent Fund are not pledged as security for the Bonds.**

In addition to the sale of long-term Senior Severance Tax Bonds and Supplemental Severance Tax Bonds, the State issues Senior Funding Notes and Supplemental Funding Notes from time to time to utilize excess capacity available in the Bonding Fund, as authorized by the Legislature, and to make those funds available for capital projects of the State. The Senior Funding Notes and Supplemental Funding Notes generally are taxable for federal income tax purposes, have a maturity of five days or less, mature in the fiscal year in which they are issued and are purchased by the State Treasurer.

State Capital Program

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

TABLE 2
Principal Sources of Capital Project Funding
Fiscal Year Ended June 30
(Dollars in millions)

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

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

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

⁽³⁾ Totals may not add due to rounding.

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

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

The New Mexico Finance Authority (the "Finance Authority") was created by the State Legislature in 1992 to assist qualified governmental entities in financing capital equipment and infrastructure projects. The Finance Authority is a state instrumentality governed by a board of directors

and is not subject to the direct supervision or control of any other board, bureau, department or agency of the State.

Outstanding and Additional Senior Severance Tax Bonds

The Bonds will be secured on a parity with the following Senior Severance Tax Bonds currently outstanding (exclusive of those Senior Severance Tax Bonds which are fully secured by escrowed securities). The Bonds will be issued with a lien senior to all current and any future Supplemental Severance Tax Bonds. See “—Outstanding and Additional Supplemental Severance Tax Bonds” below.

**TABLE 3
Outstanding Senior Severance Tax Bonds ¹**

Severance Tax Bonds, Series 2011A-1	\$ 3,635,000
Severance Tax Bonds, Series 2012A	15,540,000
Severance Tax Bonds, Series 2015A	82,565,000
Severance Tax Bonds, Series 2016A	78,750,000
Severance Tax Bonds, Refunding Series 2016B	133,130,000
Taxable Severance Tax Bonds, Series 2016C	1,695,000
Severance Tax Bonds, Series 2016D	26,725,000
Taxable Severance Tax Bonds, Series 2016E	7,085,000
Severance Tax Bonds, Series 2017A	58,395,000
Severance Tax Bonds, Series 2018A	104,245,000
Severance Tax Bonds, Series 2020A	94,735,000
Severance Tax Bonds, Series 2021A	<u>317,170,000</u>
Total	<u>\$923,670,000</u>

⁽¹⁾ Upon issuance of the Bonds.

Additional Senior Severance Tax Bonds may be issued in the future only if certain statutory conditions as to debt service capacity are met. See “THE SEVERANCE TAX BONDS—Security for the Bonds.”

Outstanding and Additional Supplemental Severance Tax Bonds

Supplemental Severance Tax Bonds are authorized pursuant to an amendment to the Severance Tax Bonding Act enacted in 1999. In Fiscal Year 2020, long-term Supplemental Severance Tax Bonds were not issued. Supplemental Funding Notes were issued with a term that did not extend beyond the then current fiscal year. Supplemental Funding Notes are issued if the debt service on such Supplemental Funding Notes, when added to the debt service previously paid or scheduled to be paid during that fiscal year on Senior Severance Tax Bonds, Senior Funding Notes, Supplemental Severance Tax Bonds and any other Supplemental Funding Notes, did not exceed, for the year 2020, 89.4 percent of the deposits into the Bonding Fund as determined by the lesser of the deposits during the preceding fiscal year or the deposits during the current fiscal year as estimated by the Division. For 2021 and 2022, the percent of the deposits figure that cannot be exceeded decreases to 87.8 percent and 86.2 percent respectively. The Board has been authorized by statute to issue Supplemental Severance Tax Bonds and Supplemental Funding Notes for public school projects in amounts certified to the Board from time to time by the Public School Capital Outlay Council of the State and the Public Education Department Secretary. The lien of the pledge of such Supplemental Severance Tax Bonds and Supplemental Funding Notes is subordinate to any Senior Severance Tax Bonds.

TABLE 4
Outstanding Supplemental Severance Tax Bonds

Supplemental Severance Tax Bonds, Series 2015B	\$40,365,000
Total	<u>\$40,365,000</u>

Source: New Mexico State Board of Finance.

The following tables set forth actual and projected results for the Bonding Fund including receipts, disbursements, debt service requirements, transfers and projected debt service coverage ratios.

TABLE 5
Severance Tax Bonding Fund
Receipts, Disbursements and Transfers
Fiscal Year Ended June 30 ^{(1), (2)}
(Dollars in thousands)

	2016	2017	2018	2019	2020
Beginning Balance	\$152,086	\$160,886	\$195,785	\$218,476	\$236,399
Receipts:					
Taxes:					
Oil and Gas Severance Tax	289,063	327,403	447,411	655,934	674,440
Other Minerals Severance Taxes	<u>10,102</u>	<u>8,334</u>	<u>6,926</u>	<u>5,677</u>	<u>5,858</u>
Total Severance Taxes ⁽³⁾	<u>299,165</u>	<u>335,737</u>	<u>454,337</u>	<u>661,611</u>	<u>680,298</u>
Other Income:					
Interest on Investments	9,292	9,716	10,788	21,110	18,011
Other financing sources	<u>1,483</u>	<u>9,432</u>	<u>5,920</u>	<u>4,202</u>	<u>3,412</u>
Total Other Income	<u>10,775</u>	<u>19,148</u>	<u>16,708</u>	<u>25,313</u>	<u>21,423</u>
Total Receipts	<u>309,940</u>	<u>354,884</u>	<u>471,047</u>	<u>686,924</u>	<u>701,721</u>
Disbursements:					
Senior Bond Debt Service	142,085	141,063	142,160	145,381	146,969
Senior Short-term Obligations ⁽⁴⁾	8,615	38,466	28,891	74,837	307,186
Supplemental Bond Debt Service	13,842	19,026	20,474	21,142	21,413
Supplemental Short-term Obligations ⁽⁴⁾	127,290	120,443	139,224	181,527	254,551
Costs of Issuance and Other Charges	<u>841</u>	<u>987</u>	<u>580</u>	<u>659</u>	<u>376</u>
Total Disbursements	<u>292,672</u>	<u>319,985</u>	<u>331,330</u>	<u>423,545</u>	<u>730,496</u>
Transfers:					
To Severance Tax Permanent Fund	<u>8,468</u>	--	<u>117,027</u>	<u>245,455</u>	<u>31,873</u>
Total Transfers	<u>8,468</u>	--	<u>117,027</u>	<u>245,455</u>	<u>31,873</u>
Ending Balance, June 30	<u>\$160,886</u>	<u>\$195,785</u>	<u>\$218,476</u>	<u>\$236,399</u>	<u>\$175,752</u>

⁽¹⁾ All receipts, expenditures and balances exclude amounts in rebate accounts retained for potential arbitrage rebates. Figures may not add due to rounding.

⁽²⁾ Proceeds and expenditures attributable to refunding bonds are excluded from this table because such proceeds and expenditures are reserved for payments on appropriate refunding bonds and are not available for debt service payments on other Severance Tax Bonds.

⁽³⁾ Reflects severance taxes collected and accrued on a cash basis. Effective July 1, 2017, the State of New Mexico began accounting for such receipts on a modified accrual basis. All severance tax collections in this official statement are shown on a cash basis.

⁽⁴⁾ The Board issues short-term Severance Tax Notes and Supplemental Severance Tax Notes to fund authorized projects. The notes are sold to the State Treasurer and retired within the same Fiscal Year.

Source: New Mexico State Board of Finance based on the Statewide Human Resources, Accounting, and Management Reporting System (the "SHARE System")

TABLE 6
Severance Tax Bonding Fund Projected Receipts
Fiscal Year Ending June 30 ⁽¹⁾
(Dollars in thousands)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Severance Tax Bonding Fund Receipts					
Taxes: Natural Gas	\$ 106,427	\$120,066	\$127,299	\$129,701	\$134,505
Oil	<u>529,928</u>	<u>572,566</u>	<u>590,839</u>	<u>596,930</u>	<u>653,454</u>
<i>Subtotal-Oil & Gas Severance Tax</i>	<u>636,354</u>	<u>692,632</u>	<u>718,139</u>	<u>726,632</u>	<u>737,526</u>
Other Severance Taxes					
Coal	4,500	4,500	4,500	4,500	4,500
Other Minerals	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
<i>Subtotal-Other Severance Tax</i>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
Investment Earnings	8,000	8,000	8,000	8,000	8,000
Other Income	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
Total Receipts	<u>\$654,355</u>	<u>\$710,632</u>	<u>\$736,139</u>	<u>\$744,632</u>	<u>\$755,526</u>

⁽¹⁾ Columns may not add due to rounding.

Source: New Mexico Department of Finance and Administration.

See also, "NATURAL GAS PRODUCTION AND SEVERANCE TAX REVENUE—Projections of Severance Tax Revenues from Natural Gas" and "OIL PRODUCTION AND SEVERANCE TAX REVENUE—Projections of Severance Tax Revenues from Oil" herein.

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TABLE 7
State of New Mexico Severance Tax Bonds
Projected Cash Receipts, Debt Service Requirements and Coverage

Fiscal Year Ending June 30	Projected STBF Revenues	Scheduled Senior Debt Service⁽¹⁾⁽²⁾	Projected Senior Debt Service Coverage	Scheduled Supplemental Debt Service⁽¹⁾	Projected Supplemental Coverage
2021	\$654,354,956	\$136,901,091	4.78x	\$20,591,400	4.15x
2022	710,632,050	141,446,152	5.02	9,121,125	4.72
2023	736,138,500	164,911,275	4.46	9,122,500	4.23
2024	744,631,500	156,114,675	4.77	9,124,625	4.51
2025	755,526,375	137,097,500	5.51	9,121,625	5.17
2026	809,954,918	118,621,750	6.83	9,122,500	6.34
2027	843,417,141	99,622,125	8.47		
2028	857,290,436	83,830,500	10.23		
2029	857,290,436	68,725,750	12.47		
2030	857,290,436	52,923,500	16.20		
2031	849,904,867	52,918,500	16.06		
2032	704,503,125	40,297,875	17.48		

⁽¹⁾ Excludes debt service on refunded bonds which will be payable from escrowed securities and severance and supplemental severance tax debt obligations sold to the State Treasurer which are retired within the same Fiscal Year.

⁽²⁾ Scheduled Senior Debt Service and Scheduled Supplemental Debt Service as of the date of this Official Statement, including debt service on the Bonds; all other dollar amounts reflect projections as of February 2021.

Sources: *New Mexico State Board of Finance and Fiscal Strategies Group*

See also, Table 6 entitled “Severance Tax Bonding Fund Projected Receipts” above.

SEVERANCE TAX REVENUE

The minerals extracted from the State that contribute the largest portion of Severance Tax revenues are natural gas, crude oil and coal. Severance Taxes from natural gas and crude oil together accounted for 99.14 percent of Fiscal Year 2020 Bonding Fund tax receipts. This percentage is calculated net of applicable intergovernmental tax credits.

The State’s Energy, Minerals, and Natural Resources Department (“EMNRD”) records and generates data on mineral resources in the State. EMNRD produces annual reports on the State’s mineral resources. The TRD compiles reports of taxable volume, value, deductions and tax receipts by commodity and land type. The State Consensus Revenue Estimating Group (“CREG”) is composed of economists from the executive and legislative branches of New Mexico state government. CREG’s annual production estimates are made jointly by the Department of Finance and Administration (the “DFA”), the TRD, the Department of Transportation and the Legislative Finance Committee. The DFA uses these price and volume estimates as well as national price forecasts to project Severance Tax receipts. See “APPENDIX C—FORM OF ATTORNEY GENERAL’S NO LITIGATION LETTER” for a discussion of pending litigation and other proceedings concerning the collection of Severance Taxes.

Severance Tax Collections and Reporting

Operators, purchasers and working interest owners are required to submit monthly reports to the Taxation and Revenue Department (the “TRD”) showing the total value, volume and kind of products sold from every production unit each month. Taxes must be paid at the same time and are due 55 days

after the month of production. Each production report must be accompanied by a company identification number, which facilitates automated processing of return information. Production and associated tax liability are reported by “production unit” and a designation for a well or group of wells that is assigned by the TRD based on the master operation, property name identification and pool. A suffix is added to the production unit number to designate the specific land type and taxing authority, including county, school district and municipality. Fluctuations of oil and gas prices from COVID-19 and other economic factors will impact the collection of Severance Taxes by TRD. The State producers have experienced negative prices for both oil and natural gas in the last year and a half. Most recently in April 2020, West Texas Intermediate oil prices saw negative prices as the world oil market suffered from both supply- and demand-side shocks from the Saudi-Arabia and Russia oil price war and the COVID-19 containment measures implemented in March. A return must still be filed to indicate the amount of oil and natural gas severed with zero tax liability then associated where prices were negative. See “SEVERANCE TAX REVENUE—2020 Economic Conditions Impacting Severance Tax” herein.

Complete reporting forms must be mailed or delivered, or their information electronically transmitted, on or before the 25th day of the second month after the calendar month for which the report is required. Taxpayers whose total tax liability for the month (including the oil and gas emergency school tax, the oil and gas conservation tax and the oil and gas ad valorem tax, as well as the oil and gas severance tax) exceeds \$25,000 must provide payment by automated clearinghouse or by wire transfer on or before the due date. Taxpayers who fail to report or pay in a timely fashion are assessed interest at the rate established for individuals under Internal Revenue Code Section 6621 computed on a daily basis beginning the day after the due date and continuing until the date the tax is reported or paid. A penalty is assessed, at a rate of 2 percent per month, up to a maximum of 20 percent of the tax due, when a taxpayer fails to pay any tax or file any report by the due date because of negligence or disregard of rules and regulations.

The State maintains an automated tax database system, which previously had been under the ONGARD (Oil and Natural Gas Administration and Revenue Database) system and now resides in the GenTax system. TRD integrated the collective oil and gas severance taxes (including the natural gas processors tax) into the GenTax system in March 2018. With the inclusion of oil and gas taxes, GenTax now manages 29 tax programs with consistent business processes. Tax returns are pre-screened to ensure quality and completeness before acceptance by TRD, which expedites distributions to correct beneficiaries. Oil and gas taxpayers have increased electronic management of their account activity through the Taxpayer Access Point (TAP), which allows for immediate posting of returns and amendments and report access of how payments are allocated. Some ONGARD functions remain at the State Land Office in the processing of royalty payments due to the State.

Severance Taxes received by the TRD are deposited into the Extraction Tax Suspense Fund. Using the GenTax system, the TRD reconciles monthly information reports with the payments received to identify the appropriate amounts to distribute to each tax beneficiary. Oil and gas severance tax amounts that have been reconciled and as to which TRD has determined no substantive risk of protest or litigation is present are then transferred monthly to the Bonding Fund.

2020 Economic Conditions Impacting Severance Tax Collections

Oil price volatility experienced in early 2020 from the Saudi Arabian and Russian oil price war and the impacts of the continuing COVID-19 pandemic initially impacted oil markets. New Mexico rig counts on September 25th, 2020, declined to 41 active rigs. That represented a 63 percent loss in rigs since March 2020. Since September 2020 New Mexico rig counts have recovered to 70 active rigs in May 2021, representing a 70 percent increase in rigs. The oil markets have experienced a better-than-expected oil price recovery. According to the Energy Information Administration (“EIA”), West Texas

Intermediate (“WTI”) oil prices reached a monthly average of \$39.40 per barrel in October of 2020 and have gained ground to \$59.05 per barrel in February 2021. In March 2021, WTI prices have reached above \$65 per barrel. This recovery is being driven by expectations of overall U.S. economic recovery in 2021 due to unprecedented federal fiscal stimulus, COVID-19 case trends, increases in vaccination rates, and oil demand recovery.

Since the pandemic began, New Mexico production experienced a slowdown in production in May 2020 due to the halting of completion crews due to the COVID-19 pandemic. Once completion crews returned, production resumed with producers focusing on drawing down their inventory of completions. Producers have also focused on completing their best-producing wells. It is worth noting that completions have been outpacing hydraulic fracturing jobs since the latter half of 2020.

Producers focusing on high producing wells, drawing down completion inventory, firming oil demand, and a stronger oil price recovery has assisted in New Mexico oil production returning to pre-COVID-19 levels despite lower rig counts. By the end of 2020, New Mexico was the only oil producing state to have production recovered to pre-COVID-19 levels.

In Fiscal Year 2021 and Fiscal Year 2022, New Mexico oil prices are projected to average \$43.50 per barrel and \$47 per barrel, respectively. While natural gas prices are projected to average \$2.45 per mcf and \$2.70 per mcf in Fiscal Year 2021 and Fiscal Year 2022, respectively. The February 2021 forecast, on a year-over-year basis, expects oil volumes to increase by 0.5 percent and natural gas volumes to remain flat in fiscal year 2021. Due to the national executive and secretarial orders causing uncertainty in the oil markets volumes are held constant for Fiscal Year 2022 while further industry, production, and information becomes available. Detailed narrative in Appendix A-5, see Fiscal Year 2021.

The above-described volatility in the oil markets impacted Severance Tax collections. Collections are on a three-month delay, with available revenues reflecting activity from three months prior. This means that a decline in revenues related to the oil price collapse was not realized until the very end of Fiscal Year 2020. In fact, tax collections for Fiscal Year 2020 and Fiscal Year 2019 were historically high. Fiscal Year 2019 revenues deposited into the Severance Tax Bonding Fund totaled \$655.9 million, while Fiscal Year 2020 revenues were \$674.4 million. The average monthly deposit in Fiscal Year 2019 and Fiscal Year 2020 (averaging \$60 million) was well above the average for the previous 10-year period (\$34.2 million).

Monthly tax collections trended down for the last three months of Fiscal Year 2020, with April and May revenues still tracking high when compared to annual average collections prior to 2019. June, July, and August revenues, representing activity through May, were unsurprisingly lower but still not significantly lower than revenues realized in past years in which oil prices and volumes were down. September 2020’s deposit into the Severance Tax Bonding Fund shows an uptick in revenues from a low reported in August 2020.

Severance Tax on Indian Land

The State can tax non-Indian oil and natural gas production on tribal land, according to United States Supreme Court precedent in *Cotton Petroleum Company v. State of New Mexico*, 490 U.S. 163, 104 L. Ed. 2d 209, 109 S. Ct. 1968 (1989). The State’s authority to impose severance taxes on non-Indian oil and natural gas production on tribal land was upheld by the United States District Court in *New Mexico in Jicarilla Apache Tribe v. New Mexico Taxation and Revenue Department*, No. USDC 87-922. In 2009, the United States District Court for the District of New Mexico held that the State may not impose severance taxes on non-tribal operators extracting oil and natural gas on the tribal land of the Ute

Mountain Ute Tribe. *Ute Mountain Ute Tribe v. Homans*, 775 F. Supp. 2d 1259 (D.N.M. 2009) (Parker, J.). The Tenth Circuit Court of Appeals overturned the district court opinion and held that the State severance taxes are not preempted by federal law because, among other things, the State had asserted sufficient justification for imposing the taxes. *Ute Mountain Ute Tribe v. Rodriguez*, 660 F.3d 1177 (10th Cir. 2011). The Ute Mountain Ute Tribe petitioned for an en banc review, which the court denied on September 12, 2011. The United States Supreme Court denied the Ute Mountain Ute Tribe's petition for a writ of certiorari on February 21, 2012. *Ute Mountain Ute Tribe v. Padilla*, 132 S.Ct. 1557 (2012).

Aggregate data reporting accessible on the TRD Taxpayer Access Point ("TAP") website based on oil and gas tax return data indicates that natural gas production and crude oil production on Indian land was approximately 2.4 percent and 0.8 percent, respectively, of total statewide production in Fiscal Year 2019. The TRD estimates that oil and natural gas production on Indian land generated \$7.4 million in severance tax revenues to the State in the production months corresponding to Fiscal Year 2019. On December 30, 2014, the Navajo Nation completed the purchase of the Navajo Mine. As a result, there has not been any coal production from the mine reported to the TRD since such purchase. No potash, copper or CO₂ is produced on Indian land.

Section 7-29C-1 NMSA 1978, enacted by the 1995 Legislature, authorized a credit against state production and property taxes for similar taxes imposed by tribal governments. The credit applies to crude oil and natural gas from new wells drilled on or after July 1, 1995 on land within Indian reservation boundaries on March 1, 1995. The amount of the credit is 75 percent of the lesser of state taxes or tribal taxes imposed. If the applicable tribal taxes were raised after March 1, 1995, then the amount of the State's credit is lowered. The TRD website reports that total credits claimed under this provision were about \$1.0 million in Fiscal Year 2019. About \$405,000 of these credits were applied against oil and natural gas severance tax liability. The Bonding Fund revenue projection assumes that this amount will grow slowly in the future.

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

Local Law Developments Regarding Oil and Gas

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

In 2008, Santa Fe County amended its land development code to address oil and gas exploration, drilling, production, transportation, abandonment and remediation. The provisions of this code, while restrictive, do not ban exploration activities and to date have not been challenged by lawsuit. In April 2013, Mora County, a county in the north central section of the State enacted a self-styled Community Water Rights and Local Self Government Ordinance, which, among other things, states: "It shall be unlawful for any corporation to engage in the extraction of oil, natural gas, or other hydrocarbons within Mora County." Several lawsuits were filed challenging the validity of this ordinance. In January 2015, a federal district court declared the Mora County ordinance invalid based on several grounds including violation of the Supremacy Clause and the First Amendment of the U.S. Constitution and preemption by New Mexico oil and gas regulatory statutes. *SWEPI, LP v. Mora County*, 81 F. Supp. 3d 1075 (D.N.M. Jan. 19, 2015). In March 2015, the Mora County Commission voted to repeal the ordinance. Legislation heavily regulating oil and gas development was adopted in November 2014 in San Miguel County, also in the north central section of the State. Legislation banning hydraulic fracturing was adopted by the city council of Las Vegas, a municipality in San Miguel County, but was not signed and is not enforced by its

mayor. Historically, there has been little or no oil and gas production in Santa Fe, Mora or San Miguel counties.

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

NATURAL GAS PRODUCTION AND SEVERANCE TAX REVENUE

Natural Gas Reserves and Well Completions

Table 8 presents the U.S. Energy Information Administration (“EIA”) estimates of natural gas “proved reserves” in New Mexico over the years 2009 to 2018. This is the latest data available from the EIA. Proved reserves are estimates of recoverable volumes under existing economic and operating conditions. They represent the narrowest measurement of energy resources. EIA updates its estimates to reflect new information, new discoveries, and production during the year. Increases due to revisions and new discoveries usually offset some or all of the decline due to current production.

New Mexico’s proved natural gas reserves were estimated to be 23,719 billion cubic feet (bcf) at the end of calendar year 2019 (the most recent available), a slight decrease from 25,090 bcf at the beginning of calendar year 2019. 2019 production was estimated to be 915 bcf. Additions through new discoveries and revised estimates have offset 65 percent of the production since 2006. The current reserve estimate represents a New Mexico reserve-to-current-production ratio of 16:1 years.

The “proven reserves-to-production” ratio is a measure analogous to inventory-to-production for manufacturers. It represents the known resources that could be developed at today’s prices. As is the case for other industries, oil and natural gas producers have to balance their need for adequate inventories with the cost of exploring and developing the reserves.

Replacement of reserves by new discoveries and further development of existing formations is a key component of the State’s long-term production forecast. New discoveries and further development are expected to offset much of future production. As a result, annual production is expected to decline only gradually. Over time, technological improvements like horizontal drilling, directional drilling, and hydraulic fracturing have advanced the discovery of new reserves and the production capability for reserves. Accounting rules in place for 2008 and prior years required companies to calculate proved reserves based on end-of-year prices. New accounting standards adopted by the Securities and Exchange Commission now require companies to use an annual average price. Reserves are the amounts companies expect with reasonable certainty can be produced with current technology at current prices. Therefore, if prices increase, all other things being equal, we would expect reserves to increase.

TABLE 8
New Mexico Natural Gas Reserves ⁽¹⁾
(Natural Gas numbers in billion cubic feet)

Calendar Year	Beginning Reserves	Net Additions/ Adjustments	Estimated Production	Ending Reserves
2009	17,347	722	1,425	16,644
2010	16,644	1,226	1,341	16,529
2011	16,529	897	1,288	16,138
2012	16,138	(309)	1,276	14,553
2013	14,553	1,261	1,247	14,567
2014	14,567	3,125	1,266	16,426
2015	16,426	308	1,297	15,437
2016	15,437	220	1,283	14,372
2017	14,372	2,931	1,319	20,858
2018	20,858	3,672	1,512	25,090
2019	25,090	2,182	1,758	23,719

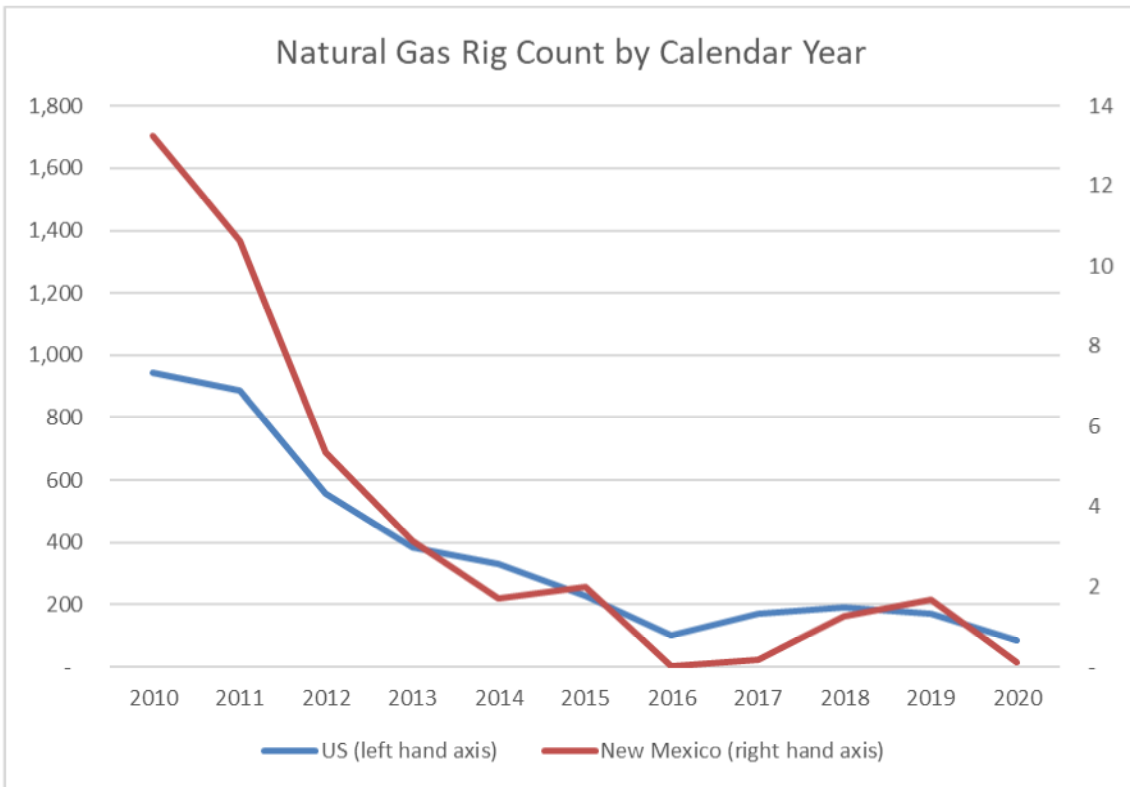
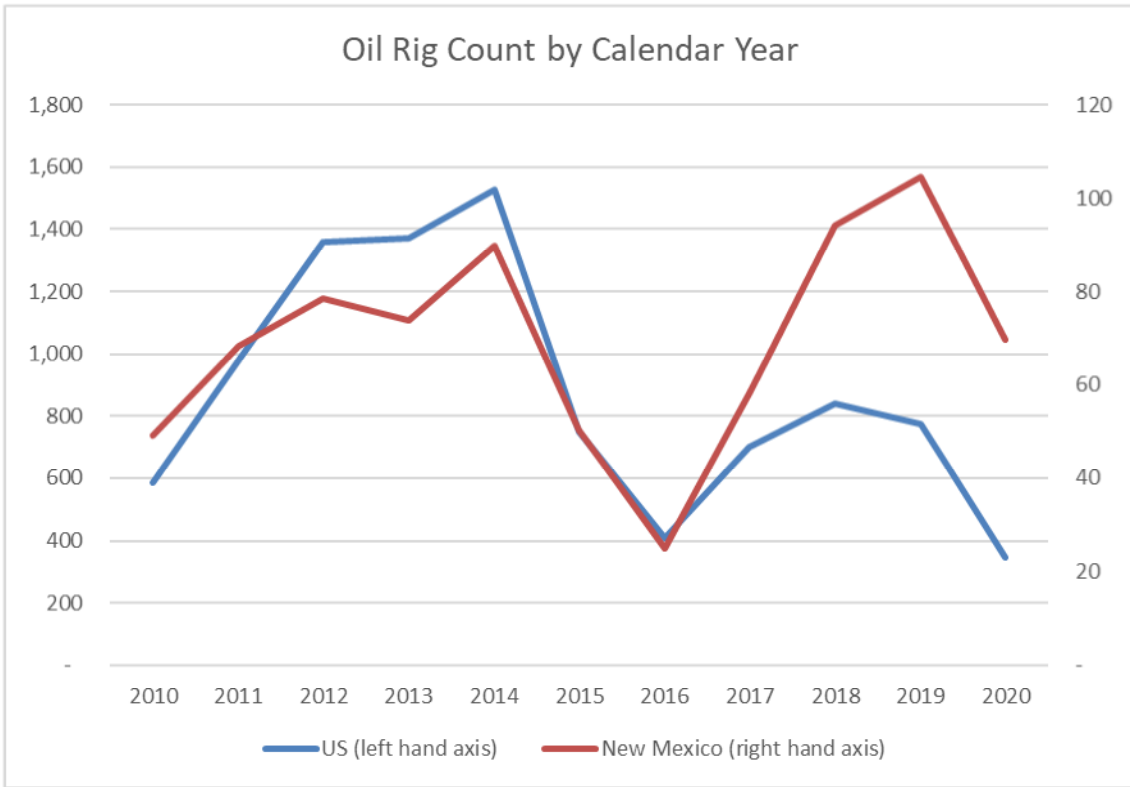
⁽¹⁾ As measured by wet after lease separation. Wet after lease separation represents the volume of natural gas that is marketable after exclusion of pentanes, hydrocarbons and nonhydrocarbons. The presence of these chemicals renders natural gas unmarketable.

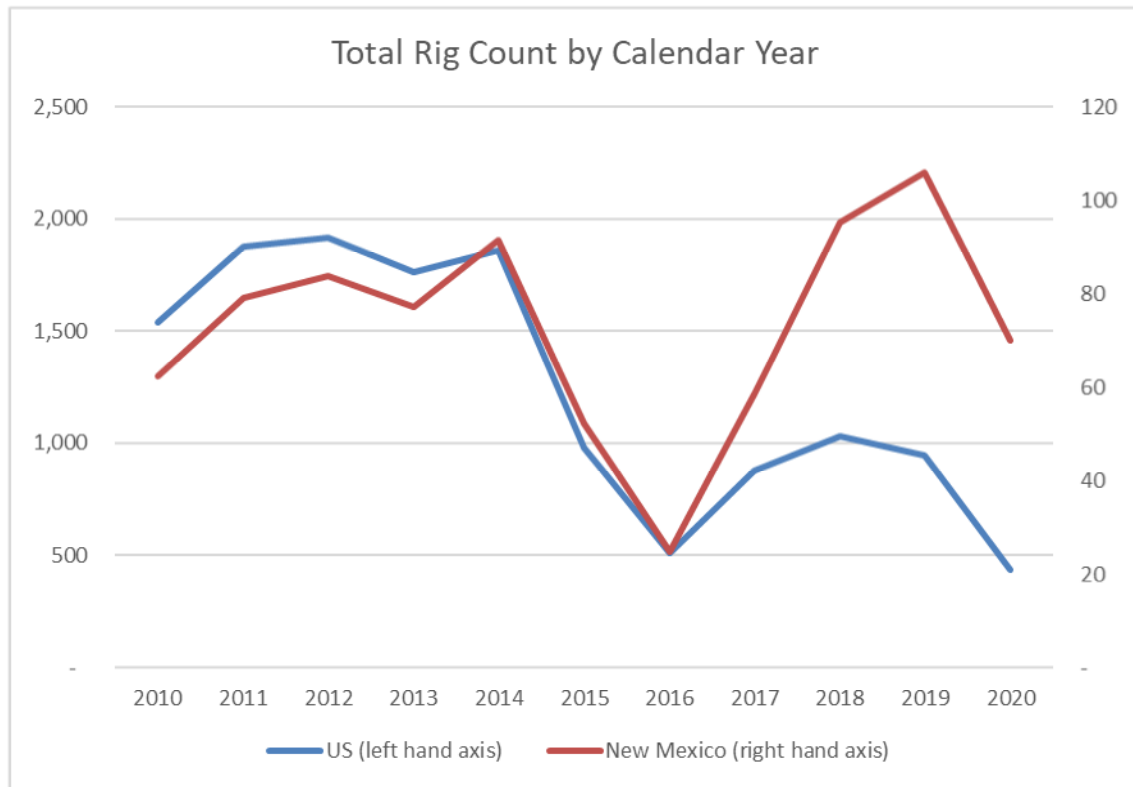
Source: Department of Finance and Administration, U.S. Energy Information Administration.

Information on oil and gas drilling activity published by the Baker Hughes Company is presented in the graphs below. The Baker Hughes Company reports the number of drilling rigs actively exploring for oil and gas in the United States. Over the last decade, drilling activity in New Mexico has generally followed trends in the United States until 2016. Since 2006, drilling activity in the United States climbed steadily until the sharp decrease of energy prices in 2009. After the 2009 price drop, oil drilling rebounded strongly reaching new record levels near the end of 2014.

Drilling activity once again decreased sharply with a short lag following the decline in oil prices in 2014. Since 2015, oil prices remained relatively stable until early 2020. This, in combination with horizontal drilling, propelled New Mexico rigs to record highs in 2019. However, oil prices collapsed in March 2020 due to the loss of oil demand from the effects of the containment measures of the COVID-19 pandemic and the supply shock caused by the recent Saudi Arabia and Russia price war. With oil prices and oil demand collapsing, rig counts declined in 2020.

Recent increases in natural gas supply have caused a marked decline in drilling activity both nationally and in New Mexico. According to the Baker Hughes Company, there has been a significant shift from traditional vertical wells to horizontal wells during the last decade. The use of horizontal drilling, combined with hydraulic fracturing, has increased production per well dramatically, albeit at a significant additional cost to drill.





Source: Department of Finance and Administration and Baker Hughes.

In 2020, economic conditions have caused oil rig and natural rig counts shown above to decrease substantially. See “SEVERANCE TAX REVENUE—Economic Conditions Impacting Severance Tax Collections.”

In 1999, following a joint venture between Sonat Raton and PennzEnergy Corporation for an extensive development program in the Raton Basin in northeastern New Mexico, annual production from the Raton Basin steadily increased until Fiscal Year 2006 when it leveled off at approximately 25.8 million cubic feet. In Fiscal Year 2017, the Raton Basin produced approximately 20.1 million cubic feet of natural gas. In Fiscal Year 2017, production from the Raton Basin was approximately 1.6 percent of total natural gas production in the State, the San Juan Basin produced 47.7 percent and the Permian Basin produced 50.7 percent.

Table 9 presents information on the number of natural gas well completions in New Mexico. Natural gas well completions have increased from 120 in 2017 to 550 and 557 in 2018 and 2019 respectively. In part this was a response to the correlation natural gas has to oil. As oil production increases or decreases, natural gas production follows. In addition, companies have shifted their attention to drilling oil wells because the relative value of oil compared with natural gas has increased dramatically in recent years.

TABLE 9
Number of Natural Gas Well
Completions by Calendar Year

Calendar Year	Natural Gas Well Completions
2010	518
2011	519
2012	390
2013	248
2014	102
2015	93
2016	78
2017	120
2018	550
2019	557

Source: New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division.

Natural Gas Markets

United States consumption of natural gas grew in all but one year between 1986 and 2002, reaching 23 trillion cubic feet (tcf) in calendar year 2002. From 2002 until 2006, total consumption remained flat despite the growing economy. Beginning in 2006, U.S. consumption began to grow, reaching 27.1 tcf in 2017. Since the fall of natural gas prices in 2009, the relatively low price of natural gas has led power generators to substitute natural gas for coal. According to the EIA, after peaking around 23.0 tcf in the mid-1970s, annual production of natural gas declined in response to falling prices to a low of 16.9 tcf in 1986. Since then production has increased steadily in response to rising prices and technological innovations that have lowered production costs. EIA expects natural gas production to continue to grow, total production in 2020 was 36.2 tcf.

Average annual natural gas values for the United States and New Mexico are presented in Table 10. The U.S. average references the spot price of natural gas at the Henry Hub pipeline terminal in Louisiana. This is the price typically reported in the national news media. Prices have declined since 2017 due to the increased natural gas production associated with the boom in oil production in the recent years.

TABLE 10
Henry Hub Spot vs New Mexico Average Wellhead Price by Fiscal Year
(\$ per thousand cubic feet)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Henry Hub Spot Price	\$4.31	\$3.16	\$3.57	\$4.47	\$3.47	\$2.34	\$3.11	\$2.88	\$2.98	\$2.03
New Mexico Producers NM as a percentage of Henry Hub	5.50	5.00	4.37	5.13	3.78	2.42	3.26	2.91	3.26	1.90
	127.6%	158.2%	122.4%	114.8%	108.9%	103.4%	104.8%	101.0%	109.4%	93.6%

Sources: Department of Finance and Administration (U.S. Energy Information Administration).

New Mexico average wellhead values have exceeded Henry Hub spot prices largely because the New Mexico average includes natural gas liquids, while Henry Hub prices represent “dry” gas only. Natural gas liquid products are used in refining, gasoline blends, home heating (propane) and a number of industrial applications such as the production of ethylene for plastics. As such, they are priced at a

premium to dry gas and tend to track oil prices closely. New Mexico producers' wellhead prices in Fiscal Year 2020 were \$1.90 per thousand cubic feet.

Natural Gas Production

Total natural gas production in New Mexico increased sharply in the early 1990s due to increased coal seam production in the San Juan Basin then steadily declined until 2011. Natural gas production from gas wells continued to decline at rates similar to the previous years; however beginning in 2012, much of the decline in natural gas production from gas wells was offset by associated natural gas production from new oil wells in the Permian Basin. In Fiscal Year 2020, production totaled 1,829 bcf. Gross sales revenue increased steadily through 2008 as the price of natural gas continued to increase, peaking at \$12 billion. Prices fell sharply in 2009 and have remained in the range of \$1.90 to \$5.50 since then, resulting in gross sales revenue of an estimated \$3.5 billion in Fiscal Year 2020. Taxable production volume, sales revenue, and average price per thousand cubic feet for Fiscal Years 2011 through 2020 are presented in the following table.

TABLE 11
Natural Gas Subject to Taxation
Production, Revenues and Average Price
Fiscal Years 2011-2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales Volume (bcf)	1,224	1,229	1,173	1,186	1,197	1,182	1,241	1,361	1,562	1,829
Gross Sales Revenues (millions)	\$6,805	\$6,145	\$5,177	\$6,086	\$4,494	\$2,878	\$3,994	\$4,723	\$4,389	\$3,475
Gross Average Price per mcf	\$5.50	\$5.50	\$4.37	\$5.13	\$3.76	\$2.43	\$3.22	\$2.91	\$3.26	\$1.90
Net Taxable Value ⁽¹⁾ (millions)	\$5,223	\$4,689	\$3,929	\$4,707		\$1,928	\$2,831	\$3,403	\$3,103	\$1,988

⁽¹⁾ Data reflects estimates of revenue per product prior to adjustments for penalty, interest and other adjustments.
Source: Department of Finance and Administration (the "TRD Gentax System").

The following table sets forth the production levels of the State's largest natural gas producers in calendar year 2020 through the month of July (the most recent available).

TABLE 12
Ten Largest Natural Gas Producers
in New Mexico and Production in 2020

	Thousand Cubic Feet
HILCORP Energy Company	324,227,224
EOG Resources Inc.	181,979,314
Devon Energy Production Company, LP	180,968,804
COG Operating, LLC	134,305,700
OXY USA, Inc.	117,210,107
Mewbourne Oil Company	106,435,139
Chevron U.S.A. Inc.	99,232,642
XTO Energy, Inc.	65,485,071
Cimarex Energy Company	56,947,248
XTO Permian Operating, LLC	56,876,549

Source: New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division.

Severance Taxes on Natural Gas

Severance taxes are levied by State statute on the sale or transport out of state of natural gas produced in the State. State taxation of minerals production for the General Fund began as early as 1933. The Severance Tax Bonding Act earmarked a portion of the existing severance tax to pay debt service on severance tax bonds, with remaining revenues previously going to the General Fund. The severance tax at that time was 2.5 percent of the marketable sales value, with deductions allowed for royalties to governments and for certain processing and transportation expenses. Beginning in 1973, the Severance Tax Permanent Fund was created, receiving excess severance tax revenues not required for debt service payments.

The tax rate was increased to 3.75 percent of value in 1974. Beginning in 1977, the tax rate was converted to a per unit basis, \$0.05 per mcf of natural gas, with a deduction allowed for royalties to governments. A surtax was added, equal to the base tax rate times the percentage increase in the Consumer Price Index (CPI) from the base year. This surtax rate was updated annually. The base tax rate was increased to \$0.087 per mcf in 1980, and the surtax provision continued to apply.

By July 1, 1986 the surtax had reached \$0.076 and the total tax rate was \$0.163 per mcf. With the sharp decline in wellhead natural gas prices in 1986, the effective severance tax rate was over 8 percent of gross sales value. The combined effective tax rate on natural gas production, including General Fund taxes, was over 11 percent, significantly higher than in neighboring natural gas-producing states. The 1987 Legislature responded to declining prices by converting the tax to 3.75 percent of value on a phased in basis. Beginning July 1, 1990, the new tax rate applied to all production.

In 1995, lower severance tax rates for certain categories of production were enacted. A 10-year exemption from Severance Taxes was provided for production from previously non-producing wells (“restoration”). A 50 percent rate reduction was provided for incremental production from a qualifying work over project (“recompletion”).

In response to sharply lower oil prices and declining production of oil and associated natural gas, new severance tax incentives for production from recompletion wells and stripper wells were enacted in 1999. For natural gas, a stripper well is defined as one having average daily production of less than 60,000 cubic feet per day. For oil wells, the threshold is 10 barrels per day. Instead of a 50 percent rate reduction (from 3.75 percent to 1.875 percent) for the incremental production from recompletion wells, a tax rate of 2.45 percent was applied to all production from qualified wells. For stripper well production, the 1999 legislation introduced a sliding scale of applicable tax rates, depending on the prevailing taxable value of products.

The following table summarizes incentive tax rates applied to various categories of oil and natural gas production in New Mexico as of Fiscal Year 2020. Although the State offers reduced severance tax rates for several categories of production, prices are expected to be above the statutory price threshold through the forecast period, so none of these incentives are assumed to apply. Should prices decline in the future, some of these incentives may become applicable again.

TABLE 13
Oil and Natural Gas Tax Incentive Programs

Incentive Category	Incentive Tax Rate	Threshold Price Below Which Incentive Rate Applies	Qualified Production As a Percent of Fiscal Year 2020 Total
Production Restoration Project	0.00% ⁽²⁾	\$24.00 per barrel ⁽³⁾	0.0% Oil 0.0% Natural Gas
Well workover wells	2.45%	\$24.00 per barrel ⁽³⁾	0.0% Oil 0.0% Natural Gas
Stripper wells	1.88%	\$1.15 per mcf-Gas ⁽⁴⁾	0.0% Natural Gas
		\$15.00 per barrel-Oil ⁽⁴⁾	0.0% Oil
	2.81%	\$1.35 per mcf-Gas ⁽⁴⁾	0.0% Natural Gas
		\$18.00 per barrel-Oil ⁽³⁾	0.0% Oil
Enhanced oil recovery	1.88%	\$28.00 per barrel ⁽²⁾	0.0% Oil

⁽¹⁾ No oil or natural gas volumes are expected to qualify for these incentives during the period because average taxable value exceeds the threshold levels.

⁽²⁾ The incentive rate applies for 10 years after the restoration project is completed. Each year's production is tested against the threshold price.

⁽³⁾ Twelve-month average price for West Texas Intermediate crude oil as reported on Oil Postings for last day of each month.

⁽⁴⁾ Average annual taxable value of natural gas or oil sold in New Mexico during the preceding calendar year.

Source: Sections 7-29A and 7-29B NMSA 1978

Projections of Severance Tax Revenues from Natural Gas

The natural gas price outlook is prepared by the DFA using analysis by CREG, as well as forecasts by the EIA, Moody's Analytics economic forecasting services, and public information about NYMEX futures contracts.

For Fiscal Year 2020, New Mexico producers received an average price of \$1.90 per mcf, lower than the \$2.96 in Fiscal Year 2019. In the February 2021 severance tax revenue forecast, the DFA assumed an average price for Fiscal Year 2021 of \$2.45 per mcf and \$2.70 per mcf for Fiscal Year 2022. Continued oversupply of natural gas has depressed prices nationally and at the State level. While prices were above \$3.00 per mcf in early 2019, prices have had a downward trajectory as Natural gas production has a strong correlation with the energy industry's production of oil. Natural gas prices have remained low through 2019 and declined further in 2020. The forecast of gradual price increase in Fiscal Year 2021 is based on increased demand with national economic growth and increased export of liquefied natural gas (LNG), as well as decreased supply as low prices curtail natural gas drilling activity nationally. In addition, some fuel-switching to natural gas is expected as natural gas-fired power plants become the preferred source for new electricity generation facilities due to environmental concerns with alternative power sources. These prices reflect the full value of all natural gas products, including natural gas liquids.

Natural gas volume production increased slightly in Fiscal Year 2020 to 1,829 bcf as compared to 1,633 bcf in Fiscal Year 2019. In February 2021, the DFA's severance tax revenue forecast assumed that natural gas production would remain flat in Fiscal Year 2021, Fiscal Year 2022, and Fiscal Year 2023.

The severance tax base for natural gas is defined as the wellhead value less deductions for the expense of processing and transporting product to the first point of sale. In addition, deductions are allowed for royalties paid to governmental entities (federal, state and tribal). The deduction percentage

has averaged around 30 percent to 40 percent in recent years, thus the rate used for the DFA’s severance tax revenue forecast averages between 31 and 32 percent.

Despite the decline in natural gas drilling, natural gas production continues from pre-existing gas wells and associated gas from oil wells, albeit at a decreasing rate. Overall New Mexico severance tax revenues have increasingly been driven by oil instead of natural gas. In fact, in Fiscal Year 2020, oil production constituted an estimated 87.7 percent of total taxable value, an increase from 80 percent in Fiscal Year 2019.

The table below sets forth the DFA’s five-year projection for natural gas volume, price, and severance tax revenues for Fiscal Years 2021 through 2025.

TABLE 14
New Mexico Natural Gas Volume, Price and Severance Tax Projections
Fiscal Years Ending June 30

	2021	2022	2023	2024	2025
Natural gas sales (bcf)	1,830	1,830	1,830	1,830	1,830
Average sales price (\$ per mcf)	\$2.45	\$2.70	\$2.65	\$2.70	\$2.80
Severance taxes on natural gas (in thousands)	\$106,427	\$120,066	\$127,299	\$129,701	\$134,505

Source: New Mexico Department of Finance and Administration.

OIL PRODUCTION AND SEVERANCE TAX REVENUE

Oil Reserves and Production

The table below presents the EIA’s estimate of oil “proven reserves” from 2010 to 2019. This is the latest data available from the EIA. Proven reserves are those a company believes with reasonable certainty can be produced with current technology at current prices. They represent the narrowest measurement of the country’s energy resources. Each year the EIA updates its estimates to reflect new information, new discoveries and production during the year. The EIA reports on proven reserves of crude oil in the State on the basis of company surveys. Accounting rules in place for 2008 and prior years required companies to calculate proved reserves based on end-of-year prices. New accounting standards adopted by the Securities and Exchange Commission now require companies to use an annual average price.

Production remained relatively flat at approximately 60 million barrels beginning in 2006 and continuing through 2008. Beginning in 2009, production began to increase steadily, reaching highs of 147 million barrels in 2016. In 2017, New Mexico began experiencing a boom in production due to the conducive nature of horizontal drilling and the geology in the Permian basin. According to EIA data, estimated New Mexico production grew from 172 million barrels in 2017 to 329 million barrels in 2019. This represents an increase of 91 percent in oil volume production from 2017 to 2019. Production further increased in 2020 by 15 percent up to 379 million barrels.

The Saudi Arabia and Russia oil price war and COVID-19 health crisis have subjected the oil industry to both supply and demand-side shocks in 2020. The oil industry has struggled to adjust in the early part of 2020, however, in the second half of the year, a better-than-expected oil price recovery began towards the end of the calendar year.

TABLE 15
New Mexico Oil Reserves
Crude Oil ⁽¹⁾

Year	Beginning Reserves	Additions/ Adjustments	Estimated Production	Ending Reserves
2010	700	188	65	823
2011	823	114	71	866
2012	866	184	85	965
2013	965	309	103	1,171
2014	1,171	430	125	1,476
2015	1,476	156	146	1,486
2016	1,486	210	147	1,549
2017	1,549	363	160	2,581
2018	2,581	472	236	3,240
2019	3,240	401	300	3,456

⁽¹⁾Barrels in millions.

Source: Department of Finance and Administration (U.S. Energy Information Administration)

Potential new development of oil resources is indicated by exploration and drilling activity. Secondary or tertiary recovery projects (water or carbon dioxide injection) typically require new development wells. The number of well completions are a partial indicator of increased exploration and drilling activity. Table 16 presents oil well completions during the period 2010 through 2019. The successful application of horizontal drilling, hydraulic fracturing, and longer average lateral leg length in the Permian Basin has resulted in significantly larger volume production per well.

TABLE 16
Number of Oil Well Completions by
Calendar Year

Calendar Year	Well Completions
2011	1,406
2012	1,388
2013	1,315
2014	1,312
2015	813
2016	425
2017	436
2018	627
2019	635
2020	564

Source: New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division.

The following table sets forth the production levels of the largest oil producers in the State in calendar year 2020 through the month of July (the most recent available).

TABLE 17
Ten Largest Oil Producers in New Mexico and Production in 2020

	Barrels
EOG Resources Inc.	59,699,207
Devon Energy Production Company LP	44,836,452
COG Operating LLC	37,494,137
OXY USA, Inc.	34,073,138
Mewbourne Oil Company	27,772,784
XTO Energy, Inc.	16,456,358
Chevron U.S.A., Inc.	15,531,877
Matador Production Company	13,517,274
XTO Permian Operating LLC	13,460,648
Cimarex Energy Company	10,033,653

Source: New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division.

Severance Taxes on Oil

Severance taxes are levied on oil on the basis of sales value at the time of either sale or transportation from the State. Information on oil sales occurring in the last ten Fiscal Years are presented in the following table.

TABLE 18
Oil Subject to Taxation
Production, Revenues and Average Prices
Fiscal Years 2011-2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales Volume (bbl in millions)	67.0	79.7	93.8	113.5	142.4	147.2	156.0	205.3	301.2	367.8
Gross Sales Revenues (millions)	\$5,547	\$7,144	\$8,047	\$10,795	\$8,631	\$5,589	\$6,988	\$11,307	\$15,513	\$16,193
Gross Average Price per bbl	\$84.20	\$89.64	\$85.82	\$95.13	\$60.64	\$37.96	\$44.81	\$55.08	\$51.62	\$43.75
Net Taxable Value ⁽¹⁾ (millions)	\$4,958	\$6,380	\$7,211	\$9,580	\$7,601	\$4,904	\$6,150	\$9,948	\$13,626	\$14,210

⁽¹⁾ Data reflects estimates of revenue per product prior to adjustments for penalty, interest and other adjustments.

Source: New Mexico Taxation and Revenue Department, Tax Analysis, Research and Statistics Office (GenTax, sales month basis as of May 2021)

The severance tax rate on oil was increased to 3.75 percent of sales value in 1974. Beginning in 1977, the rate was converted to \$0.45 per barrel, with a surtax indexed to the CPI. In 1980, the tax rate was converted back to 3.75 percent of value.

In 1992, a 50 percent reduction of the severance tax rate applied to oil produced through enhanced recovery methods was enacted. Enhanced methods include carbon dioxide miscible fluid displacement, water flood, pressure maintenance and thermal methods. The reduced rate applies to all production from an enhanced recovery project following certification of a positive production response by EMNRD's Oil Conservation Division.

In 1995, lower severance tax rates for certain categories of production were enacted. A 10-year exemption from severance tax was provided for production from previously non-producing wells ("restoration"). A 50 percent rate reduction was provided for incremental production from a qualifying work over project ("recompletion"). In 1999, the incentive program was expanded to include recompletion wells and a new incentive for stripper wells was enacted. Presently, no production qualifies

for the incentive rates because the price of oil is above the statutory price threshold. The severance tax revenue forecast by the DFA assumes that the incentives will not apply into the near future.

Projections of Severance Tax Revenues from Oil

Volume of Production: Production has increased in recent years, due to new technologies that facilitate access to oil deposits in tight shale, reaching 368.1 million barrels in Fiscal Year 2020. The DFA’s February 2021 volume projection includes an increase in annual production of 0.5 percent for Fiscal Year 2021 to 370 million barrels. Due to the Saudi Arabia and Russia oil price war in early 2020 and the continuing Covid-19 healthcare crisis has subjected the oil industry to both supply and demand side shocks in 2020. The February 2021 volume projections are also influenced by national executive and secretarial orders that created uncertainty in the industry.

The February 2021 forecast, on a year-over-year basis, expects oil volumes to increase by 0.5 percent and to remain flat during the forecast period. This is due to the national executive and secretarial orders causing uncertainty in the oil industry. Volumes are held constant for while further industry, production, and information become available. Detailed narrative in Appendix A-5, see Fiscal Year 2021. Updated projections are expected in the next forecast.

Prices: Over the past ten fiscal years weighted average annual oil prices received by New Mexico producers have ranged from an estimated \$38.64 in Fiscal Year 2020 to a high of \$95.13 in Fiscal Year 2014. The Severance Tax revenue forecast by the DFA in February 2021 assumes a price per barrel of \$43.50 in Fiscal Year 2021, \$47.00 for Fiscal Year 2022, and \$48.50 in Fiscal Year 2023. These fiscal year price forecasts reflect sales prices from April through March due to a lag in distribution of revenues to the Bonding Fund. Like natural gas, certain deductions for transportation and royalties are available for oil producers. The deduction percentage has averaged close to 12.2 percent in recent years, which is the assumed rate in the DFA’s severance tax revenue forecast.

Revenues: The table below sets forth the DFA’s February 2021 five-year projection for oil volume, price, and severance tax receipts for Fiscal Years 2021 through 2025. The forecasts are also net of the Intergovernmental Production Tax Credit.

TABLE 19
New Mexico Oil Volume, Price and Severance Tax Projections
Fiscal Years Ending June 30

	2021	2022	2023	2024	2025
Oil sales (million barrels)	370	370	370	370	370
Average price (\$/barrel)	\$43.50	\$47.00	\$48.50	\$49.00	\$49.50
Severance Taxes on Oil (in thousands)	\$529,928	\$572,566	\$590,839	\$596,930	\$603,021

Source: New Mexico Department of Finance and Administration.

COAL PRODUCTION AND SEVERANCE TAX REVENUE

Coal Reserves and Production

The State’s main coal-bearing strata are the Mesa Verde and Fruitland Formations in the San Juan Basin and the Raton and Vermejo Formations in the Raton area. Currently, all coal is being produced in the San Juan Basin. The quality of coal located in the State ranges from high-heat content bituminous coal

to lower rank sub-bituminous coal. Coal found in the State is relatively low in sulfur content, ranging from 0.5 to 1.1 percent, compared to the national average of 1 to 2 percent. The State's coal varies widely in ash and moisture content. The majority of New Mexico coal is used for electrical generation.

According to the EIA, the State had the following estimated recoverable reserves in calendar year 2019 (the most recent available): 2,729 million short tons of underground coal and 4,000 million short tons of surface coal for a total of 6,729 million short tons. Estimated recoverable reserves include the coal in the demonstrated reserve base considered recoverable after excluding coal estimated to be unavailable due to land use restrictions or currently economically unattractive for mining, and after applying assumed mining recovery rates. The State had the following demonstrated reserve base in calendar year 2019: 6,000 million short tons of underground coal and 5,719 million short tons of surface coal for a total of 11,719 million short tons. The demonstrated reserve base includes publicly available data on coal mapped to measured and indicated degrees of accuracy and found at depths and in coal bed thicknesses considered technologically minable at the time of determinations.

During Fiscal Year 2020, there were three mining companies producing coal in New Mexico: El Segundo Coal Company, LLC; Lee Ranch Coal Company; and San Juan Coal Company. The San Juan Coal Company is owned by Westmoreland San Juan, LLC, a subsidiary of Westmoreland Coal Company. The El Segundo Coal Company and the Lee Ranch Coal Company are owned by Peabody Natural Resources, which has acquired contracts to produce coal in mines formerly operated by Chevron. Output from the Lee Ranch Coal Company was an estimated 0.4 million tons in Fiscal Year 2017, up 346 percent from Fiscal Year 2016. Since Fiscal Year 2017, there has been no reported taxable coal output from the mine. In Fiscal Year 2020, the El Segundo Coal Company produced an estimated 5.1 million tons of coal, down 24 percent from Fiscal Year 2016. In December 2013, a fourth mine, the BHP Navajo Mine, was sold by BHP Billiton, the parent company of BHP Navajo Coal Company, to the Navajo Transitional Energy Company (NTEC) a Navajo Nation-owned company established for the purpose of acquiring the Navajo Mine. Output from the Navajo Coal Company was 8.5 million tons in Fiscal Year 2013, the last full fiscal year prior to the sale of the mine.

On April 13, 2016, Peabody Energy Corporation (and various affiliates and subsidiaries, including Peabody Natural Resources) filed a Voluntary Petition with the U.S. Bankruptcy Court under Chapter 11 of the U.S. Bankruptcy Code. See *In re Peabody Energy Corp.*, (No. 16-42529, U.S. Bankruptcy Ct., E.D. Mo.). On March 17, 2017, the Bankruptcy Court confirmed the Debtors' Plan of Reorganization and Peabody Energy emerged from bankruptcy. The operations of the Lee Ranch and El Segundo Mines were not impacted by the filing. Peabody Energy has updated its financial assurance for the mines by replacing the self-bonds with surety bonds.

Currently, the El Segundo Coal Company has long-term coal agreements with Arizona Public Service Company and Tucson Electric Power. At the time that the El Segundo Mine commenced operations, the Tucson Electric Power Company expected to take 3 million tons per year for 20 years for its Springerville Generating Station and Arizona Public Service Company expected to take as much as 4 million tons of coal per year for 19 years for its Cholla Generating Station in eastern Arizona. Arizona Electric Power Cooperative and Western Fuel Association are supplied coal under shorter-term contracts. Western Fuel Association supplies and transports coal on its rail line from the El Segundo Coal mine to the Escalante Generating Station. The Tri-State Generation and Transmission Association announced in January 2020 the closure of the Escalante Generating Station near Prewitt, New Mexico by the end of 2020. Based on EIA reports, in calendar year 2019 the El Segundo mine supplied approximately 650 thousand short tons to the Escalante Generation Station. Due to the Western Fuel Association rail line, options exist for transporting coal from the El Segundo Mine to other possible consumers.

All of the coal produced by San Juan Coal Company goes to the San Juan Generating Station, which is a mine-mouth (built close to a coal mine) power plant owned by the Public Service Company of New Mexico and other utilities. Output from the San Juan Coal Company was an estimated 6.2 million tons in Fiscal Year 2017, up 10 percent from Fiscal Year 2016. Westmoreland San Juan, LLC of Englewood Colorado assumed operations of the San Juan Mine from BHP Billiton Marketing Inc. on February 1, 2016. At the same time, Public Service Company of New Mexico announced an agreement with Westmoreland Coal Company to extend the San Juan Mine coal supply contract for the San Juan Generating Station from 2017 to 2022. In Fiscal Year 2020, output from the mine was an estimated 2.7 million tons down 1 percent from Fiscal Year 2019. The drop from 2017 to 2020 comes in part from the deactivation of two of the four units at the San Juan Generating Station (see further discussion below).

In December 2015, New Mexico's Public Regulation Commission approved by a 4-1 vote a plan to reduce air emissions at the San Juan Generating Station in compliance with federal requirements under the Clean Air Act. The plan includes the installation of additional emission control technology at two coal fired generating units, the retirement of two other coal fired generating units by year end 2017 and the construction of a natural gas power generator. The Public Service Company of New Mexico decommissioned the two coal fired generating units as scheduled in December of 2017. Nuclear power from the Palo Verde Generating Station in Arizona will provide energy to make up for the loss from the two retired coal units. On April 1, 2020, the Public Service Company of New Mexico received a unanimous vote from the New Mexico Public Regulation Commission supporting its application to cease operations at the San Juan Generating station by June 30, 2022 and recover its investments through bond sales. Further plans for replacing electricity generation from the San Juan Generating Station still need to be approved by the Public Regulation Commission. There is still reported investment interest in the San Juan Generating Station to maintain operations and apply carbon-capture technology.

Severance Tax and Severance Tax Surtax Revenue on Coal

Severance taxes have been levied on coal production in New Mexico since 1937. The severance tax is set at a fixed rate of \$0.57 per ton of surface coal and \$0.55 per ton of underground coal. By statute, the surtax is calculated each year based on the Producer Price Index for coal and either increases or remains constant from the previous year. In Fiscal Year 2015, the surface-mined surtax rate was \$1.28 per short ton and the underground-mined surtax rates was \$1.23. These rates have remained unchanged in Fiscal Years 2016 through 2020. In the last six years, all coal mined underground has always met exemptions from the surtax. In the last five years, all surface mined coal has also met exemptions. These exemptions are the result of renegotiations of long term mine-mouth contracts, which, under statute requirements, have resulted in all current coal production being exempt from the surtax.

Table 20 sets forth data on coal production, prices, revenues and average tax rates for the past five fiscal years. The recent decline in sales volume is attributable to the closure at the end of 2017 of two of the four coal-fired units at the San Juan Generating Station. The sale of the Navajo Mine to the tax-exempt Navajo Nation in Fiscal Year 2014 contributed to declines in 2015 as compared to 2014. The decrease of the Intergovernmental Tax Credit for coal to \$0 in Fiscal Year 2015 and Fiscal Year 2016 also coincides with the purchase of the Navajo Mine by the Navajo Nation.

As reflected in the table, gross average prices have ranged from a low of \$28.54 per ton in Fiscal Year 2017 to a high of \$35.41 per ton in Fiscal Year 2018. Output in short tons over the past five years has dropped from 12.1 million in Fiscal Year 2016 to 7.9 million in Fiscal Year 2020. Total coal sales are expected to continue to decline gradually due to increased competition from other electricity sources, environmental concerns and closure of coal-fueled power plants. Sales and tax revenue reflect the drop in production and exemptions from the surtax. In Fiscal Year 2016, all severed coal was exempt from the severance surtax, thus contributing to the 18.4 percent decline in 2016 tax revenue. In Fiscal Year 2018

tax revenues were \$5.3 million, approximately 17 percent lower than Fiscal Year 2017 as a result of a 17 percent drop in production despite higher average coal prices. Fiscal Year 2020 tax revenues were \$4.4 million, 4 percent lower than Fiscal Year 2019 following a 4 percent drop in coal production.

The table below sets forth data on coal production, pricing and average tax rates for the past five fiscal years.

TABLE 20
Coal Production, Prices, Revenues, and Taxes
Fiscal Years 2016 to 2020⁽¹⁾

	2016	2017	2018	2019	2020
Production:					
Total Sales Volume (tons)	12,124,191	11,454,740	9,503,353	8,196,188	7,855,213
Surface Mined Surtax Exempt	6,501,537	5,256,770	5,241,877	5,433,828	5,121,916
Surface Mined Non-Exempt	--	--	--	--	--
Underground Mined Surtax Exempt	5,622,653	6,197,970	4,261,476	2,762,360	2,733,297
Prices:					
Weighted Average Price per Ton for All Coal	\$33.83	\$28.54	\$35.41	\$35.58	\$34.60
Sales Revenue:					
Total Sales Revenue	\$410,140,009	\$326,892,275	\$336,486,800	\$291,592,581	\$271,793,572
Taxes Collected and Intergovernmental Tax Credits (ITC):					
Gross Severance Tax and Severance Surtax Due	\$6,798,336	\$6,405,242	\$5,331,682	\$4,616,581	\$4,422,809
Intergovernmental Tax Credit (ITC)	--	--	--	--	--
Net Severance Tax and Severance Surtax Liability (Net of ITC)	\$6,798,336	\$6,405,242	\$5,331,682	\$4,616,581	\$4,422,809
Effective Taxes (Net of ITC):					
Effective Tax Rate	1.66%	1.96%	1.58%	1.58%	1.63%
Effective Tax per Ton for all Coal (Net of ITC)	\$0.56	\$0.56	\$0.56	\$0.56	\$0.56

⁽¹⁾ Totals may not sum due to rounding. Historical numbers have been updated to reflect amended returns.

Source: New Mexico Taxation and Revenue Department, Tax Analysis, Research and Statistics Office (the "GenTax System").

OTHER MINERAL PRODUCTION AND SEVERANCE TAXES

Carbon Dioxide

The Bravo Dome carbon dioxide ("CO₂") field encompasses 1.2 million acres in Harding, Union and Quay Counties in the northeastern area of the State. It contains estimated resources of 16.3 trillion cubic feet ("tcf"), of which 7.0 tcf to 10.6 tcf are considered economically recoverable. Although the State has long produced limited quantities of liquid and solid CO₂ for use in the food and the engineering industries, the main commercial value of CO₂ deposits is derived from the use of the product in its gaseous form in enhanced oil recovery projects in the Permian Basin of Texas and New Mexico. Future sales ultimately will depend on the CO₂ requirements of such projects and on the State's proportion of the market, which is shared with Colorado's Sheep Mountain and Little Sheep Mountain, McElmo Dome and Doe Creek Fields. Sales of CO₂ were approximately 85.9 bcf in Fiscal Year 2019, decreasing from 87.0 bcf in Fiscal Year 2018. The weighted average wellhead price of CO₂ sales for Fiscal Year 2019 was \$1.05 per mcf reported at the production facility, an increase of \$0.03 from \$1.02 per mcf during Fiscal Year 2018. Severance Taxes on CO₂ are levied at the rate of 3.75 percent of taxable sales value. Weighted average deductions were 35.8 percent in Fiscal Year 2019.

Other Minerals

Many other minerals and natural resources are taxed in the State upon their severance from the earth or, in some cases, their sale or shipment. Existing tax rates are listed in Table 21. In many cases, flat percentage deductions are allowed to account for certain production costs. The result is that the gross value is a percentage of the “full value.” The “full value,” in turn, is sometimes based upon published prices rather than actual revenues. Generally, for products with a price at the point of production, value is that price less deductions allowed for actual costs for hoisting, loading and crushing of up to 50 percent of price. For products that must be processed before sale, deductions are allowed for cost of processing and freight charges to the point of sale. Several exceptions apply, as detailed below.

For potash, the gross value is 40 percent of the posted field or market price, less those actual expenses of hoisting, crushing and loading necessary to place the severed product in marketable form and at a marketable price, but allowable deductions may not exceed 50 percent. The gross value for each type of potash and potash product requiring processing or beneficiation (other than sizing) is 33.33 percent of the proceeds realized from the sale of muriate of potash and sulphate of potash magnesia, as standard grades, and 33.33 percent of the value of such products consumed in the production of other potash products, less 50 percent of such reported value as a deduction for expenses of hoisting, loading, crushing, processing and beneficiation.

Gross values for copper, lead, zinc, gold and silver are 66.66 percent of specified Comex, London Metal Exchange cash price, London Metal Exchange Final and London spot, U.S. Equivalent, respectively, as published in Metals Week. The gross value for gold is the sales value established from published price date of the quantity of gold recoverable from the concentrate or other product which is sold or is shipped, transmitted or transported out of New Mexico without sale. The gross value for silver is 80 percent of the sales value established from published price date of the quantity of silver recoverable from the concentrate or other product which is sold or is shipped, transmitted or transported out of New Mexico without sale. For molybdenum, gross value is the value of molybdenum contained in concentrates shipped or sold from a mine site, but in no event shall it be less than market value. For copper, lead, zinc, gold, silver and molybdenum, deductions of 50 percent of the sales value are allowed for the expenses of hoisting, loading, crushing, processing and beneficiation, regardless of actual expenses incurred.

For sand and gravel, in the absence of substantial evidence of a different posted field or market price, it is presumed that the gross value is \$1.75 per ton. In the absence of evidence of lower deductible expenses, the maximum 50 percent deduction will be allowed. In determining taxable value, rent and royalty payments to the federal government or the State government are deductible from gross value.

TABLE 21
Severance Tax Rates on Other Minerals

Mineral Resources	Fiscal Year 2020 ⁽¹⁾ Collections	Fiscal Year 2019 ⁽¹⁾ Collections	Tax Rate	Gross Value as Percent of Full Value
Potash	\$703,809	\$650,776	2.500%	not fixed
Copper	426,743	527,841	0.500	16.67%
Timber, Pumice, Gypsum, Clay, Fluorspar, Other	58,202	56,276	0.125	not fixed
Molybdenum ⁽¹⁾	--	--	0.125	50.00
Lead, Zinc	--	--	0.125	16.67
Gold	22,078	14,448	0.200	50.00
Silver	3,359	2,057	0.200	30.00
Uranium	Not detailed	Not detailed	3.500	50.00 ⁽²⁾

⁽¹⁾ In June 2014, Chevron Mining closed its Questa molybdenum mine in Taos County, reducing total molybdenum collections to zero in Fiscal Year 2015 and subsequent years.

⁽²⁾ Taxable Value as a Percentage of Full Value.

Source: New Mexico Taxation and Revenue Department, Tax Analysis, Research and Statistics Office (the "GenTax System").

Severance tax revenue from copper, which is limited because of the statutorily defined narrow tax base, was \$426,743 in Fiscal Year 2020, down from \$527,841 in Fiscal Year 2019. The average price of copper was \$2.64 per pound in Fiscal Year 2020. This average price captures a drop in worldwide copper prices in March. As economies halted to confront the COVID-19 pandemic, global demand for copper decreased with the subsequent drop in prices. After minimal growth in prices in April and May, June saw a large increase in copper prices as economies have reopened. Freeport-McMoRan ("FMI") operates four copper mines in New Mexico, the Tyrone mine, Chino mine, Continental Mine and Little Rock Mine. FMI lowered output from the larger Chino mine in April 2020. With the drop in copper prices and a COVID-19 outbreak among a sector of the employees, employees were furloughed in April 2020. However, 50 percent of FMI's workforce at the Chino mine reported back to work in January 2021.

OTHER TAXES OF NATURAL RESOURCES NOT PLEDGED

Rates for unpledged production and property taxes on New Mexico natural resources are summarized below. As discussed in prior sections of this Official Statement, proceeds from the Severance Tax and the Oil and Gas Severance Tax are pledged to the Bonding Fund for payment of interest, premium and principal of the Bonds. **Proceeds of other taxes shown below are not pledged to the payment of principal, premium, if any, or interest on Severance Tax Bonds.**

Production and Property Taxes on Oil and Natural Gas

The valuation of oil and natural gas production and the assessment of the ad valorem production tax are based on the actual value of production on a monthly basis from September 1 to August 31. Oil and natural gas are valued for the calendar year preceding the property tax year, as established in Section 7-32-15 NMSA 1978. For rate setting, the Local Government Division of the DFA may adjust the State levy for changes in oil and natural gas values.

Current effective production tax rates expressed on ad valorem and unit bases are shown below. The rates were based on data from Fiscal Year 2020 and reflect an average sales price of \$44.01 per barrel for oil and \$1.90 per thousand cubic feet (mcf) for natural gas. The gross rates presented in the table below show taxes paid as a percentage of gross sales value before subtracting allowable deductions and tax credits. The gross tax per unit is also based on gross sales value. The net tax per unit, however, is also based on taxable value before subtracting allowable deductions and tax credits.

TABLE 22
Tax Rates on Oil and Natural Gas
Effective Tax Rates Applicable for Fiscal Year 2020⁽¹⁾

Type of Tax	Crude Oil		Natural Gas	
	Ad Valorem	Per Barrel	Ad Valorem	Per mcf
Price				
Oil and Gas School Tax	2.76%	\$1.22	2.28%	\$0.04
Oil and Gas Severance Tax	3.29	1.45	2.13	0.04
Oil and Gas Conservation Tax (General Fund only)	0.17	0.07	0.11	0.00
Natural Gas Processors Tax	n/a	n/a	0.31	0.01
Oil and Gas Production ad valorem Tax	1.11	0.49	0.71	0.01
Oil and Gas Production Equipment ad valorem Tax	0.24	0.11	0.18	0.00
Total⁽²⁾	<u>7.57%</u>	<u>\$3.33</u>	<u>5.72%</u>	<u>\$0.11</u>
Subtotal: State Tax Only (excludes <i>ad valorem</i> taxes and Natural Gas Processors Tax)⁽³⁾				
	<u>6.22%</u>	<u>\$2.74</u>	<u>4.52%</u>	<u>\$0.09</u>

⁽¹⁾ Excludes deductions and tax credits.

⁽²⁾ Totals may not add due to rounding.

⁽³⁾ Natural Gas Processors Tax is applied only to natural gas processed at natural gas processing plants in New Mexico.

Source: New Mexico Department of Taxation and Revenue.

The Emergency School Tax rate of 3.15 percent imposed on natural gas was raised to 4 percent effective July 1, 1993. This action was taken partially to compensate for the large decreases in revenues due to the 1987 tax changes for natural gas. Further, it was believed that the tax increase was tolerable to industry because of relatively higher prices. The School Tax rate imposed on crude oil continues to be 3.15 percent.

Statutory rates on oil for the Emergency School Tax (3.15 percent), the Oil and Gas Severance Tax (3.75 percent) and the Conservation Tax (0.19 percent) are effectively reduced by deductions allowed for trucking costs and for Federal, State and Indian royalties. In 2010, the Conservation Tax rate on oil was increased from 0.19 percent to 0.24 percent when the average price of WTI in the previous quarter exceeds \$70.00 per barrel. The Oil and Gas Production Ad Valorem Tax and the Oil and Gas Production Equipment Ad Valorem Equipment Tax are imposed in lieu of property taxes on mineral reserves and equipment located on the leasehold. Tax rates applied to these tax bases are local rates and vary by jurisdiction. The Ad Valorem Production Tax is subject to the same deductions as for School Tax, Severance Tax and Conservation Tax. The tax base for the Oil and Gas Production Equipment Ad Valorem Tax is the wellhead price, not reduced by the value of royalties.

Production, Sales, and Property Taxes on Coal

State production and property taxes on coal totaled approximately \$9.7 million in Fiscal Year 2020, flat from Fiscal Year 2019. Coal production decreased from approximately 8.2 million tons in Fiscal Year 2019 to 7.9 million tons in Fiscal Year 2020. The average effective tax per ton increased from approximately \$1.15 in Fiscal Year 2019 to approximately \$1.22 for Fiscal Year 2020. With total sales revenue of approximately \$272 million in Fiscal Year 2020, the average effective tax was 3.58

percent of total sales revenue. This does not include the gross receipts tax. The average burden of production, property and gross receipts taxes on a ton of coal produced and sold during Fiscal Year 2020 is shown in the following table.

TABLE 23
Tax Burden on Coal for Fiscal Year 2020 ⁽¹⁾

<u>Type of Tax</u>	<u>Tax per Ton</u>	<u>Effective Tax Rate</u>	<u>Taxes Collected</u>
Severance Tax and Surtax (Net of ITC)	\$0.56	1.58%	\$ 4,422,809
Resource Excise Tax	0.25	0.73	1,990,234
Conservation Tax	<u>0.05</u>	<u>0.19</u>	<u>504,193</u>
Total Production Taxes	<u>0.86</u>	<u>2.50</u>	<u>6,917,236</u>
Property Tax ⁽²⁾	0.36	1.04	2,814,228
Gross Receipts Tax	<u>1.32</u>	<u>3.81</u>	<u>10,353,744</u>
Total Non-Production Taxes	<u>1.68</u>	<u>4.85</u>	<u>13,167,972</u>
Total Production and Non-Production Taxes	<u>\$2.54</u>	<u>7.35%</u>	<u>\$ 20,085,208</u>
Price per Ton			\$34.60
Total Production (Short Tons)			<u>7,855,213</u>
Total Value			<u>\$271,793,572</u>

⁽¹⁾ The figures reported in this table come from TRD's GenTax System. These figures differ from actual distributions made by the TRD's Financial Services Bureau, as the distributions include penalties, interest, and other modifications such as previously unallocated or unidentified receipts. Total production is based on volumes reported on severance tax returns, which differ from the volumes reported on resource excise tax returns.

⁽²⁾ Property tax year began September 1, 2019, with calendar year assessments completed by May 1 per statute.

Source: *New Mexico Taxation and Revenue Department, Tax Analysis, Research and Statistics Office (the GenTax System, Financial Services Bureau and Property Tax Division's Central Assessment Unit)*

Statutory rates for the resources excise tax and the conservation tax are effectively reduced by a deduction for Federal, State and Indian royalties. The effective severance tax rate on coal reflects the mix of old and new contract sales and of underground and surface mines. Property tax pertains to both equipment and production values. Fundamental differences in tax bases preclude a true comparison between property taxes and other taxes shown above. However, property taxes are included in this analysis to prevent understating the tax burden.

In addition to production taxes, gross receipts tax is imposed on coal produced and sold within the State. During 2018, the most recent year for which data is available (Source: U.S. Energy Information Administration), 67.3% of all coal produced in the State was supplied to electric power plants in New Mexico. In Fiscal Year 2020, 56.4% of all coal produced in New Mexico was subject to gross receipts tax. The combined state and local tax rate for Fiscal Year 2020 was 6.97% of taxable gross receipts.

BOOK-ENTRY-ONLY SYSTEM

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

The information in this section concerning The Depository Trust Company (“DTC”) New York, NY and DTC’s book-entry-only system has been obtained from DTC, and the State and the Underwriters take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, as set forth on the inside cover page hereof, in the aggregate principal amount of each maturity of the Bonds and deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit for tendered Bonds to Tender or Remarketing Agent's DTC account.

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

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

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

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

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

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

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

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

Covenants

So long as any Bonds are outstanding, the State and the Board have covenanted and agreed with the Owners of Bonds that: (a) the State will use its best efforts to collect and deposit in the Bonding Fund proceeds from Severance Taxes as set forth in the Severance Tax Bonding Act which, when combined with other amounts the State Legislature, in its sole discretion, may from time to time deposit in the Bonding Fund (including earnings required to be deposited in the Bonding Fund by Section 24 of the Bond Resolution and similar provisions of other bond resolutions of the Board relating to Severance Tax Bonds), will equal at least two hundred percent (200%) of the amount of the principal of and interest scheduled to be due in each fiscal year of the State on Severance Tax Bonds, including the Bonds; (b) the State will promptly pay the principal of and the interest on the Bonds, at the places, on the dates and in the manner specified in the Bond Resolution and in the Bonds; (c) the State will keep proper books of record and account, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to Severance Taxes, the Bonding Fund, each Project Account and the Rebate Fund; (d) any registered Owner or Beneficial Owner of any of the Bonds or any duly authorized agent of such registered Owner or Beneficial Owner, shall have the right, at all reasonable times, to inspect all records, accounts and data relating to the Bonds, the collection of Severance Taxes and the Bonding Fund; provided, however, that pursuant to NMSA 1978, Section 6-14-10E (1983), records with regard to the ownership of or pledges of the Bonds are not subject to inspection or copying; (e) the State will prepare annual statements or audits of collections and disbursements of Severance Taxes in sufficient detail to show compliance with requirements of the Bond Resolution and the State will furnish a copy of

such audit to any Owner of Bonds upon written request therefor; (f) in order to prevent any accumulation of claims for interest after maturity, the State will not directly or indirectly extend or assent to the extension of time for the payment of interest on any of the Bonds; (g) the State will make no use of the proceeds of the Bonds or any funds reasonably expected to be used to pay the Bonds which will cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), or which would result in the loss of the exclusion from gross income for federal income tax purposes of the interest on the Bonds; (h) the State (i) will take or cause to be taken such actions which may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and (ii) will not take or permit to be taken any actions which would adversely affect that exclusion, and the State or persons acting for it, will, if necessary to maintain such exclusion, among other acts of compliance, (1) apply, or cause to be applied, the proceeds of the Bonds to the purpose of the borrowing, (2) restrict the yield on investment property acquired with those proceeds, (3) make timely rebate payments to the federal government in accordance with Section 148 of the Tax Code and the Bond Resolution, (4) maintain books and records and make calculations and reports, and (5) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Tax Code.

Defeasance

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

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

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

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

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

(iii) obligations described in Section 103(a) of the Tax Code (a) provisions for the payment of the principal of, premium, if any, and interest on which (1) shall have been made by the irrevocable

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

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

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

Amendment of Bond Resolution

The Bond Resolution may be amended or supplemented from time to time without the consent of or notice to the holders of the Bonds for any of the following purposes: (a) before or after issuance of the Bonds to add to, subtract from, or amend or clarify the list of Projects; (b) to cure any ambiguity, omission, formal defect or inconsistency; or (c) to make any change that, in the judgment of the Board, in reliance upon an opinion of counsel, does not have a material adverse effect on the rights of the Owners of any Bonds; or (d) to achieve compliance with any applicable federal securities or tax laws or to ensure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds for federal income tax purposes or the exemption from registration under applicable federal or state securities laws, trust indenture acts or similar laws.

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

provisions of the Bond Resolution; or (v) the modification of, or otherwise affecting, the rights of the Owners of less than all of the Bonds then outstanding.

Remedies of Holders of Bonds

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

Payment of Principal and Interest

The Bonds and the interest accruing on the Bonds shall be payable and collectible out of the Bonding Fund, which is pledged for such payment as provided in the Severance Tax Bonding Act. Interest on the Bonds shall be payable by check or draft mailed, or by Automated Clearing House or electronic payment sent, to their registered Owners, as shown on the registration books for the Bonds maintained by the Registrar/Paying Agent at the address appearing in such books at the close of business on the 15th day of the calendar month next preceding each applicable interest payment date (the "Record Date"), or, if such date is not a business day, the first business day thereafter, or in such other manner as may be agreed upon by the Registrar/Paying Agent and the registered Owner of a bond. Interest which is not timely paid or duly provided for shall cease to be payable to the Owners of the Bonds (or of one or more predecessor Bonds) as of the Record Date, but shall be payable to the registered Owners of the Bonds (or of one or more predecessor Bonds) at the close of business on a special record date (the "Special Record Date") for the payment of that overdue interest to be fixed by the Registrar/Paying Agent. The Special Record Date shall be fixed by the Registrar/Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the Special Record Date shall be given to Owners of Bonds not less than 10 days prior to such date. The principal of and interest on the Bonds are payable upon presentation and surrender of the Bonds without deduction for exchange or collection charges at the office of the Registrar/Paying Agent. Principal of and interest on the Bonds are payable in lawful money of the United States of America. If a Bond is not presented for payment at maturity, that Bond will cease to bear interest from the date of maturity.

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

TRANSCRIPT AND LEGAL OPINIONS

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

Legal matters incident to the issuance of the Bonds (see the form of opinions of Co-Bond Counsel, attached hereto as Appendix D) are subject to the approving legal opinions of Rodey, Dickason,

Sloan, Akin & Robb, P.A. and Sherman & Howard L.L.C., Co-Bond Counsel to the State (“Co-Bond Counsel”). The opinions expressed by Co-Bond Counsel are based on existing law as of the delivery date of the Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. A copy of the proposed form of opinions of Co-Bond Counsel is attached hereto as Appendix D.

Legal matters incident to the exclusion from gross income for Federal and State of New Mexico income tax purposes of interest on the Bonds (see “TAX MATTERS” below and the form of opinion of Tax Counsel, attached hereto as Appendix E) are subject to the approving legal opinions of Gilmore & Bell, P.C., Tax Counsel to the State (“Tax Counsel”). Certain legal matters will be passed upon for the State of New Mexico by Kutak Rock LLP, Disclosure Counsel. Certain legal matters will be passed upon for the State of New Mexico by the Office of the Attorney General of the State of New Mexico.

TAX MATTERS

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

Opinion of Tax Counsel

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

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

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

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

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

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

Other Tax Consequences

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

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

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

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

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

A copy of the proposed form of opinion of Tax Counsel is attached hereto as Appendix E.

LITIGATION

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

The State is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations which proceedings are unrelated to the Bonds, and to the security therefor. The ultimate disposition of such proceedings is not presently determinable. Such proceedings are not, in the opinion of the State Attorney General, reasonably expected to have a material adverse effect on the Bonds or the security for the payment of the Bonds for the following reason: Severance Taxes are the primary source of payment for the Bonds which are limited obligations of the State. See Appendix C for a summary of litigation and administrative action or proceedings that impact Severance Taxes.

UNDERWRITING

The Bonds were purchased at competitive sale on June 17, 2021 by BofA Securities, Inc.

FINANCIAL ADVISORS

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

RATINGS

The Bonds have received ratings from S&P Global Ratings and Moody's Investors Services as set forth on the cover of this Official Statement. Such ratings reflect only the views of the respective organizations. An explanation of the significance of each rating may be obtained from the rating agency furnishing such rating. There is no assurance that such will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any downward revision or withdrawal of either rating can be expected to have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE UNDERTAKING

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

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

MISCELLANEOUS

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

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

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

**STATE BOARD OF FINANCE
OF THE STATE OF NEW MEXICO**

By: /s/ Governor Michelle Lujan Grisham
President

APPENDIX A

GENERAL INFORMATION CONCERNING THE STATE OF NEW MEXICO

The State, admitted as the forty-seventh state on January 6, 1912, is the fifth largest state by area, containing approximately 121,593 square miles. The estimated 2020 population of the State is 2,106,319 according to the United States Census Bureau. The State has a semiarid subtropical climate with light precipitation. Its climate is characterized by sunshine and bright skies in both winter and summer. Every part of the State receives no less than 70 percent sunshine year-round. Humidity ranges from 30 to 60 percent. Thunderstorms in July and August bring most of the moisture. December to March snowfalls vary from 2 inches (lower Rio Grande Valley) to 300 inches (north central mountains).

Governmental Organization

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

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

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

The Legislature consists of 112 members and is divided into a Senate and a House of Representatives. Senators are elected for four-year terms and members of the House are elected for two-year terms. The Legislature convenes in regular session annually on the third Tuesday in January. Regular sessions are constitutionally limited in length to 30 calendar days in even-numbered years and 60 calendar days in odd-numbered years. In 2020 a 30-day regular session convened on January 21, and in 2021 a 60-day regular session convened on January 19. Special sessions of the Legislature may be convened by the Governor. In June 2020, the Governor convened a first special session, running from June 18 through June 22, for the Legislature to address critical budget and other legislation related to the impacts of COVID-19. The Governor convened a second special session on November 24, 2020, which appropriated \$319 million from the general fund allocation of federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") funds to support New Mexicans impacted by the COVID-19 pandemic and associated public health orders. Extraordinary sessions may be convened by the Legislature

under certain limited circumstances. Legislators do not receive any salary but do receive per diem and mileage allowances while in session or performing official State business.

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

State Budget for Fiscal Years 2016 through 2021

Fiscal Year 2016. Fiscal Year 2016 recurring revenues decreased by 8.4 percent to \$5.7 billion, driven by a decrease of 29.1 percent in oil and natural gas related revenue. New Mexico oil prices averaged \$37.94 per barrel in Fiscal Year 2016, while New Mexico natural gas prices averaged \$2.42 per mcf. Growth of 3.7 percent in oil volumes partially offset declining oil prices, while natural gas volumes decreased by 1.0 percent over Fiscal Year 2015. Results show a significant decline in the State's broad-based gross receipts, compensating, personal income, and corporate income taxes, which were all impacted by ongoing weakness in the oil and natural gas sectors. The decline in revenue was partially affected by the diversion of a large portion of the liquor excise tax to the lottery tuition scholarship program. Offsetting this and other declines, the insurance premiums tax collections increased sharply due to expansion of the Medicaid program.

Following enactment of the Fiscal Year 2016 budget, several downward revisions to the CREG estimate led to additional budget cuts and fund transfers and prompted the Governor to call a special session early in Fiscal Year 2017. As a result of the revised forecast, during the 2016 legislative session the Legislature enacted a 0.5 percent across-the-board reduction in Fiscal Year 2016 appropriations, with the exception of the Medicaid program and certain other healthcare-related programs. The Legislature also passed House Bill 311, which allowed one-time transfers from various state funds into the General Fund, totaling \$40.6 million in Fiscal Year 2016 and \$74.9 million in Fiscal Year 2017. The Fiscal Year 2016 transfer included the \$36 million operating reserve fund balance that had been restricted for supplemental special education maintenance of effort funding.

During the 2016 special legislative session, Senate Bill 2 authorized the transfer of \$109.1 million from the Tobacco Settlement Permanent Fund to the General Fund appropriation account to close Fiscal Year 2016 in balance. Also to close Fiscal Year 2016, \$485.4 million was transferred from operating reserves to the General Fund appropriation account. Due to the rapid deterioration in oil- and gas-related revenues, Fiscal Year 2016 ending balances fell to \$147.8 million or 2.4 percent of recurring appropriations from \$713.1 million or 11.6 percent in Fiscal Year 2015.

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

During the 2016 special legislative session, several bills were enacted to address Fiscal Year 2017 solvency including authorization to transfer the balance in the Tobacco Settlement Reserve Fund to the appropriation account to cover Fiscal Year 2016 and Fiscal Year 2017 expenditures, \$92.8 million in funding sweeps to the General Fund, a \$12.5 million appropriation of supplemental severance tax note proceeds for public school capital outlay needs to replace General Fund appropriations, reduced

Legislative Retirement Fund distributions, an increased distribution of insurance premiums tax revenue to General Fund, and reduction in General Fund distributions to the Retiree Health Care Fund.

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

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

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

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

Fiscal Year 2018. In Fiscal Year 2018, recurring revenues were \$6.8 billion, representing an increase of 15.8 percent over the Fiscal Year 2017 levels. Oil and natural gas related revenue increased by 37.7 percent over Fiscal Year 2017 levels. New Mexico oil prices averaged \$55.05 per barrel, while New Mexico natural gas prices averaged \$3.47 per mcf. Oil volumes increased by 31 percent in Fiscal Year 2018, and natural gas volumes increased by 10 percent. Non-oil and natural gas related revenue increased

by 1.8 percent, reflecting increases of 18.3 percent in gross receipts tax, 10 percent personal income tax and a decrease of 21.3 percent in insurance premiums tax.

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

Legislation passed during the 2017 special session included the establishment of a natural resource tax stabilization reserve to minimize the volatility of oil and gas revenue and provide additional rainy-day funds to protect against sharp declines in revenue. The legislation requires any revenues generated from the Oil and Gas School Tax that are in excess of the 5-year average for that revenue source to be deposited into the Tax Stabilization Reserve Fund, which is part of the General Fund reserves. Appropriations from the Tax Stabilization Reserve require a super majority and a declaration from the governor that the appropriation is necessary for public peace, health or safety. The Fiscal Year 2019 distribution was 182.8 million. An estimated distribution in Fiscal Year 2020 is expected in the amount of \$114.7 million.

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

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

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

The September 2020 forecast outlook was a direct result of both the oil price volatility experienced in early 2020 from the Saudi Arabia and Russia oil price war and the continuing COVID-19

healthcare crisis. While the forecast weighed all available information, the nature of the situation at the time was unprecedented. The actual outcomes for the State's finances at the time were dependent on a variety of factors: the epidemiological path of the virus, the strategies for reopening the New Mexico and U.S. economies, the time it would take consumer confidence to rebound, the effect of business closures on the long-term viability of the State's businesses, the degree to which temporary layoffs become permanent, and the impact of global oil supply and demand on oil prices and the associated effect on the State's oil production.

Fiscal Year 2020 recurring revenues were \$7.8 billion, representing a decline of 2.4 percent over the Fiscal Year 2019 levels. Oil- and natural gas-related revenues are projected to decrease by 22.2 percent compared to Fiscal Year 2019 levels. However, after taking into account an unprecedented federal land lease payment of \$497 million, oil and natural gas revenues are expected to increase by 9.9 percent. In Fiscal Year 2020 New Mexico oil prices averaged \$44.01 per barrel, while New Mexico's natural gas prices averaged \$1.90 per mcf. Oil volumes increased by 22.2 percent in Fiscal Year 2020, and natural gas volumes increased by 12 percent. Gross receipts tax revenue is expected to increase by 11 percent over the prior fiscal year. This represents a higher growth rate than the June forecast. Non-oil- and natural gas-related revenue is forecast to increase by 3 percent. This updated forecast for Fiscal Year 2020 represents an upward revision of \$534.3 million from prior estimates.

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

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

In Fiscal Year 2021, the State has also been influenced by two federal executive orders impacting the oil and natural gas industry. The federal government issued two orders impacting oil and gas

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

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

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

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

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

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

Education Funding Litigation

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

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

In 1998, the Zuni Public School District filed a lawsuit in the Eleventh Judicial District Court for the State of New Mexico in McKinley County (Zuni Public School District, et al., v. the State of New Mexico, et al., No. D-1113-CV-9800014) seeking a declaratory judgment that the State’s method of funding of capital improvements for public schools violated the State Constitution’s requirement to provide for a uniform and adequate system of funding capital improvements, specifically as applied and related to the needs of the students of Gallup-McKinley.

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

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

Pension and Other Retirement Funds and Benefits

Legislative History. The Legislature enacted the Educational Retirement Act, Section 22-11-1 et seq. NMSA 1978, the Public Employees Retirement Act, Section 10-11-1 et seq. NMSA 1978, and the Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19, NMSA 1978, which created the retirement plans that cover most employees of the State and its political subdivisions. These retirement plans are managed by the Educational Retirement Board (“ERB”), the Public Employees Retirement Association (“PERA”) and the New Mexico Retiree Health Care Authority (“NMRHCA”) and are described below. The Legislature establishes all financing provisions of the plans and the provisions are not subject to negotiation. Financing provisions include employee and employer contributions, fund investment provisions and benefit provisions. In 1998, the voters amended the State Constitution, adopting Section 22 of Article XX, which states that upon meeting the minimum service requirements of an applicable retirement plan created by law for employees of the State or any of its political subdivisions or institutions, a member of a plan shall acquire a vested property right with due process protections under the applicable provisions of the New Mexico and United States Constitutions. The amendment also stated that nothing in Section 22 shall be construed to prohibit modifications to retirement plans that enhance or preserve their actuarial soundness.

Educational Retirement Board—Historic Financial Information. The ERB had 163,402 members as of June 30, 2020, including active, retired, inactive vested and inactive non-vested members. The market value of Educational Retirement Fund (the “Fund”) as of June 30, 2020 was \$13.0 billion.

The ERB had a net investment loss for Fiscal Year 2020 of 0.97 percent. As of December 31, 2020, the Fund market value was \$14.1 billion and the net investment gain for calendar year 2020 was 6.76 percent.

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

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

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

Schedule of Statutorily Mandated ERB Contribution Rates

Wage Category	Fiscal Year(s)	Date Range	Member Rate	Employer Rate	Total
\$20k or less	2010–2013	07/01/2009–06/30/2013	7.90%	12.40%	20.30%
	2014	07/01/2013–06/30/2014	7.90	13.15	21.05
	2015–2019	07/01/2014–06/30/2019	7.90	13.90	21.80
\$24k or less	2020–2021	07/01/2019–06/30/2021	7.90	14.15	22.05
	2022	07/01/2021–06/30/2022	7.90	15.15	23.05
	2023-Future	07/01/2022-Future	7.90	16.15	24.05
Over \$20k	2010–2011	07/01/2009–06/30/2011	9.40	10.90	20.30
	2012	07/01/2011–06/30/2012	11.15	9.15	20.30
	2013	07/01/2012–06/30/2013	9.40	10.90	20.30
	2014	07/01/2013–06/30/2014	10.10	13.15	23.25
	2015–2019	07/01/2014–06/30/2019	10.70	13.90	24.60
Over \$24k	2020–2021	07/01/2019–06/30/2021	10.70	14.15	24.85
	2022	07/01/2021–06/30/2022	10.70	15.15	25.85
	2023-Future	07/01/2022-Future	10.70	16.15	26.85

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

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

legislation amending Section 22-11-21 NMSA 1978 to increase the employer contribution rate to 15.15 percent beginning July 1, 2021 and 16.15 percent beginning July 1, 2022.

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

ERB Funded Ratio; Impact of Actuarial Assumptions and Changes to the Discount Rate. The ERB implemented Governmental Accounting Standards Board (“GASB”) Statement No. 67 requirements with its June 30, 2013 financial statements. GASB Statement No. 67 (“GASB 67”) requires ERB to report net pension liability (“NPL”), which is measured as total pension liability less the amount of the plan’s fiduciary net position. GASB 67 replaced GASB 25, which had required ERB to report the annual required contribution of the employer (“ARC”) and the percentage of the ARC contributed. ERB meets 100 percent of its statutorily required employer contributions annually. The following table lists the ARC, NPL and the ERB funded ratio, for Fiscal Years 2016 through 2020. The funded condition of the plan is measured by the funded ratio, which is the ratio of the actuarial value of assets to the actuarial accrued liability. The funded ratio decreased from 2019 to 2020. The decrease was primarily due to the investment losses on the smoothed or actuarial value of the assets and demographic losses, primarily related to salary increase experience. The NPL of \$20,265,889,826, measured as the total pension liability, less the plan’s fiduciary net position as of June 30, 2020, was calculated based on an expected rate of return on plan investments of 7.00 percent. The current NPL increased by 167.5 percent compared to the Fiscal Year 2019 NPL of \$7,577,302,491. The change for the fiscal year ending June 30, 2020 includes the change in the single discount rate from 7.25 percent as of June 30, 2019 to the blended rate of 3.89 percent as of June 30, 2020. The 2019 single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent. Based on the assumptions and projection of cash flows, the pension plan’s fiduciary net position at June 30, 2020, future contributions were insufficient to finance all projected future benefit payments of current plan members. As a result, the long-term expected rate of return of 7.00 percent was used to measure total pension liability as of June 30, 2020 until assets are depleted, then the plan must use the long-term municipal bond rate, which was 2.45 percent, resulting in a blended discount rate of 3.89 percent.

ERB Funded Ratio

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

Source: Educational Retirement Board.

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

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

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

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

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

The assumed investment return is one of the most significant assumptions in the annual actuarial valuation process as it is used to discount the expected benefit payments for all active, inactive and retired members. Minor changes in this assumption can have a major impact on valuation results. The change in

the assumed rate of return recommended by the PERA's outside actuaries was made after consultations with the PERA's internal investment staff and its general investment consultant. The decrease in the real return assumption from 5.00 percent to 4.75 percent will be used as the discount rate used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67.

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

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

Summary of State Retirement Funds Managed by PERA as of June 30, 2019
(Dollars in thousands)

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

⁽¹⁾ Includes both the State and municipal divisions.

⁽²⁾ Includes the accrued liability of both the retired and active members.

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

Source: Public Employees Retirement Association.

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

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

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

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

Funded Ratio of State Retirement Funds Managed by PERA					
Fiscal Year	PERA	Judicial	Magistrate	VFF	Legislative
2016	75.3%	61.6%	61.7%	143.4%	144.8%
2017	74.9	61.7	61.3	146.6	151.4
2018	71.6	56.3	55.6	141.5	137.7
2019	69.9	55.1	54.3	142.5	136.9
2020	70.3	53.5	53.4	146.8	138.3

Source: Public Employees Retirement Association.

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

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

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

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

House Bill 216 (Chapter 39, Laws 2014) amended the Magistrate Retirement Act. Among other things, the law suspended for two years and makes adjustments to cost of living increases, adjusted employee and employer contributions, required mandatory participation and implemented changes to the benefit structure. Senate Bill 160 (Chapter 43, Laws 2014) also made changes to the Magistrate Retirement Act. This law duplicated the changes made in House Bill 216.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Severance Tax Permanent Fund and the Land Grant Permanent Fund

The Severance Tax Permanent Fund (“STPF”) was established in the State Treasury in 1973 to receive the residual revenues from the Bonding Fund and serve as an endowment for the State. In 1976, the electorate approved a constitutional amendment giving the STPF constitutional status. In 1982, the electorate approved a second constitutional amendment that removed the discretionary power of the Legislature to appropriate funds from the corpus of the STPF, thereby creating a permanent endowment fund. Distributions from investments of the STPF, however, may be appropriated by the Legislature in

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

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

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

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

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

In May 2009 an investigation by the New York Attorney General into placement fees paid in relation to investments made by New York pension funds, led to an indictment of an investment advisor to that fund as well as New Mexico SIC and ERB. The investment advisor later pled guilty to a fraud charge relating to investments made by the New York retirement fund. In connection with that plea, the investment advisor stated that from 2004 to 2009 his business had acted as an advisor to the SIC and the ERB and that, contrary to his fiduciary responsibilities to the SIC and ERB, he ensured recommendations

of certain proposed investments pushed on him by politically connected individuals or their associates who stood to benefit financially or politically from the investments, and that the investments were not necessarily in the best interests of the State. No criminal charges were filed by state or federal investigators in New Mexico. In May 2011, the SIC filed recovery lawsuits against more than a dozen placement agents, the former State Investment Officer and other individuals alleging they improperly benefited from pay-to-play and kickback schemes involving SIC investments. Settlements of more than \$55 million have been recovered or placed in escrow pending final approval by the courts, for ultimate return to the permanent funds. The SIC has settled its outstanding civil litigation with the remaining defendants and continues the process of finalizing the recoveries with the various courts and trustees involved across New Mexico and other jurisdictions.

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

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

In the 2021 legislative session, New Mexico lawmakers also passed legislation dedicating up to \$500 million in low-cost small business loans from the STPF to assist the New Mexico economy as the State works to recover from the pandemic. Senate Bill 3 refined and reauthorized similar emergency legislation passed during a 2020 special legislative session, which had authorized up to \$300 million for these loans. The initial program proved to be overly restrictive, awarding only about \$40 million in loans

in 2020. To address this concern, Senate Bill 3 in 2021 broadened eligibility for applicants, doubled the allowable loan amount from \$75,000 to \$150,000, and also established standards related to personal guarantees and collateral requirements for borrowers. The New Mexico Finance Authority is administering the program, which will offer up to 10-year-term loans at one-half the U.S. prime interest rate to impacted New Mexico small businesses. The loans will be made as differential-rate investments, which are authorized by law to be made from the STPF, as the STPF allows for investments which create broader New Mexico economic benefits beyond the standard financial returns the STPF would realize from traditional non-New Mexico based investments.

Financial Processes and Procedures

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

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

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

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

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

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

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

State Treasurer's Office Investment Responsibilities

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

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

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

Economic and Demographic Characteristics

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

There are four Metropolitan Statistical Areas ("MSAs") in the State. The Albuquerque MSA is comprised of Bernalillo, Sandoval, Torrance and Valencia Counties; the Las Cruces MSA is comprised of Doña Ana County; the Santa Fe MSA is comprised of Santa Fe County; and the Farmington MSA is

comprised of San Juan County. The following table sets forth information on population growth in New Mexico and nationally.

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

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

⁽¹⁾ All estimates are subject to change.

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

Source: U.S. Census Bureau, Population Division, 2010-2019 released December 2019 (the most recent information available as of May 14, 2021)

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

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

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

⁽¹⁾ Most recent data available.

⁽²⁾ The "Forestry, fishing and related activities" category includes: forestry and logging; fishing, hunting and trapping; and support activities for agriculture and forestry.

⁽³⁾ The "Mining" category includes: oil and gas extraction; mining (except oil and gas); and support activities for mining.

⁽⁴⁾ The "Construction" category includes: construction of buildings; heavy and civil engineering construction; and specialty trade contractors.

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

⁽⁶⁾ The "Non-durable goods manufacturing" category includes: food manufacturing; beverage and tobacco product manufacturing; textile mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.

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

⁽⁸⁾ The "Transportation and warehousing" category includes: air transportation; rail transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.

- (9) The “Information” category includes: publishing industries (except Internet); motion picture and sound recording industries; broadcasting (except Internet); Internet publishing and broadcasting; telecommunications; data processing, hosting, and related services; and other information services.
- (10) The “Finance and insurance” category includes: monetary authorities-central bank; credit intermediation and related activities; securities, commodity contracts, and other financial investments and related activities; insurance carriers and related activities; and funds, trusts and other financial vehicles.
- (11) The “Real estate and rental and leasing” category includes: real estate; rental and leasing services; and lessors of nonfinancial intangible assets (except copyrighted works).
- (12) The “Administrative and waste services” category includes: administrative and support services; and waste management and remediation services.
- (13) The “Health care and social assistance” category includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance.
- (14) The “Arts, entertainment and recreation” category includes: performing arts, spectator sports, and related industries; museums, historical sites, and similar institutions; and amusement, gambling and recreation industries.
- (15) The “Accommodation and food services” category includes: accommodation; and food services and drinking places.
- (16) The “Other services, except public administration” category includes: repair and maintenance; personal and laundry services; religious, grantmaking, civic, professional, and similar organizations; and private households.
- (17) The “Government and government enterprises” category includes: federal, civilian; military; and state and local governments.

Source: *Regional Economic Information System, Bureau of Economic Analysis, Last Revised: September 24, 2020 (the most recent information available as of May 14, 2021)*

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

Employment and Labor Force
New Mexico and the United States
2012–2021
(numbers in thousands)⁽¹⁾

Year	Civilian Labor Force		Number of Employed		Unemployment Rate		
	New Mexico	United States	New Mexico	United States	New Mexico	United States	N.M. as % of U.S. Rate
2012	929	155,628	864	143,330	7.0%	7.9%	88.6%
2013	924	155,182	860	144,778	6.9	6.7	103.0
2014	935	156,332	870	147,615	6.4	5.6	114.3
2015	935	158,035	874	150,128	6.5	5.0	130.0
2016	936	159,678	876	152,157	6.4	4.7	136.2
2017	934	160,543	884	153,911	5.3	4.1	129.3
2018	945	163,124	899	156,745	4.9	3.9	125.6
2019	960	164,579	914	158,735	4.8	3.6	133.3
2020	960	160,567	878	149,830	8.6	6.7	128.4
2021 ⁽²⁾	957	160,558	877	150,848	8.3	6.0	138.3

⁽¹⁾ Figures rounded to nearest thousand.

⁽²⁾ Through March 2021 as of May 2021.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Last Revised: United States as of May 14, 2021

Personal Income
New Mexico and the United States
2011–2020

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

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last Revised: March 24, 2021 (the most recent information available as of May 14, 2021)

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

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

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last Revised: March 24, 2021 (the most recent information available as of May 14, 2021)

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Wages and Salaries by Industry Sector 2011–2020

NAICS Earnings by Place of Work ⁽¹⁾ Applicable to 2010-2019	New Mexico (Dollars in Thousands) ⁽²⁾		United States (Dollars in Millions) ⁽²⁾		Cumulative Annual Percent Change 2011 - 2020		Distribution of 2020 Wages & Salaries	
	2020	2011	2020	2011	N.M.	U.S.	N.M.	U.S.
	Farm Wage and Salary	\$ 205,404	\$ 219,057	\$ 25,341	\$ 19,323	6.2%	31.2%	0.5%
Non-farm Wage and Salary	42,014,386	33,956,141	9,295,230	6,596,430	23.7	40.9	99.5	99.7
Private Wage and Salary	31,161,217	24,493,995	7,870,794	5,419,826	27.2	45.2	73.8	84.4
Forestry, Fishing, and other related activities	118,228	63,384	24,333	14,014	86.5	73.6	0.3	0.3
Mining	1,662,111	1,533,687	60,030	69,412	8.4	-13.5	3.9	0.6
Utilities	380,112	323,404	65,798	51,034	17.5	28.9	0.9	0.7
Construction	2,719,309	1,817,123	505,924	289,183	49.6	74.9	6.4	5.4
Manufacturing	1,611,746	1,630,439	886,845	705,855	-1.1	25.6	3.8	9.5
Wholesale Trade	1,252,160	1,068,598	478,026	373,991	17.2	27.8	3.0	5.1
Retail Trade	2,829,994	2,402,502	549,780	410,896	17.8	33.8	6.7	5.9
Transportation and Warehousing	1,200,748	887,432	337,969	207,371	35.3	63.0	2.8	3.6
Information	550,758	618,504	371,901	213,789	-11.0	74.0	1.3	4.0
Finance and Insurance	1,701,478	1,216,294	760,990	513,241	39.9	48.3	4.0	8.2
Real Estate and Rental and Leasing	482,587	356,469	148,036	91,951	35.4	61.0	1.1	1.6
Professional, Scientific, and Technical Services	5,321,709	3,841,123	1,012,281	626,320	38.5	61.6	12.6	10.9
Management of Companies and Enterprises	450,655	321,769	306,641	201,300	40.1	52.3	.1	3.3
Administrative and Waste Services	1,811,550	1,448,583	409,819	270,615	25.1	51.4	4.3	4.4
Educational Services	362,809	327,027	165,845	124,322	10.9	33.4	0.9	1.8
Health Care and Social Assistance	5,507,621	4,123,208	1,106,386	754,988	33.6	46.5	13.0	11.9
Arts, Entertainment, and Recreation	252,089	186,615	96,015	69,970	35.1	37.2	0.6	1.0
Accommodations and Food Services	1,703,789	1,329,980	300,289	226,115	28.1	32.8	4.0	3.2
Other Services, Except Public Administration	1,241,764	997,854	283,889	205,459	24.4	38.2	2.9	3.0
Government and Government Enterprises	<u>10,853,169</u>	<u>9,462,146</u>	<u>1,424,436</u>	<u>1,176,604</u>	14.7	21.1	25.7	15.3
Total	\$42,219,790	\$33,956,141	\$9,320,570	\$6,615,753				

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

⁽²⁾ All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Last Revised: March 24, 2021 (the most recent information available as of May 14, 2021)

APPENDIX B

**STATE OF NEW MEXICO ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

STATE OF NEW MEXICO ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020



NM State capitol building

Source – CityofSantaFe tweet

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

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STATE OF NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

INTRODUCTORY SECTION



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STATE OF NEW MEXICO
DEPARTMENT OF FINANCE AND ADMINISTRATION
FINANCIAL CONTROL DIVISION
407 GALISTEO STREET
BATAAN MEMORIAL BUILDING, ROOM 166
SANTA FE, NEW MEXICO 87501
(505) 827-3682 FAX (505) 827-3692

Michelle Lujan Grisham
Governor

Deborah K. Romero
Cabinet Secretary

Donna Montoya Trujillo
State Controller

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

In accordance with Chapter 6-5-4.1 of the New Mexico Statutes Annotated 1978 (NMSA 1978), the Financial Control Division of the Department of Finance and Administration transmits the State of New Mexico's Comprehensive Annual Financial Report (Report) for the fiscal year ended June 30, 2020.

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

CliftonLarsonAllen LLP (CLA), an independent accounting firm and the New Mexico Office of the State Auditor, have audited the basic financial statements contained in this report. Their audit was conducted in accordance with the generally accepted government auditing standards and their auditor's report precedes the basic financial statements. The goal of an independent audit is to provide reasonable assurance that the State of New Mexico's basic financial statements for the fiscal year ended June 30, 2020 are free of material misstatement. Independent audit procedures include examining, on a test basis, supporting amounts and disclosures, assessing the accounting principles used, review of any significant estimates made by management, and evaluating the overall basic financial statement presentation. An audit also includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate under the circumstances, but not for expressing an opinion on the effectiveness of the State's internal controls over financial reporting. Accordingly, the independent auditor expressed no opinion on the internal controls over financial reporting.

Under statute (12.6.3 NMSA 1978), every state agency must be audited annually. To avoid duplication of effort, the Comprehensive Annual Financial Report audit relies and builds upon agency audits. The existing group audit process affects timeliness, as the Consolidated Annual Financial Report development may only commence after completion of the underlying agency audits, which are generally not available until the December following fiscal year-end.

In terms of audit timing, fiscal year 2020 saw additional challenges due to the COVID-19 Pandemic (Pandemic). The Public Health Emergency that was declared on March 11, 2020 in response to the global COVID-19 Pandemic did further affect the preparation of this Report. New Mexico has taken an aggressive approach to mitigating the public health and economic impacts of the Pandemic. As such, federal funds received by the state through the Corona Relief Fund (CRF) were directed to agencies performing critical functions related to COVID-19. In addition, significant agencies of the state received direct funding from the federal government for COVID response. These federal funds were utilized in fiscal year 2020 and continue to be utilized in the current fiscal year. Guidance related to the funds was not finalized by the federal government

until January 2021 which caused audits of significant agencies to be reported late thus impacting the preparation of this Consolidated Annual Financial Report.

In general however, ongoing discussions continue within the Department of Finance and Administration (DFA) and the State Auditor's Office (SAO) to look for ways to streamline and shorten the overall Report preparation process. In addition, the State Auditor's Office is jointly auditing the Report to learn more about the process and make recommendations for changes to state law, rules, and regulations.

We are proud of the improvements in controls and processes over recent years that have allowed for the production of a reliable and auditable Comprehensive Annual Financial Report; the benefits of these enhancements continue.

PROFILE OF STATE OF NEW MEXICO

New Mexico, became the forty-seventh state of the United States of America when it entered the union on January 6, 1912. Its borders encompass 121,589 square miles of the Great Plains, Rocky Mountains, and the Rio Grande River with elevations ranging from 2,842 to 13,161 feet above sea level. Nicknamed the Land of Enchantment, the state's landscape ranges from wide, rose-colored deserts to broken mesas and high, snow-capped peaks. The Sangre de Cristo Mountains, the southernmost part of the Rocky Mountains, run north to south along the east side of the Rio Grande. The state is home to the White Sands National Monument, which contains the largest gypsum dune field in the world. The State's major economic sectors include agriculture, mining, energy production, federal technology laboratories, and tourism. The estimated population of the state was 2,117,522 as of the most recent census count released April 26, 2021.

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 Consolidated Annual Financial Report 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.

ECONOMIC CONDITIONS AND OUTLOOK

New Mexico utilizes a consensus revenue estimating group (CREG) comprised of legislative and executive economists to forecast General Fund revenue so that the Executive and Legislature work with the same revenue forecast in preparing their respective General Fund operating budget recommendations.

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

The New Mexico economy, on a year-over-year basis, grew slightly in fiscal year 2020 with real gross domestic product growing by 1.6 percent. New Mexico's economic growth, state wages and salaries grew by 3 percent, and total personal income in the state grew by 5.9 percent. During fiscal year 2020, New Mexico's employment declined 7.4 percent which represents a loss of 63,400 jobs. At the start of fiscal year, the Mining Sector grew and set new record levels for rig count, oil production, and taxable gross receipts. However, the COVID-19 healthcare crisis and the oil price war early in the second half of the calendar year impacted the industry with supply and demand-side shocks. In March 2020, the price of oil collapsed and while it has recovered since then, it impacted rig counts and oil production towards the end of the fiscal year.

Looking forward to fiscal year 2021, the negative impacts of the economic downturn have also been mitigated by unprecedented national fiscal stimulus measures totaling \$5.9 trillion. These fiscal stimulus packages are the CARES Act (\$2.4 trillion), the December 2020 stimulus package (\$900 billion), and, in early 2021, the American Rescue Plan (\$1.9 trillion). The three fiscal stimulus measures provided crucial assistance and prevented downturn. Measures employed included unemployment insurance, stimulus checks to individuals, aid to small businesses, and aid to state and local governments. Lastly, in New Mexico, the better-than-expected oil price recovery and oil production has had a significant impact on overall general fund revenues into fiscal year 2021.

LONG-TERM FINANCING

The State of New Mexico's Constitution and laws authorize the State to issue general obligation bonds, severance tax bonds and revenue bonds to finance or refinance the cost of State capital projects. General obligation bonds are secured by the full faith and credit of the State and are repaid from a dedicated statewide property tax. Article 9, Section 8 of the New Mexico Constitution limits General Obligation indebtedness to no more than one percent of the assessed valuation of all the property subject to taxation in the State. Severance Tax Bonds are used to finance statewide capital projects that have been authorized by the Legislature and approved by the Governor. Severance and Supplemental Severance Tax Bonds are repaid from revenues deposited into the Severance Tax Bonding Fund, which primarily include taxes on mineral production in the State. The State continues to maintain a strong creditworthiness rating from Moody's Investors Services and Standard and Poor's Corporation.

ACKNOWLEDGMENTS

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

Sincerely,



Deborah K. Romero
Cabinet Secretary

STATE OF NEW MEXICO

SELECTED STATE OFFICIALS

June 30, 2020

Executive

Michelle Lujan Grisham, Governor

Howie Morales, Lieutenant Governor

Maggie Toulouse Oliver Secretary of State	Brian S. Colón State Auditor	Tim Eichenberg State Treasurer	Hector H. Balderas Attorney General	Stephanie Garcia Richard Commissioner of Public Lands
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- **Cynthia B. Hall**, Public Regulation Commission • **Jefferson L. Byrd**, Public Regulation Commission • **Joseph Maestas**, Public Regulation Commission • **T. Becenti Aguilar**, Public Regulation Commission • **Stephen Fischmann**, Public Regulation Commission

Judicial

Michael E. Vigil Chief Justice of the Supreme Court	Barbara J. Vigil Justice of the Supreme Court	Julie J. Vargas Justice of the Supreme Court	C. Shannon Bacon Justice of the Supreme Court	David K. Thomson Justice of the Supreme Court
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- **J. Miles Hanisee**, Chief Judge of the Court of Appeals • **Jennifer L. Attrep**, Judge of the Court of Appeals • **Kristina Bogardus**, Judge of the Court of Appeals • **Jacqueline R. Medina**, Judge of the Court of Appeals • **Megan P. Duffy**, Judge of the Court of Appeals • **Briana H. Zamora**, Judge of the Court of Appeals • **Zachary A. Ive**, Judge of the Court of Appeals • **Shammara H. Henderson**, Judge of the Court of Appeals • **Jane B. Yohalem**, Judge of the Court of Appeals

Legislative - Senate

Mimi Stewart President Pro Tempore	Peter Wirth Majority Floor Leader	Gregory A. Baca Minority Floor Leader	Linda M. Lopez Majority Whip
Craig W. Brandt Minority Whip			

Legislative – House of Representatives

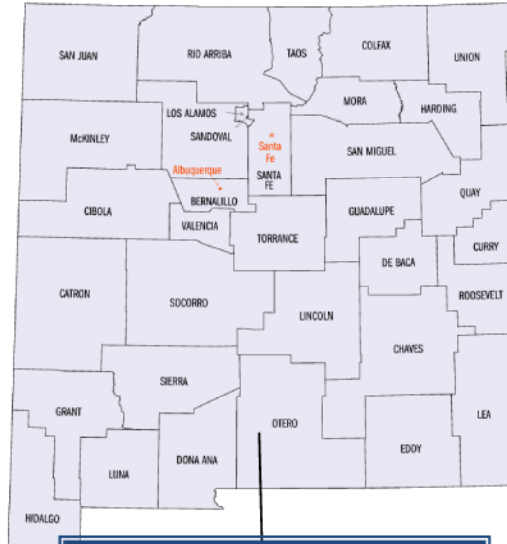
Brian Egolf, Jr. Speaker of the House	Sheryl Williams Stapleton Majority Floor Leader	James G. Townsend Minority Floor Leader	Doreen Y. Gallegos Majority Whip
Rod Montoya Minority Whip			

STATE OF NEW MEXICO

ORGANIZATIONAL CHART

June 30, 2020

Citizens of New Mexico



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

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STATE OF NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FINANCIAL
SECTION
MANAGEMENT'S DISCUSSION
AND ANALYSIS
PLUS INDEPENDENT AUDIT REPORT



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INDEPENDENT AUDITORS' REPORT

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Debbie Romero, Secretary of the New Mexico Department of
Finance and Administration,
Ms. Donna M. Trujillo, State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Mexico (State), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
 Ms. Debbie Romero, Secretary of the New Mexico Department of
 Finance and Administration,
 Ms. Donna M. Trujillo, State Controller of the New Mexico Department
 of Finance and Administration, and
 Mr. Brian Colón, New Mexico State Auditor

Percentage Audited by Other Auditors

<u>Government-Wide</u>	<u>Total Assets</u>	<u>Total Revenues</u>
Governmental activities	86%	55%
Business-type activities	93%	99%
Aggregate discretely presented component units	66%	42%

Fund Statements

Major governmental fund - General Fund	50%	50%
Major governmental fund - Debt Service Fund	80%	100%
Major governmental fund - Capital Projects Fund	31%	3%
Major governmental fund - Severance Tax Permanent Fund	100%	100%
Major governmental fund - Land Grant Permanent Fund	100%	100%
Major enterprise fund - Educational Institutions Fund	100%	100%
Major enterprise fund – Unemployment Insurance Fund	100%	100%
Aggregate remaining fund information	45%	75%

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

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

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

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

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
 Ms. Debbie Romero, Secretary of the New Mexico Department of
 Finance and Administration,
 Ms. Donna M. Trujillo, State Controller of the New Mexico Department
 of Finance and Administration, and
 Mr. Brian Colón, New Mexico State Auditor

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

Basis for Qualified Opinion on Governmental Activities

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

Qualified Opinion

In our opinion, based on our audit and the reports of the other auditors, except for the matters described in the “*Basis for Qualified Opinion on Governmental Activities*” paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Debbie Romero, Secretary of the New Mexico Department of
Finance and Administration,
Ms. Donna M. Trujillo, State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the opinion units identified as “Unmodified” in the schedule “Summary of Opinions” of the State, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Correction of Errors

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (pages 7-25), Budgetary Comparison Schedule – General Fund and Notes to Budgetary Reporting (pages 205-212), Schedules of Changes in Net Pension Liability (pages 213-217), Schedule of Changes in Net OPEB Liability (page 218); Schedules of Net Pension Liability (pages 219-223), Schedules of Net OPEB Liability (page 224-227), Schedules of Employer Contributions - Pension (pages 228-237), Schedules of Employer Contributions – OPEB (pages 238-240), Schedules of Investment Returns - Pension (pages 241-242), Schedule of Investment Returns – OPEB (pages 243-245), Schedule of Actuarial Methods and Assumptions – All Retirement Systems (page 246), Schedule of Actuarial Methods and Assumptions – New Mexico Retiree Health Care Authority (page 247), Schedule of the State of New Mexico’s Proportionate Share of the Net Pension Liability (pages 249-254), Schedule of the State of New Mexico’s Proportionate Share of the Net OPEB Liability (pages 255-256), and Schedule of the State’s Contributions (pages 258-265) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Debbie Romero, Secretary of the New Mexico Department of
Finance and Administration,
Ms. Donna M. Trujillo, State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining statements and individual fund financial statements and schedules, introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2021 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 29, 2021

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

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, 2020. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section. The subsequent information is highly summarized, and in order to gain a comprehensive understanding of the State's financial condition it should be reviewed in its entirety. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-wide

Net Position of the Primary Government

- The primary government (governmental activities and business-type activities) ended fiscal year 2020 with a net position of \$33.3 billion, an increase of \$1.8 billion, or 5.9 percent, from the previous year.
- The net position is comprised of \$7.8 billion in capital assets, net of related debt, \$31.1 billion in restricted, and a deficit \$5.6 billion in unrestricted, excluding component units.
- As a result of operating activities, the primary government's total net position increased by \$1.8 billion, or 5.9 percent, in fiscal year 2020 when compared to the previous year's ending net position. The net position of governmental activities increased \$1.1 billion, or 3.8 percent, from previous year's ending net position.
- Program revenues for the primary government increased around 20.2 percent on a year to year basis. Taxes and other general revenues decreased by 12.6 percent from previous year. Expenses of \$21.7 billion, increased by \$2.6 billion, with the majority of the increase being in Education and Health and Human Services.
- The net position of the business-type activities increased by \$700 million or 55.9 percent, from the previous year's ending net position. The business-type activities from the prior fiscal year saw an increase in total revenue by \$1.3 billion and an increase in expenses by \$392 million. Program revenue increased by \$1.3 billion while transfers increased by \$97 million.

Long-term Debt

- The State's long-term bonded debt decreased a net of \$268 million for both governmental and business-type activities, combined, due to the payment on the prior year bonds was higher than the issuance of new bonds. New bond issuance for governmental activities was composed of \$140 million for general obligation bonds. New bond issuance for business type activities was \$92 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, 2020

Fund Level

Governmental Funds

- As of June 30, 2020, the State's combined governmental funds reported an ending fund balance of \$31 billion, an increase of \$1.2 billion, or 3.92 percent, from fiscal year 2019 year's ending net position, (see the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances).
- Year to year there was an increase in revenue of \$267 million, primarily the result of higher Federal Revenues and strengthened Selective Tax Revenues. Year to year, expenditures increased by \$2.5 billion. Operationally, expenditure increases in the areas of Education and Health and Human Services are the primary drivers.
- The unassigned fund balance as of the end of fiscal year 2020 was \$525.5 million.

Proprietary Funds

- The proprietary funds reported net position of \$2 billion as of June 30, 2020, an increase of \$700 million, or 55.9 percent, from fiscal year 2019 ending net position.

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 Annual Financial Report presents the State's financial position and activities in four parts:

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

This report also includes statistical data.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Reporting on the State as a Whole

Government-wide Statements

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

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

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

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

Governmental Activities

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

Business-type Activities

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

Component Units

Component units are legally separate organizations for which the state is either financially accountable or the nature and significance of their relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. The state has approximately seventy-three (73) discretely presented component units. Financial information for these entities is presented separately in the supplemental statements and in the notes.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Reporting on the State's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Reconciliation between Government-wide and Fund Statements

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

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

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements, but are deferred inflow of resources on the governmental fund statements.
- Pension related items including Net Pension Liability, Net Pension Asset, and the Deferred Inflows and Outflows of resources related to pensions are included in the government-wide statements and not in the governmental fund statements.
- OPEB related items including Net OPEB Liability and the Deferred Inflows and Outflows of resources related to OPEB are included in the government-wide statements and not in the governmental fund statements

Notes to the Financial Statements

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

Required Supplementary Information (RSI)

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

Other Supplementary Information

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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

ADJUSTMENTS TO BEGINNING NET POSITION AND FUND BALANCES

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

- Total Assets and Deferred Outflows of the State as of June 30, 2020, were \$48.8 billion, an increase of \$1.6 billion or 3.5 percent from prior fiscal year. The majority of the increase is due to increased receivables.
 - For governmental activities, total assets and deferred outflows were \$42.2 billion, an increase of \$1.9 billion, or 4.8 percent.
 - For business-type activities, total assets and deferred outflows were \$6.6 billion, a decrease of \$293 million or 4.2 percent.
- Total Liabilities and Deferred Inflows as of June 30, 2020 were \$15.6 billion, a decrease of \$212 million or 1.3 percent from prior fiscal year.
 - Total liabilities and deferred inflows for governmental activities were \$10.9 billion, an increase of \$780 million, or 7.7 percent.
 - For business-type activities, total liabilities and deferred inflows were \$4.7 billion, a decrease of \$992 million or 17.5 percent.
- The State's total net position of \$33.3 billion was \$1.8 billion or 5.9 percent higher in fiscal year 2020 compared to the prior year. Of the State's net position, \$7.8 billion was recorded as net investment in capital assets, while \$31.1 billion was restricted by state statute or other legal requirements and was not available to finance day-to-day operations of the state. Unrestricted net position was a \$5.6 billion deficit. Most of this is attributable to the net pension liability and net OPEB liability. The reporting of these long-term liabilities is mandated by the Governmental Accounting Standards Board.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

State of New Mexico
Net Position as of June 30, 2020
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 34,495,153	\$ 32,358,724	\$ 3,507,396	\$ 3,436,924	\$ 38,002,549	\$ 35,795,648
Capital Assets	7,138,757	7,113,854	2,621,648	2,587,985	9,760,405	9,701,839
Total Assets	<u>\$ 41,633,910</u>	<u>\$ 39,472,577</u>	<u>\$ 6,129,044</u>	<u>\$ 6,024,909</u>	<u>47,762,954</u>	<u>45,497,487</u>
Deferred Outflow of Resources	584,395	817,683	500,907	897,930	1,085,302	1,715,613
Current Liabilities	3,786,433	2,798,521	844,925	608,947	4,631,358	3,407,468
Long-term Liabilities	6,454,601	6,863,128	3,531,992	4,911,326	9,986,593	11,774,453
Total Liabilities	10,241,034	9,661,648	4,376,917	5,520,273	14,617,951	15,181,921
Deferred Inflows of Resources	639,954	438,655	302,459	151,785	942,414	590,440
Net Position:						
Net Investment in Capital Assets	5,971,617	5,826,283	1,808,184	1,770,690	7,779,801	7,596,973
Restricted	30,024,134	27,579,790	1,113,160	1,386,077	31,137,294	28,965,868
Unrestricted	(4,658,434)	(3,216,115)	(970,769)	(1,905,986)	(5,629,203)	(5,122,101)
Total Net Position	<u>\$ 31,337,317</u>	<u>\$ 30,189,958</u>	<u>\$ 1,950,575</u>	<u>\$ 1,250,781</u>	<u>\$ 33,287,892</u>	<u>\$ 31,440,739</u>
Percentage change in total net position from prior year	<u>3.8 %</u>		<u>55.9 %</u>		<u>5.9 %</u>	

Changes in Net Position

The State's net position as of June 30, 2020, was \$33.3 billion which was \$1.8 billion greater than the 2019 net position restated. The State earned program revenues of \$15.1 billion, collected tax revenue of \$7.5 billion, and received \$956 million of general revenues. Total revenues for 2020 were \$23.6 billion, an increase of \$1.3 billion, or 6 percent, from fiscal year 2019. Increased revenue was primarily attributable to the \$15.3 million increase in taxes and to the \$2.6 billion increase in operating grants and contributions while other general revenues decreased by \$1.2 billion and charges for services decreased by \$169 million. The expenses of the State were \$21.7 billion, an increase of \$2.6 billion or 13.5 percent, from fiscal year 2019. Further analysis of results of changes in the State's financial condition follows in the analysis of the State's funds. Net program revenues exceeded net program expenses by \$1.9 billion, whereas in fiscal year 2019 this amount was \$3.1 billion. The tax collections of the State provided additional funding, which when added to program revenues, supported payment for governmental services.

The following schedule and charts summarize the State's total revenues, expenses, and changes in net position for fiscal year 2020:

STATE OF NEW MEXICO

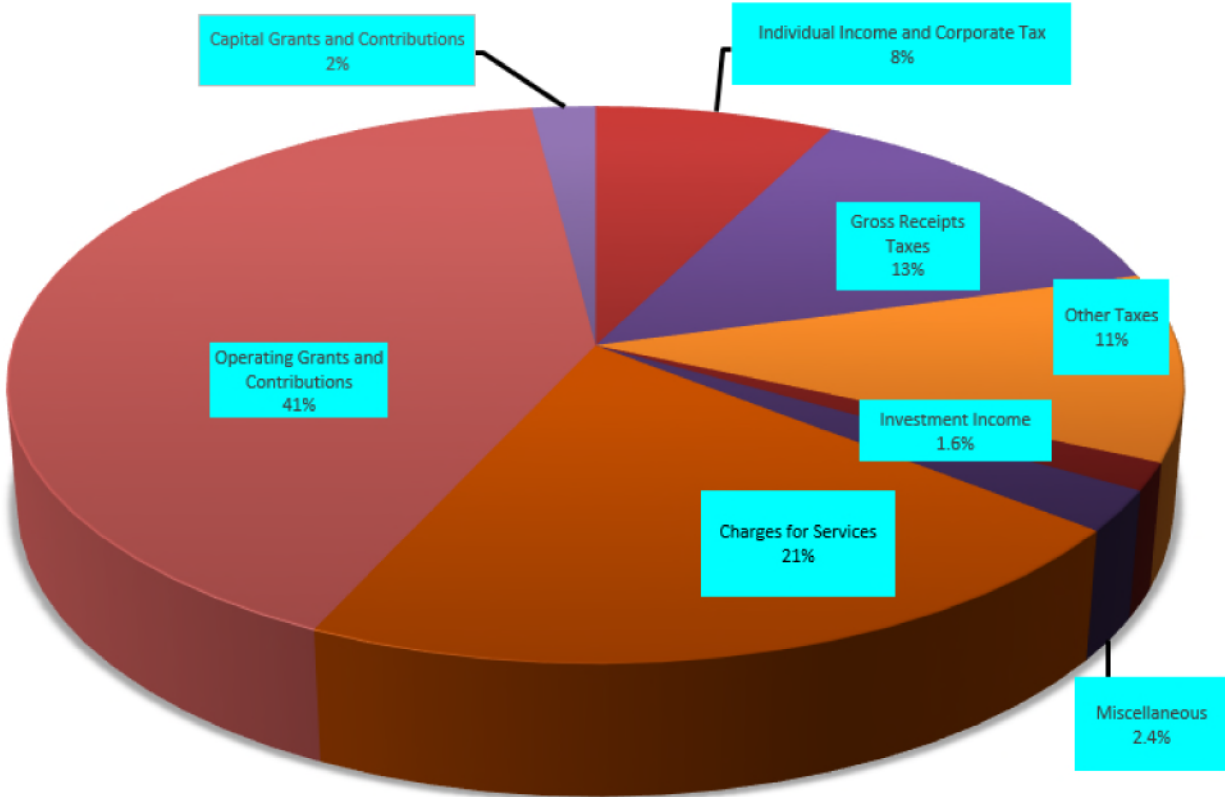
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

State of New Mexico
Changes in Net Position
For the Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2019 to 2020
	2020	2019	2020	2019	2020	2019	
Revenues							
General Revenues:							
Taxes	\$ 7,458,825	\$ 7,317,368	\$ -	\$ 126,103	\$ 7,458,826	\$ 7,443,471	0.2 %
Other General Revenues	623,260	1,849,466	332,448	332,515	955,708	2,181,980	(56.2) %
Program Revenues:							
Charges for Services	2,678,902	3,013,662	2,324,753	2,159,341	5,003,656	5,173,003	(3.3) %
Operating Grants and Contributions	7,750,233	6,363,981	1,919,974	663,285	9,670,207	7,027,265	37.6 %
Capital Grants and Contributions	462,264	376,591	7,751	23,997	470,015	400,588	17.3 %
Total Revenues	18,973,484	18,921,067	4,584,926	3,305,241	23,558,412	22,226,307	6.0 %
Expenses							
General Control	946,145	949,925	-	-	946,145	949,925	(0.4) %
Culture, Recreation, and Natural Resources	294,254	263,383	-	-	294,254	263,383	11.7 %
Highway and Transportation	952,604	876,159	-	-	952,604	876,159	8.7 %
Judicial	367,458	341,818	-	-	367,458	341,818	7.5 %
Legislative	26,741	28,024	-	-	26,741	28,024	(4.6) %
Public Safety	593,994	548,909	-	-	593,994	548,909	8.2 %
Regulation and Licensing	207,749	194,956	-	-	207,749	194,956	6.6 %
Health and Human Services	9,447,582	7,864,173	-	-	9,447,582	7,864,173	20.1 %
Education	3,929,465	3,483,071	-	-	3,929,465	3,483,071	12.8 %
Indirect Interest on Long-term Debt	112,126	130,183	-	-	112,126	130,183	(13.9) %
Special Items	15	-	-	-	15	-	- %
Educational Institutions	-	-	2,802,997	3,844,397	2,802,997	3,844,397	(27.1) %
Public Schools Insurance	-	-	397,157	370,389	397,157	370,389	7.2 %
Environmental Loans	-	-	1,387	2,726	1,387	2,726	100.0 %
Miners' Colfax Medical Center	-	-	40,490	37,506	40,490	37,506	8.0 %
Unemployment Insurance	-	-	1,547,564	137,995	1,547,564	137,995	1,021.5 %
State Fair	-	-	15,007	15,919	15,007	15,919	(5.7) %
Other Business-type Activities	-	-	19,248	22,845	19,248	22,845	(15.7) %
Total Expenses	16,878,133	14,680,602	4,823,850	4,431,777	21,701,983	19,112,380	13.5 %
Excess Before Transfers	2,095,351	4,240,465	(238,924)	(1,126,536)	1,856,429	3,113,929	
Transfers	(940,448)	(843,055)	940,448	843,055	-	-	
Change in Net Position	1,154,903	3,397,410	701,524	(283,481)	1,856,429	3,113,929	(40.4) %
Net Position -							
Beginning, as Restated	30,182,414	26,792,548	1,249,051	1,534,262	31,431,465	28,326,810	
Net Position - Ending	\$ 31,337,317	\$ 30,189,958	\$ 1,950,575	\$ 1,250,781	\$ 33,287,894	\$ 31,440,739	5.9 %

State of New Mexico Total Revenues - FY 2020

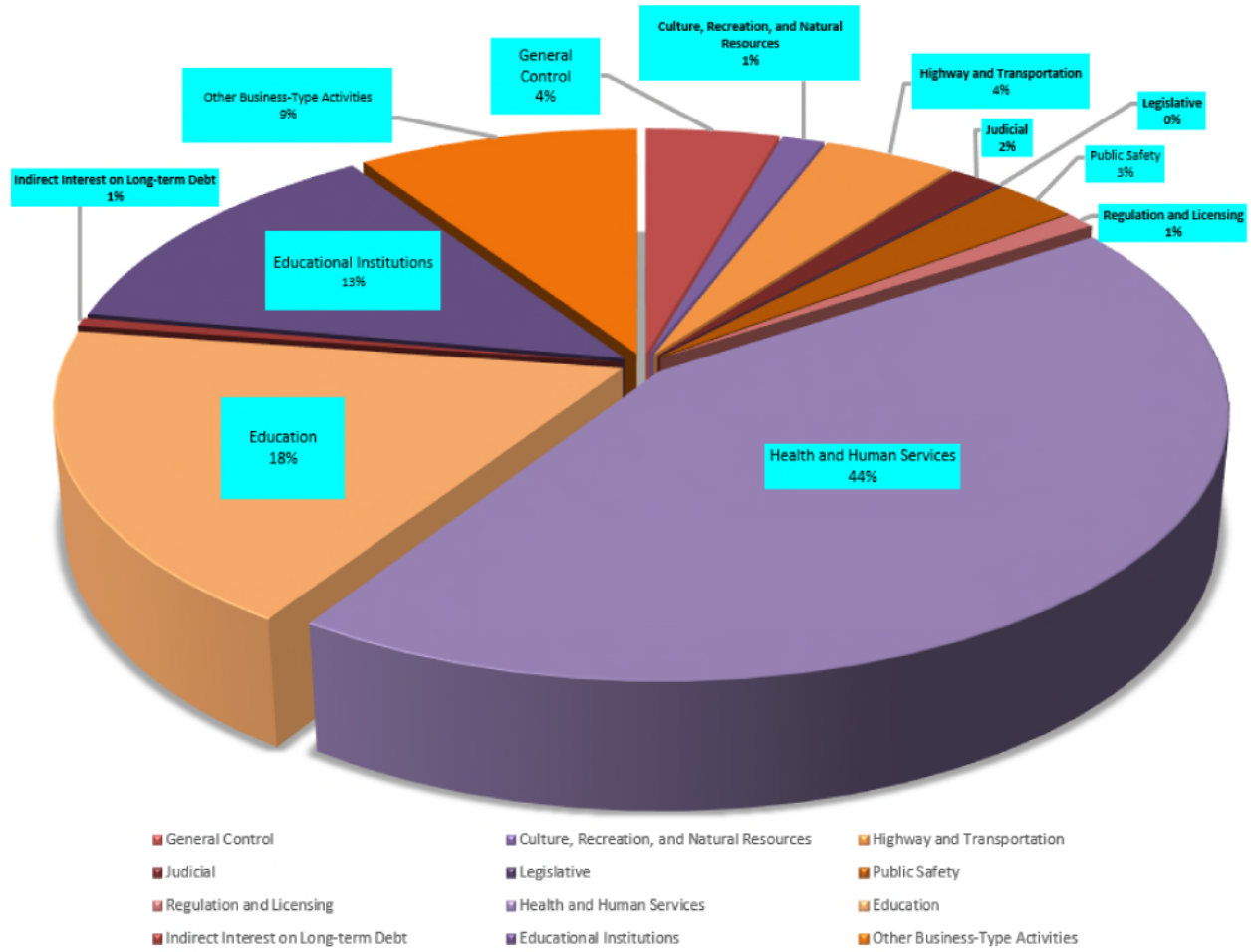


- Individual Income and Corporate Tax
- Gross Receipts Taxes
- Other Taxes
- Investment Income
- Miscellaneous
- Charges for Services
- Operating Grants and Contributions
- Capital Grants and Contributions

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

State of New Mexico Total Expenditures- FY 2020



STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Governmental Activities

Governmental activities program revenue was \$10.9 billion, consisting of operating grants and contributions of \$7.8 billion, capital grants and contributions of \$462 million, and \$2.7 billion in service charges. Program revenues increased \$1.1 billion from the prior fiscal year, the result of a \$3.1 million increase in operating grants and contributions, an \$85 million increase in capital grants and contributions, along with a \$335 million decrease in charges for services. Governmental activities expenses increased by \$2.2 billion year to year bringing the total to \$16.9 billion. All governmental activities except for general control 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 grants received by Health and Human Services and Highway and Transportation 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 2020, state taxes and other general revenues covered 35.47 percent of expenses. The remaining 64.53 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, 2020
(Expressed in Thousands)

	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
			2020	2019	2020	2019
General Control	\$ 946,145	\$ (2,256,005)	\$ 1,309,860	\$ 1,630,357	238.4 %	271.6 %
Culture, Recreation, and Natural Resources	294,254	(104,917)	(189,338)	44,485	35.7 %	170.2 %
Highway and Transportation	952,604	(561,795)	(390,809)	(354,919)	59.0 %	59.5 %
Judicial	367,458	(20,575)	(346,883)	(320,809)	5.6 %	6.1 %
Legislative	26,741	-	(26,741)	(28,024)	- %	- %
Public Safety	593,994	(134,278)	(459,715)	(444,600)	22.6 %	19.0 %
Regulation and Licensing	207,749	(45,934)	(161,814)	(150,878)	22.1 %	22.6 %
Health and Human Services	9,447,582	(7,306,992)	(2,140,590)	(1,969,954)	77.3 %	75.0 %
Education	3,929,465	(460,903)	(3,468,562)	(3,001,843)	11.7 %	13.8 %
Indirect Interest on Long-term Debt	112,126	-	(112,126)	(130,183)	- %	- %
	<u>\$ 16,878,118</u>	<u>\$ (10,891,399)</u>	<u>\$ (5,986,716)</u>	<u>\$ (4,726,368)</u>	<u>64.5 %</u>	<u>67.4 %</u>

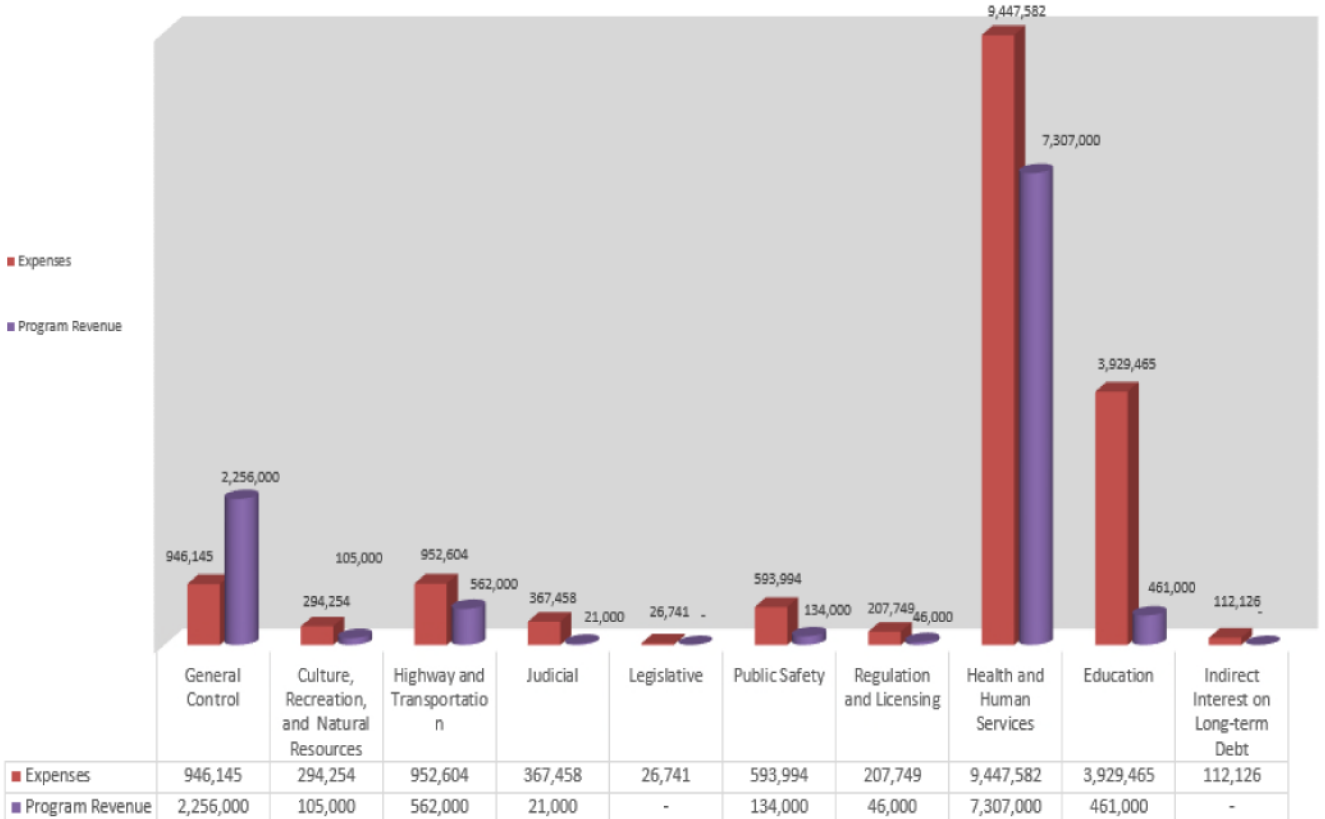
STATE OF NEW MEXICO

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

**State of New Mexico
Expenses and Program revenues: Governmental Activities
For the Fiscal Year Ended June 30, 2020**

(In Thousands)



Business-type Activities

Business-type activities generated program revenues of \$4.3 billion, including charges for services of \$2.3 billion, operating grants and contributions of \$1.9 billion and \$7.8 million in capital grants and contributions. This was \$1.3 billion more than the prior year, attributable to the unemployment insurance function. The total expenses for business-type activities were \$4.8 billion, an increase of \$392 million from the prior year. The largest change occurred in the unemployment insurance function, where expenses increased by \$1.4 billion versus prior year and, offsetting this by \$1 billion was a decrease in expenses related to educational institutions. Net expenses exceeded program revenues from the primary government’s business-type activities by \$702 million, an increase of \$985 million from the prior year.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2020, the State's governmental funds reported combined ending fund balances of \$31 billion. The State reported \$30.3 billion, or 98 percent, as restricted, including \$19.3 billion related to the Land Grant Fund, \$5.3 billion associated with the Severance Tax Fund and \$1.9 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, 2020. Committed, assigned, nonspendable and unassigned totaled \$630 million, or 2 percent.

State of New Mexico
Fund Balances as of June 30, 2020
(Expressed in Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax	Land Grant	Totals Governmental Funds
Nonspendable	\$ 46,026	\$ -	\$ -	\$ -	\$ -	\$ 46,026
Restricted	3,389,316	433,135	1,867,176	5,302,828	19,330,276	30,322,731
Committed	45,460	-	-	-	-	45,460
Assigned	12,923	-	41	-	-	12,964
Unassigned	532,328	-	(6,815)	-	-	525,513
Total	\$ 4,026,053	\$ 433,135	\$ 1,860,402	\$ 5,302,828	\$ 19,330,276	\$ 30,952,694

Percent Change from Prior Year

3.9 %

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, 2020 totaled \$4 billion. Net change in General Fund balance, was an increase of \$899 million. The General Fund ended the fiscal year 2020 with unassigned fund balance of \$532 million.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Budgetary Highlights – General Fund

The initial fiscal year 2020 budget was adopted by the Legislature during the 2019 Regular Session. The General Fund original budgeted revenues for fiscal year 2020 were 3.5 percent lower than the fiscal year 2019 final budget basis revenues. During the year, federal revenue was \$668 million less than the final approved budget. After budget amendments, the actual expenditures in the General Fund were \$1.5 billion 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 Annual Financial Report.

Severance Tax Fund

Fund balance at June 30, 2020, totaled \$5.3 billion, a decrease of \$225 million, or 4.1 percent, related decrease in investment earnings.

Land Grant Fund

Fund balance at June 30, 2020, totaled \$19.3 billion, an increase \$283 million, or 1.48 percent, reflective of increased investment earnings compared to the portfolio in the prior year and higher Rentals and Royalty revenues.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Exclusive of Internal Service Funds, the State's proprietary funds reported Net Position of \$2 billion, an increase of \$702 million from the prior year net position.

Educational Institutions

Net Position at June 30, 2020, totaled \$1.3 billion. Current period activity increased the Net Position of the State's educational institutions by \$1 billion, or 306.41 percent. For the fiscal year 2020 the State transferred \$923 million to the State's educational institutions, an increase of \$52 million, or 5.97 percent from fiscal year 2019.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

DISCRETE COMPONENT UNITS

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

The State's discretely presented major component units are:

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

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

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Asset Activity

As of June 30, 2020, the State's net investment in capital assets, for governmental activities totaled \$6 billion and \$1.8 billion for its business-type activities. The state's capital assets include land, buildings, improvements, machinery and equipment, mineral rights, roads, highways and bridges. The change in the State's investment in capital assets for the current fiscal year was a modest increase of 2.41 percent in total, for governmental activities increase of 2.49 percent and increase of 2.12 percent for business-type activities.

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

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

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Long-term Debt Activity

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

The State had the following bond ratings at June 30, 2020:

State of New Mexico Bond Ratings at June 30, 2020

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

Revenue Bonds issuances during the year totaled \$92 million and GO bond issuances during the year totaled \$140 million.

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

State of New Mexico Net Outstanding Bonded Debt as of June 30, 2020 (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2019 to 2020
	2020	2019	2020	2019	2020	2019	
General Obligation Bonds, Net	\$ 421,700	\$ 350,925	\$ -	\$ -	\$ 421,700	\$ 350,925	20.2 %
Severance Tax Bonds, Net	680,245	814,370	-	-	680,245	814,370	(16.5) %
Revenue Bonds, Net	1,094,669	1,221,323	823,419	865,272	1,918,088	2,086,595	(8.1) %
Bond Premium, Discount, Net	223,794	257,988	39,279	41,791	263,073	299,781	(12.2) %
Total Bonds Payable	\$ 2,420,408	\$ 2,644,607	\$ 862,698	\$ 907,063	\$ 3,283,106	\$ 3,551,671	(7.6) %

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

ECONOMIC CONDITIONS AND OUTLOOK

Economic Factors Affecting New Mexico's Fiscal Year 2020 Budget

New Mexico utilizes a consensus revenue estimating group (CREG) comprised of legislative and executive economists to forecast General Fund revenue so the Executive and Legislature work with the same revenue forecast in preparing their respective General Fund operating budget recommendations. The CREG bases its State General revenue forecast on forecasts of the U.S. economy from Moody's Analytics and IHS Global Insight in combination with forecasts of the New Mexico economy prepared by the University of New Mexico's Bureau of Business and Economic Research. Economic inputs also include data and information provided by state agencies, and other national data sources such as the Energy Information Administration, Bureau of Labor Statistics, Bureau of Economic Analysis, and the U.S. Census. Historical information on the New Mexico value and volume of crude oil and natural gas produced in the state is derived from the state's GenTax Database reporting system, and product price forecasts are derived from the national economic forecasting services and other sources. Additionally, New Mexico state revenues are highly sensitive to boom and bust cycles in the energy industry; the CREG conducts a Stress-Test on state revenues during the process. The establishment and use of Stress-Testing hedges against an economic downturn or an unforeseen downswing in the energy sector. Stress-Testing allows for targeting appropriate levels of general fund reserves while safeguarding the state's budget at the same time.

Trends in the U.S. Economy

The U.S. economy contracted in the State fiscal year 2020. The national economy, as measured by real gross domestic product, contracted by 1.1 percent in fiscal year 2020. June 2020 year-over-year total employment levels declined by 12.9 million jobs or 8.5 percent. U.S. average hourly wages grew by 4.3 percent, exceeding inflation of 1.4 percent.

U.S. economic growth declined in fiscal year 2020, with GDP declining 1.2 percent over fiscal year 2019. Additionally, the U.S. experienced the worst annualized percent change of real gross domestic product in the fourth quarter of fiscal year 2020 with RGDP declining by 31.4 percent. In March and lasting for the remainder of fiscal year 2020, the COVID-19 pandemic and healthcare crisis resulted in states issuing public health orders implementing social distancing measures, closing non-essential businesses, and limiting and reducing business capacity. The COVID-19 health crisis has exacerbated a national recession. At the national level, fiscal and monetary policies have been implemented at an unprecedented level to minimize the negative economic impacts of the healthcare crisis. The Federal Reserve has lowered short-term interest rates to bolster the US economy and the US Congress implemented major stimulus packages in last quarter of the 2020 fiscal year 2020.

New Mexico Economy

The New Mexico economy, on a year-over-year basis, grew slightly in fiscal year 2020 with real gross domestic product growing by 1.6 percent. New Mexico's economic growth, state wages and salaries grew by 3 percent, and total personal income in the state grew by 5.9 percent. During fiscal year 2020, New Mexico's employment declined 7.4 percent which represents a loss of 63,400 jobs. At the start of fiscal year, the Mining Sector grew and set new record levels for rig count, oil production, and taxable gross receipts. However, the COVID-19 healthcare crisis and the oil price war early in the second half of the calendar year impacted the industry with supply and demand-side shocks. In March 2020, the price of oil

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

collapsed and while it has recovered since then, it impacted rig counts and oil production towards the end of the fiscal year.

The state's year-over-year employment declined across most sectors in June 2020. When compared to June 2019, the most severe employment losses were experienced by the mining sector followed by the leisure and hospitality sector, which lost 6,600 jobs and 24,900 jobs, respectfully. This represents a 25.1% decline in employment in the leisure and hospitality sector and a 25.4% decrease in the mining sector. The other services sector declined by 15.8% or declined by 4,600 jobs on a year-over-year basis. The information sector lost 1,900 jobs, which represent a year-over-year decrease of 16.7%.

Oil prices in fiscal year 2020 remained lower than oil prices in fiscal year 2019. However, this has been offset by record levels of oil production in fiscal year 2020. Natural gas prices remained low in fiscal year 2020. Average New Mexico prices in fiscal year 2020 for crude oil and natural gas were \$44.01 per barrel and \$1.90 per mcf, respectively. New Mexico continued to be the third-largest producing state for oil and the ninth largest for natural gas.

General Fund Revenue and Reserve Outlook

The fiscal year 2020 recurring revenue declined by 2.4 percent from \$8 billion to \$7.8 billion, while year-end financial reserves ended at 35.4 percent of recurring appropriations. The decline in the revenues for fiscal year 2020 is due to a couple of factors; first, in fiscal year 2019, an unprecedented federal mineral leasing payment caused overall revenues to increase out of trend; and secondly, the oil price war of early 2020 and the COVID-19 pandemic impacted revenues in the last quarter of fiscal year 2020.

The use of above-trend revenues for one-time expenditures in fiscal year 2019 and fiscal year 2020 reduced the potential impact of the current downturn on recurring budgets. Additionally, the June Special Session actions reduced recurring appropriations by \$414 million in fiscal year 2021. Lastly, while revenues in the last quarter of fiscal year 2020 declined, revenues performed better than expected contributing to ending fiscal year 2020 reserves.

While states across the country are still reeling from the COVID-19 pandemic overall, many have reported better than expected revenue collections and improved forecasts. The State of New Mexico is no different, State revenues have not declined as much as expected in early revenue estimates from last year.

Looking forward to fiscal year 2021, the negative impacts of the economic downturn have also been mitigated by unprecedented national fiscal stimulus measures totaling \$5.9 trillion. These fiscal stimulus packages are the CARES Act (\$2.4 trillion), the December 2020 stimulus package (\$900 billion), and, in early 2021, the American Rescue Plan (\$1.9 trillion). The three fiscal stimulus measures provided crucial assistance and prevented an even worse downturn. Measures employed included unemployment insurance, stimulus checks to individuals, aid to small businesses, and aid to state and local governments. Lastly, in New Mexico, the better-than-expected oil price recovery and oil production has had a significant impact on overall general fund revenues going into fiscal year 2021.

As the national and state economies reopen, oil demand firms around the world and overall economic recovery take hold in 2021 multiple characteristics are expected to drive New Mexico recovery. The recovery of oil and natural gas-related growth, including severance, federal mineral leasing bonus, royalty payments, and gross receipts tax revenue growth associated with oil exploration, is expected to be the largest driver of General Fund revenue growth in fiscal year 2021 and beyond.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

According to the February 2021 consensus revenue outlook, fiscal year 2021 recurring revenues are estimated to be \$7.2 billion, representing a decline of 8.5 percent over the fiscal year 2020 levels. Oil and natural gas related revenues are projected to decrease by 4.1 percent compared to fiscal year 2020 levels. In fiscal year 2021, New Mexico oil prices are projected to average \$43.50 per barrel, while natural gas prices are projected to average \$2.45 per mcf. The February 2021 forecast, on a year-over-year basis, expects oil volumes to increase by 0.5 percent and natural gas volumes to remain flat in fiscal year 2021. Net gross receipts tax revenue is expected to decrease by 14.2 percent over the prior fiscal year. Personal income tax revenue is also expected to decrease by 6.2 percent when compared to the prior year. The February 2021 forecast expects the economic and revenue decline to be in fiscal year 2021, with recovery beginning in fiscal year 2022.

Lastly, with \$1 billion dollars in 2021 legislative actions providing funding for pandemic relief for businesses and workers, fiscal year 2021 estimated reserves are expected to decline from \$2.5 billion or 35.4 percent down to \$1.8 billion or 21.7 percent of recurring appropriations.

CONTACT THE STATE'S FINANCIAL MANAGEMENT

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

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

STATE OF NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS



BALLOON FIESTA
SOURCE - WWW.DESTINATION360.COM

STATE OF NEW MEXICO

STATEMENT OF NET POSITION

June 30, 2020

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,226,892	\$ 965,364	\$ 2,192,256	\$ 211,496
Cash and Cash Equivalents - Restricted	23,661	75,142	98,803	337,936
Investment in State General Fund Investment Pool	6,011,767	177,871	6,189,638	-
Investment in Local Government Investment Pool	-	165,950	165,950	10,348
Internal Balances	(14,511)	14,511	-	-
Due From Component Units	16,832	13,142	29,974	-
Due From Primary Government	-	-	-	6,214
Receivables, Net	1,995,179	612,747	2,607,926	33,647
Loans Receivable, Net	21,263	11,421	32,684	141,335
Investments	5	486,846	486,851	64,088
Due from Broker	365,471	-	365,471	-
Prepaid Expenses	5,765	2,689	8,454	941
Inventories	30,925	30,685	61,610	246
Other Current Assets	6	20,275	20,281	5,285
Total Current Assets	9,683,255	2,576,643	12,259,898	811,536
Noncurrent Assets:				
Unrestricted Cash and Cash Equivalents	-	61,488	61,488	-
Restricted Cash and Cash Equivalents	725	46,948	47,673	10,693
Restricted Investments	-	136,568	136,568	1,748,914
Loans Receivable, Net	4,419	212,128	216,547	1,866,635
Receivables, Net	4,056	-	4,056	-
Due From Component Units	-	3,087	3,087	-
Investments	24,783,422	444,498	25,227,920	325,628
Derivative Instruments - Interest Rate Swaps	-	1,286	1,286	-
Net Pension Assets	19,276	-	19,276	-
Other Noncurrent Assets	-	24,750	24,750	43,409
Nondepreciable Capital Assets	1,445,159	256,256	1,701,415	29,181
Other Capital Assets, Net	5,693,598	2,365,392	8,058,990	85,932
Total Noncurrent Assets	31,950,655	3,552,401	35,503,056	4,110,392
Total Assets	41,633,910	6,129,044	47,762,954	4,921,928
DEFERRED OUTFLOWS OF RESOURCES				
Interest Rate Swaps	-	8,374	8,374	-
Deferred Charge on Refunding	60,212	5,368	65,580	978
Deferred Outflows - OPEB	27,311	47,718	75,029	11,268
Deferred Outflows - Pension	496,872	439,447	936,319	59,315
Total Deferred Outflows of Resources	584,395	500,907	1,085,302	71,561

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

STATE OF NEW MEXICO

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2020

(In Thousands)

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 507,382	\$ 212,106	\$ 719,488	\$ 13,697
Accrued Liabilities	88,780	185,494	274,274	26,374
Accrued Interest	22,850	17	22,867	-
Unearned Revenue	1,018,760	107,593	1,126,353	1,739
Due to Primary Government	-	-	-	30,013
Due to Component Units	4,828	55	4,883	-
Due To Broker	350,733	-	350,733	-
Intergovernmental Payables	128,056	11	128,067	-
Other Obligations	186,155	1,756	187,911	-
Funds Held for Others	310,573	8,918	319,491	10,803
Bonds Payable - Current Portion:	380,055	48,841	428,896	162,909
Other Liabilities - Current Portion	788,261	280,134	1,068,395	448,251
Total Current Liabilities	<u>3,786,433</u>	<u>844,925</u>	<u>4,631,358</u>	<u>693,786</u>
Noncurrent Liabilities:				
Bonds Payable, Net of Current Portion:	2,040,353	813,856	2,854,209	2,397,207
Due to Primary Government	-	-	-	3,087
Net Pension Liability	3,429,456	2,188,283	5,617,739	172,412
Net OPEB Liability	774,289	385,030	1,159,319	48,810
Other Liabilities, Net of Current Portion	210,503	144,823	355,326	130,235
Total Noncurrent Liabilities	<u>6,454,601</u>	<u>3,531,992</u>	<u>9,986,593</u>	<u>2,751,751</u>
Total Liabilities	<u>10,241,034</u>	<u>4,376,917</u>	<u>14,617,951</u>	<u>3,445,537</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pension	180,471	174,891	355,362	15,320
Deferred Inflows - OPEB	451,953	125,779	577,732	52,547
Deferred Inflows - Other	7,530	1,789	9,319	4,913
	<u>639,954</u>	<u>302,459</u>	<u>942,413</u>	<u>72,780</u>
NET POSITION				
Net Investment in Capital Assets	5,971,617	1,808,184	7,779,801	45,358
Restricted for:				
Nonexpendable:				
Financial Aid	-	145,104	145,104	-
Endowment	-	95,571	95,571	-
Other Purposes	-	13,331	13,331	466,552
Expendable:				
Highway Construction and Maintenance	704,204	-	704,204	-
Education	218,742	602	219,344	-
Debt Service	77,515	69,939	147,454	110,859
Capital Projects	1,869,123	93,971	1,963,094	-
Scholarships	-	29,455	29,455	-
Unemployment and Insurance	-	168,202	168,202	-
Loan Programs	-	376,641	376,641	-
Other Purposes	27,154,550	120,344	27,274,894	730,319
Unrestricted Net Position	<u>(4,658,434)</u>	<u>(970,769)</u>	<u>(5,629,203)</u>	<u>122,084</u>
Total Net Position	<u>\$ 31,337,317</u>	<u>\$ 1,950,575</u>	<u>\$ 33,287,892</u>	<u>\$ 1,475,172</u>

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

STATE OF NEW MEXICO

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Control	\$ 946,145	\$ 2,227,030	\$ 28,975	\$ -	\$ 1,309,860	\$ -	\$ 1,309,860	\$ -
Culture, Recreation, and Natural Resources	294,254	66,086	38,549	282	(189,337)	-	(189,337)	-
Highway and Transportation	922,604	108,044	-	453,751	(390,809)	-	(390,809)	-
Judicial	367,458	15,655	4,920	-	(346,883)	-	(346,883)	-
Legislative	26,741	-	-	-	(26,741)	-	(26,741)	-
Public Safety	593,994	11,753	114,294	8,231	(459,716)	-	(459,716)	-
Regulation and Licensing	207,749	44,733	1,201	-	(161,815)	-	(161,815)	-
Health and Human Services	9,447,582	199,137	7,107,855	-	(2,140,590)	-	(2,140,590)	-
Education	3,929,465	6,464	454,439	-	(3,468,562)	-	(3,468,562)	-
Interest on Long-term Debt	112,126	-	-	-	(112,126)	-	(112,126)	-
Total Governmental Activities	16,878,118	2,678,902	7,750,233	462,264	(5,986,719)	-	(5,986,719)	-
Business-type Activities:								
Educational Institutions	2,802,997	1,768,685	803,154	7,751	-	(223,407)	(223,407)	-
Public Schools Insurance	397,157	393,010	-	-	(4,147)	-	(4,147)	-
Environmental Loans	1,387	-	7,779	-	6,392	-	6,392	-
Miners' Colfax Medical Center	40,490	13,001	10,523	-	(16,966)	-	(16,966)	-
Unemployment Insurance	1,547,564	121,004	1,098,480	-	(328,080)	-	(328,080)	-
State Fair - EXPO	15,007	10,239	-	-	(4,768)	-	(4,768)	-
Other Business-type Activities	19,248	18,814	38	-	(396)	-	(396)	-
Total Business-type Activities	4,823,850	2,324,753	1,919,974	7,751	(571,372)	-	(571,372)	-
Total Primary Government	\$ 21,701,968	\$ 5,003,655	\$ 9,670,207	\$ 470,015	(5,986,719)	(571,372)	(6,538,091)	-
Discretely Presented Component Units								
New Mexico Finance Authority	\$ 103,687	\$ 59,621	\$ 11,599	\$ -	-	-	-	(32,467)
New Mexico Mortgage Finance Authority	57,513	20,306	80,353	-	-	-	-	43,146
Other Major Component Units	116,716	128,570	48,647	-	-	-	-	60,501
Nonmajor Component Units	136,479	7,686	48,239	-	-	-	-	(80,554)
Total Component Unit Activities	\$ 414,395	\$ 216,183	\$ 188,838	\$ -	-	-	-	(9,374)
General Revenues:								
Taxes:								
Individual Income					1,715,499	-	1,715,499	-
Corporate Income					63,000	-	63,000	-
Gross Receipts Taxes					3,115,214	-	3,115,214	-
Business Privilege					2,530,032	-	2,530,032	-
Other Taxes					35,080	-	35,080	-
Payment to the State of New Mexico					-	-	-	(78,462)
Payment From State of New Mexico					-	-	-	276,304
Investment Income					316,768	57,149	373,917	17,747
Capital Gain					7,703	-	7,703	-
Miscellaneous					298,789	275,299	574,088	15,077
Special Items					(15)	-	(15)	-
Indian Water Rights Settlement					(940,448)	940,448	-	-
Transfers, Net					7,141,622	1,272,896	8,414,518	230,666
Total Net General Revenues and Transfers					1,154,903	701,524	1,856,427	221,292
Change in Net Position								
Net Position - Beginning, as Restated - See Note 9.C.					30,182,414	1,249,051	31,431,465	1,253,880
Net Position - Ending					\$ 31,337,317	\$ 1,950,575	\$ 33,287,892	\$ 1,475,172

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

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STATE OF NEW MEXICO

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

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

Debt Service Fund

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

Capital Projects Fund

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

Severance Tax Fund

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

Land Grant Fund

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

STATE OF NEW MEXICO

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2020
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 148,766	\$ 15,928	\$ -
Investment in the State General Fund Investment Pool	3,467,695	252,801	1,975,880
Prepaid Expenses	340	-	-
Due From Other Funds	2,339	78,647	585
Due From Educational Institutions Fund	1,145	-	-
Due from Component Units	16,832	-	-
Receivables, Net	2,001,512	1,343	3,061
Investments	1,413,285	84,741	-
Inventories	30,926	-	-
Other Assets	6	-	-
Total Assets	\$ 7,082,846	\$ 433,460	\$ 1,979,526
LIABILITIES			
Accounts Payable	\$ 425,717	\$ 324	\$ 66,115
Accrued Liabilities	87,618	-	34
Due To Other Funds	162,184	-	298
Due to Brokers	50,762	-	-
Due To Educational Institutions Fund	5,200	-	12,500
Due to Component Units	2,445	-	2,383
Intergovernmental Payables	97,539	-	30,518
Funds Held For Others	309,044	-	-
Other Obligations	811,435	1	5,652
Unearned Revenue	1,018,514	-	35
Total Liabilities	2,970,458	325	117,535
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	86,335	-	1,589
	86,335	-	1,589
FUND BALANCES			
Nonspendable	46,026	-	-
Restricted	3,389,316	433,135	1,867,176
Committed	45,460	-	-
Assigned	12,923	-	41
Unassigned (Deficit)	532,328	-	(6,815)
Total Fund Balances	4,026,053	433,135	1,860,402
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,082,846	\$ 433,460	\$ 1,979,526

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

STATE OF NEW MEXICO

BALANCE SHEET (CONTINUED)

GOVERNMENTAL FUNDS

June 30, 2020

(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 223,613	\$ 862,970	\$ 1,251,277
Investment in the State General Fund Investment Pool	3,077	97,828	5,797,281
Prepaid Expenses	-	-	340
Due From Other Funds	116	82,837	164,524
Due From Educational Institutions Fund	-	-	1,145
Due from Component Units	-	-	16,832
Receivables, Net	93,951	283,283	2,383,150
Investments	5,052,556	18,232,845	24,783,427
Inventories	-	-	30,926
Other Assets	-	-	6
Total Assets	\$ 5,373,313	\$ 19,559,763	\$ 34,428,908
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 492,156
Accrued Liabilities	-	-	87,652
Due To Other Funds	-	-	162,482
Due to Brokers	70,485	229,487	350,734
Due To Educational Institutions Fund	-	-	17,700
Due to Component Units	-	-	4,828
Intergovernmental Payables	-	-	128,057
Funds Held For Others	-	-	309,044
Other Obligations	-	-	817,088
Unearned Revenue	-	-	1,018,549
Total Liabilities	70,485	229,487	3,388,290
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	-	-	87,924
	-	-	87,924
FUND BALANCES			
Nonspendable	-	-	46,026
Restricted	5,302,828	19,330,276	30,322,731
Committed	-	-	45,460
Assigned	-	-	12,964
Unassigned (Deficit)	-	-	525,513
Total Fund Balances	5,302,828	19,330,276	30,952,694
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,373,313	\$ 19,559,763	\$ 34,428,908

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, 2020

(In Thousands)

Total Fund Balances - Governmental Funds **\$ 30,952,694**

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:

Land and Other Nondepreciable Assets (Less \$ 9,869 ISF)	\$ 1,435,290	
Buildings, Equipment, Infrastructure and Other Depreciable Assets (not including \$ 153,902 in Internal Service Fund balances)	16,734,003	
Accumulated Depreciation (Less \$ 97,714 ISF)	<u>(11,096,590)</u>	7,072,703

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

Recognition of Revenues deferred in the St Gen Fd FS 76,650

Prepaid warranty expenditures are recorded as an expenditure in the governmental funds, but recorded as an asset, net of amortization in the Statement of Net Position 5,145

The deferred charge on bond refunding issues is not recognized in the governmental funds but is recognized in the government-wide statements. 60,212

The net pension asset for the pension fund which has a positive net position is reported in the Statement of Net Position but not in the funds statements 19,276

The pension and OPEB-related deferred outflows of resources are not recognized in the government-wide statements, and neither are the deferred inflows of resources (Less \$ 7,078 and \$ 9,109 for ISF)	\$ 517,105	
	<u>(623,315)</u>	(106,210)

The deferred gain on refunding is not recognized in the governmental funds, but is recognized the government-wide statements 3,744

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. 56,656

Accrued interest payable is not recognized in the governmental funds statements (22,850)

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

Net pension liability (Less ISF \$ 47,190)	\$ (3,382,266)	
Net OPEB liability (Less ISF \$ 11,364)	(762,925)	
Bonds payable, including bond premiums net of amortization	(2,420,408)	
Compensated absences, notes payable, contingent liabilities, and other liabilities (Less \$ 152,391 ISF)	<u>(216,836)</u>	(6,782,435)

Other Differences 1,732

Total Net Position - Governmental Activities **\$ 31,337,317**

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, 2020
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes:			
General and Selective Taxes	\$ 4,907,396	\$ 734,238	\$ 6,290
Income Taxes	1,755,060	-	-
Total Taxes	6,662,456	734,238	6,290
Other Revenues:			
Federal Revenue	8,193,367	-	14,329
Investment Income (Loss)	151,823	26,775	292
Rentals and Royalties	920,482	-	3,341
Charges for Services	162,775	2,992	126
Licenses, Fees, and Permits	308,341	2,133	-
Assessments	46,289	-	-
Miscellaneous and Other	314,551	-	7,112
Total Revenues	16,760,084	766,138	31,490
EXPENDITURES			
Current:			
Culture, Recreation, and Natural Resources	250,983	62	20,323
Education	3,811,580	-	114,615
General Control	335,527	828	76,981
Health and Human Services	9,363,065	-	45,681
Highway and Transportation	450,487	-	106,270
Judicial	345,975	20	1,335
Legislative	25,855	-	-
Public Safety	572,996	-	1,948
Regulation and Licensing	187,523	-	12,675
Capital Outlay	375,376	20	168,542
Debt Service:			
Principal	115,599	776,564	-
Interest and Other Charges	50,911	63,151	-
Total Expenditures	15,885,877	840,645	548,370
Excess Revenues Over (Under)			
Expenditures	874,207	(74,507)	(516,880)
OTHER FINANCING SOURCES (USES)			
Bonds Issued	\$ -	\$ -	\$ 701,709
Bond Premium	-	-	17,947
Proceeds from the Sale of Capital Assets	1,836	-	-
Transfers In	1,165,773	4,331	300,572
Transfers to Higher Ed	(826,912)	-	(30,290)
Transfers Out	(316,348)	(31,873)	(190,654)
Total Other Financing Sources (Uses)	24,349	(27,542)	799,284
Net Change in Fund Balances	898,556	(102,049)	282,404
Fund Balances - Beginning, as Restated - See Note 9.C.	3,127,497	535,184	1,577,998
Fund Balances - Ending	\$ 4,026,053	\$ 433,135	1,860,402

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

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2020
(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
REVENUES			
Taxes:			
General and Selective Taxes	\$ -	\$ -	\$ 5,647,924
Income Taxes	-	-	1,755,060
Total Taxes	-	-	7,402,984
Other Revenues:			
Federal Revenue	-	111	8,207,807
Investment Income (Loss)	(22,213)	154,350	311,027
Rentals and Royalties	-	947,515	1,871,338
Charges for Services	-	-	165,893
Licenses, Fees, and Permits	-	-	310,474
Assessments	-	-	46,289
Miscellaneous and Other	-	-	321,663
Total Revenues	(22,213)	1,101,976	18,637,475
EXPENDITURES			
Current:			
Culture, Recreation, and Natural Resources	-	-	271,368
Education	-	-	3,926,195
General Control	-	803	414,139
Health and Human Services	-	-	9,408,746
Highway and Transportation	-	-	556,757
Judicial	-	-	347,330
Legislative	-	-	25,855
Public Safety	-	-	574,944
Regulation and Licensing	-	-	200,198
Capital Outlay	-	-	543,938
Debt Service:			
Principal	-	-	892,163
Interest and Other Charges	-	-	114,062
Total Expenditures	-	803	17,275,695
Excess Revenues Over (Under)			
Expenditures	(22,213)	1,101,173	1,361,780
OTHER FINANCING SOURCES (USES)			
Bonds Issued	\$ -	\$ -	\$ 701,709
Bond Premium	-	-	17,947
Proceeds from the Sale of Capital Assets	-	-	1,836
Transfers In	31,873	-	1,502,549
Transfers to Higher Ed	-	(65,436)	(922,638)
Transfers Out	(234,870)	(752,940)	(1,526,685)
Total Other Financing Sources (Uses)	(202,997)	(818,376)	(225,282)
Net Change in Fund Balances	(225,210)	282,797	1,136,498
Fund Balances - Beginning, as Restated - See Note 9.C.	5,528,038	19,047,479	29,816,196
Fund Balances - Ending	\$ 5,302,828	\$ 19,330,276	\$ 30,952,694

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, 2020

(In Thousands)

Net Change in Fund Balances - Total Governmental Funds	\$ 1,136,498	
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	\$ 543,938	
Depreciation expense (less ISF \$ 10,491)	<u>(520,444)</u>	
Excess of capital outlay over depreciation expense		23,494
Net change in deferred inflows of resources, adjustments from prior year (reported as deferred inflows of resources in the Balance Sheet - Governmental Funds and reported as revenue in the Statement of Activities.)		17,400
The Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds report prepaid warranty as expenditures. The Statement of Activities reports as amortization expense, the cost of the prepaid expenditure over the useful life.		(2,708)
Capital gain (loss) s not recognized in the funds financial statements, but is in the Gov't-wide		(3,637)
Change in estimate of Federal Revenues receivable for settlement of Indian Water Rights claims.		(21,837)
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.		41,678
Bond proceeds, notes, and capital leases provide current financial resources to governmental activities by issuing debt, which increases long-term liabilities in the Statement of Net Position. Repayments of the bond, notes, and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position:		
Payment of Bond and Capital Lease Principal	\$ 892,163	
Bond Proceeds, Net	<u>(701,709)</u>	
		190,454
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.	\$ 18,587	
	<u>14,120</u>	
		32,707
The deferred loss (less deferred gain) on refunding bond issues is capitalized and the amortization is reported in the Statement of Activities.	\$ (10,689)	
	<u>2,333</u>	
		(8,356)
Pension expense and OPEB expense of governmental funds is recognized in the Statement of Activities but not in the funds statements.	\$ (334,038)	
	<u>79,248</u>	
		(254,790)
The Statement of Activites is presented on the accrual basis, while the Funds Statements are presented on the "available resources" basis. This adjustment combines the net change of the following balances:		
Accrued Interest on Bonds Payable	\$ 1,821	
Notes Payable	1,250	
Compensated Absences Expense	(14,368)	
Pollution Remediation Obligation	(14,210)	
Other	13	
Contingent Liability	<u>29,494</u>	
		<u>4,000</u>
Change in Net Position of Governmental Activities		<u>\$ 1,154,903</u>

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

STATE OF NEW MEXICO

PROPRIETARY FUND FINANCIAL STATEMENTS

Educational Institutions Fund

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

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.) This fund was reported as a non-major enterprise fund in prior year.

Non-major Enterprise Funds

Combining financial statements for the individual non-major enterprise funds are presented in the Financial Section - Required and Supplemental Information.

Internal Service Fund

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

STATE OF NEW MEXICO

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2020

(In Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Educational Institutions	Unemployment Insurance Fund	Nonmajor Enterprise Funds	Total	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 756,817	\$ 186,666	\$ 21,881	\$ 965,364	\$ -
Cash and Cash Equivalents - Restricted	75,142	-	-	75,142	-
Investment in the State General Fund Investment Pool	-	-	204,250	204,250	214,485
Investment in the Local Government Investment Pool	61,013	-	104,937	165,950	-
Due From Other Funds	17,703	-	-	17,703	-
Due From Component Unit	13,142	-	-	13,142	-
Receivables, Net	429,305	166,948	27,915	624,168	7,238
Investments	486,846	-	-	486,846	-
Inventories	29,112	-	1,573	30,685	-
Other Current Assets	22,633	-	331	22,964	10
Total Current Assets	1,891,713	353,614	360,887	2,606,214	221,733
Noncurrent Assets:					
Unrestricted Cash and Cash Equivalents	61,488	-	-	61,488	-
Restricted Cash and Cash Equivalents	46,948	-	-	46,948	-
Loans Receivable	15,252	-	196,876	212,128	-
Investments	413,621	-	30,877	444,498	-
Restricted Investments	136,568	-	-	136,568	-
Due From Component Units	3,087	-	-	3,087	-
Derivative Instruments - Interest Rate Swaps	1,286	-	-	1,286	-
Other Noncurrent Assets	24,750	-	-	24,750	-
Nondepreciable Capital Assets	253,629	-	2,627	256,256	9,869
Capital Assets, Net	2,304,406	-	60,986	2,365,392	56,185
Total Noncurrent Assets	3,261,035	-	291,366	3,552,401	66,054
Total Assets	5,152,748	353,614	652,253	6,158,615	287,787
DEFERRED OUTFLOWS OF RESOURCES					
Interest Rate Swaps	8,374	-	-	8,374	-
Deferred Charge on Refunding	5,368	-	-	5,368	-
Deferred Outflows - OPEB	47,319	-	399	47,718	401
Deferred Outflows - Pension	432,740	-	6,707	439,447	6,677
Total Deferred Outflows of Resources	493,801	-	7,106	500,907	7,078

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

STATE OF NEW MEXICO

STATEMENT OF NET POSITION PROPRIETARY FUNDS (CONTINUED)

June 30, 2020
(In Thousands)

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Educational Institutions	Unemployment Insurance Fund	Nonmajor Enterprise Funds		
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 208,951	\$ 492	\$ 2,663	\$ 212,106	\$ 15,226
Deficiency in SGFIP	-	26,379	-	26,379	-
Accrued Liabilities	42,967	141,394	1,150	185,511	1,130
Unearned Revenue	87,104	15,840	4,649	107,593	211
Due to Other Funds	1,145	43	2,000	3,188	-
Due to Component Unit	55	-	-	55	-
Due To Higher Educational Institutions	-	-	4	4	-
Funds Held for Others	7,371	1,252	295	8,918	-
Bonds Payable, Current Portion	47,781	-	1,060	48,841	-
Other Liabilities, Current Portion	247,259	12	34,630	281,901	86,781
Total Current Liabilities	642,633	185,412	46,451	874,496	103,348
Noncurrent Liabilities:					
Bonds Payable, Net of Current Portions	806,921	-	6,935	813,856	-
Net Pension Liability	2,140,897	-	47,386	2,188,283	47,190
Net OPEB Liability	373,710	-	11,320	385,030	11,364
Other Liabilities, Net of Current Portion	60,334	-	84,489	144,823	67,198
Total Noncurrent Liabilities	3,381,862	-	150,130	3,531,992	125,752
Total Liabilities	4,024,495	185,412	196,581	4,406,488	229,100
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflow - Pension	172,403	-	2,488	174,891	2,476
Deferred Inflow - OPEB	119,171	-	6,608	125,779	6,633
Deferred Inflow - Other	1,789	-	-	1,789	-
Total Deferred Inflows of Resources	293,363	-	9,096	302,459	9,109
NET POSITION					
Net Investment in Capital Assets	1,752,566	-	55,618	1,808,184	66,053
Restricted:					
Nonexpendable:					
Scholarships and Student Loans	145,104	-	-	145,104	-
Endowment	95,571	-	-	95,571	-
Other Purposes	13,331	-	-	13,331	-
Expendable:					
Education	602	-	-	602	-
Debt Service	69,939	-	-	69,939	-
Capital Projects	93,971	-	-	93,971	-
Scholarships	29,455	-	-	29,455	-
Unemployment and Insurance	-	168,202	-	168,202	-
Loans	1,574	-	375,067	376,641	-
Other Purposes	42,809	-	77,535	120,344	61,961
Unrestricted (Deficit)	(916,231)	-	(54,538)	(970,769)	(71,358)
Total Net Position	\$ 1,328,691	\$ 168,202	\$ 453,682	\$ 1,950,575	\$ 56,656

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, 2020

(In Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Educational Institutions	Unemployment Insurance Fund	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES					
Charges for Services	\$ 150,468	\$ 121,004	\$ 435,063	\$ 706,535	\$ 517,456
Federal Revenue	384,889	1,098,480	10,560	1,493,929	-
State, Local, and Private Grants and Contracts	89,562	-	429	89,991	7
Loans and Other Income	276	-	8,073	8,349	-
Student Tuition and Fees, Net	221,408	-	-	221,408	-
Patient Services/Clinical Operations	1,396,811	-	-	1,396,811	-
Other Operating Revenues	152,816	3,435	(373)	155,878	(8)
Total Operating Revenues	<u>2,396,230</u>	<u>1,222,919</u>	<u>453,752</u>	<u>4,072,901</u>	<u>517,455</u>
OPERATING EXPENSES					
Benefits, Claims, and Premiums	-	1,547,564	3,771	1,551,335	-
Education and General Administration	2,498,609	-	453,776	2,952,385	496,765
Depreciation and Amortization	178,283	-	4,894	183,177	10,491
Other Operating Expenses	99,790	-	10,844	110,634	2,216
Total Operating Expenses	<u>2,776,682</u>	<u>1,547,564</u>	<u>473,285</u>	<u>4,797,531</u>	<u>509,472</u>
Operating Income (Loss)	<u>(380,452)</u>	<u>(324,645)</u>	<u>(19,533)</u>	<u>(724,630)</u>	<u>7,983</u>
NONOPERATING REVENUES (EXPENSES)					
Private Grants and Gifts	43,003	-	-	43,003	-
State Permanent Fund Income	(1,010)	-	-	(1,010)	-
Government Grants and Contracts	376,272	-	7,779	384,051	-
Interest and Investment Income	34,408	10,743	3,648	48,799	5,740
Interest and Other Expenses on Capital					
Interest-related Debt	(26,314)	-	-	(26,314)	-
Gain (Loss) on Sale of Capital Assets	(237)	-	(195)	(432)	243
Other Revenue (Expense)	25,694	-	4,164	29,858	9,798
Total Nonoperating Revenues (Expenses)	<u>451,816</u>	<u>10,743</u>	<u>15,396</u>	<u>477,955</u>	<u>15,781</u>
Income (Loss) Before Transfers and Other Revenues (Expenses)	<u>71,364</u>	<u>(313,902)</u>	<u>(4,137)</u>	<u>(246,675)</u>	<u>23,764</u>
CAPITAL CONTRIBUTIONS AND ENDOWMENTS					
Capital Grants and Gifts	2,159	-	-	2,159	-
Permanent Fund/Endowment Contributions	5,592	-	-	5,592	-
Total Capital Contributions and Endowments	<u>7,751</u>	<u>-</u>	<u>-</u>	<u>7,751</u>	<u>-</u>
TRANSFERS					
Transfers In	922,642	-	18,971	941,613	60,377
Transfers Out	-	-	(1,165)	(1,165)	(42,463)
Total Transfers	<u>922,642</u>	<u>-</u>	<u>17,806</u>	<u>940,448</u>	<u>17,914</u>
Change in Net Position	<u>1,001,757</u>	<u>(313,902)</u>	<u>13,669</u>	<u>701,524</u>	<u>41,678</u>
Net Position - Beginning, as Restated - See Note 9.C.	<u>326,934</u>	<u>482,104</u>	<u>440,013</u>	<u>1,249,051</u>	<u>14,978</u>
Net Position - Ending	<u>\$ 1,328,691</u>	<u>\$ 168,202</u>	<u>\$ 453,682</u>	<u>\$ 1,950,575</u>	<u>\$ 56,656</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

For the Year Ended June 30, 2020

(In Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Educational Institutions	Unemployment Insurance Fund	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from:					
Fees for Service	\$ 274,100	\$ 120,840	\$ 443,036	\$ 837,976	\$ 518,081
Sale of Products	1,614,050	-	-	1,614,050	-
Gifts, Grants, and Contracts	443,401	1,098,480	3,718	1,545,599	-
Loan and Note Repayments	-	-	11,877	11,877	-
Other Sources	121,612	-	7,309	128,921	22,119
Cash Payments to or for:					
Suppliers	(961,999)	(5,799)	(438,282)	(1,406,080)	(515,299)
Employees	(2,195,668)	-	(26,946)	(2,222,614)	(24,183)
Unemployment Benefits	-	(1,530,558)	-	(1,530,558)	-
Student Loans and Loan Losses	(58,751)	-	-	(58,751)	-
Other Payments	(139,952)	-	(4,817)	(144,769)	-
Net Cash Provided (Used) by Operating Activities	(903,207)	(317,037)	(4,105)	(1,224,349)	718
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	798,678	-	8,739	807,417	51,180
Transfers Out	-	-	(995)	(995)	(41,636)
Gifts for Other Than Capital Purposes	99,084	-	5,722	104,806	-
Intergovernmental Receipts	295,079	-	7,779	302,858	-
Other	40,546	-	14,145	54,691	7,905
Net Cash Provided (Used) by Noncapital Financing Activities	1,233,387	-	35,390	1,268,777	17,449
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(214,466)	-	(2,229)	(216,695)	(2,678)
Capital Debt Service Payments - Principal	(109,949)	-	(1,030)	(110,979)	-
Capital Debt Service Payments - Interest	(29,319)	-	-	(29,319)	-
Capital Contributions and Debt Proceeds	163,184	-	-	163,184	-
Proceeds from Sale of Capital Assets	407	-	56	463	243
Other	3,344	-	-	3,344	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(186,799)	-	(3,203)	(190,002)	(2,435)

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

STATE OF NEW MEXICO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

For the Year Ended June 30, 2020

(In Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Educational Institutions	Unemployment Insurance Fund	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts of Interest and Dividends of Investments	\$ 64,784	\$ 10,743	\$ 2,142	\$ 77,669	\$ 902
Purchase of Investments	(592,613)	-	-	(592,613)	-
Receipts of Rent	3,254	-	263	3,517	-
Proceeds from Sale and Maturity of Investments	644,729	-	(5)	644,724	-
Net Cash Provided (Used) by Investing Activities	<u>120,154</u>	<u>10,743</u>	<u>2,400</u>	<u>133,297</u>	<u>902</u>
Net Increase (Decrease) in Cash	263,535	(306,295)	30,482	(12,278)	16,634
Cash and Cash Equivalents at Beginning of Year, as restated	737,873	466,582	300,586	1,505,041	197,851
Cash and Cash Equivalents at End of Year	<u>\$ 1,001,408</u>	<u>\$ 160,287</u>	<u>\$ 331,068</u>	<u>\$ 1,492,763</u>	<u>\$ 214,485</u>
Cash and Cash Equivalents					
Unrestricted	\$ 818,304	\$ 186,666	\$ 21,706	\$ 1,026,676	\$ -
Restricted	122,091	-	-	122,091	-
Investment in the Local Government Investment Pool	61,013	-	104,937	165,950	-
Investment in the State General Fund Investment Pool	-	(26,379)	204,425	178,046	214,485
Total Cash and Cash Equivalents	<u>\$ 1,001,408</u>	<u>\$ 160,287</u>	<u>\$ 331,068</u>	<u>\$ 1,492,763</u>	<u>\$ 214,485</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (380,452)	\$ (324,645)	\$ (19,533)	\$ (724,630)	\$ 7,983
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	178,110	-	4,894	183,004	10,491
Bad Debt Expense	107,002	-	1,011	108,013	-
Realized (Gain) Loss on Disposal of Assets	305	-	23	328	-
Unrealized (Gain) Loss on Investments	(1,072)	-	-	(1,072)	-
Change in Net Pension Liability	(1,131,949)	-	6,993	(1,124,956)	945
Change in Net OPEB Liability	(35,357)	-	(76)	(35,433)	(2,863)
Change in Deferred Outflow of Resources	266,228	-	-	266,228	-
Change in Deferred Inflow of Resources	96,405	-	-	96,405	-
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	(111,115)	(126,775)	(107)	(237,997)	440
Notes/Loans	1,765	-	(3,715)	(1,950)	-
Inventories	(1,990)	-	54	(1,936)	-
Prepaid Items/Other Assets	(6,416)	-	101	(6,315)	(487)
Insurance Claims Payable	-	-	-	-	(14,201)
Accounts Payable/Accrued Liabilities/Due To Other Funds	96,729	134,382	2,515	233,626	(1,590)
Loss Adjustments	-	-	3,771	3,771	-
Unearned Revenue	18,600	-	(36)	18,564	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (903,207)</u>	<u>\$ (317,038)</u>	<u>\$ (4,105)</u>	<u>\$ (1,224,350)</u>	<u>\$ 718</u>

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

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STATE OF NEW MEXICO

FIDUCIARY FUNDS FINANCIAL STATEMENTS

Pension and Other Employee Benefits Trust Funds

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

External Investment Trust Funds

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

Private Purpose Trust Funds

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

Agency Funds

These funds are used to report resources held by various State agencies in a purely custodial capacity for distribution to external parties. Combining financial statements for the individual 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, 2020

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,132,495	\$ 96,627	\$ 11,945	\$ 22,390
Investment in State General Fund Investment Pool	73,297	-	78,358	36,551
Investment in Local Government Investment Pool	106	-	-	4,328
Investments:				
U.S. Government and Agency Securities	1,224,165	-	-	-
International Securities	5,439,215	-	-	-
Corporate Equity Securities	4,819,368	-	-	-
Corporate and Municipal Bonds	1,984,218	-	-	-
Partnerships and Other Investments	14,164,262	-	-	-
Securities Lending Collateral Investments	296,084	-	-	-
Deferred Comp. Plan Invest.	649,693	-	-	-
Long Term Investments	-	784,877	3,090,633	-
Receivables:				
Brokers	1,259,895	2,121	251	-
Accrued Interest and Other	10,716	-	-	-
Participant Loans	13,131	-	-	90
Due from Component Units	301	-	-	-
Other Receivables	140,173	462	2,181	340,504
Other Assets	-	-	-	462
Capital Assets, Net	13,642	-	-	-
Total Assets	31,220,761	884,087	3,183,368	\$ 404,325
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources	-	-	467	-
Total Deferred Outflows of Resources	-	-	467	-
LIABILITIES				
Investment in State General Fund Investment Pool - Deficit	-	-	-	-
Accounts Payable	12,869	-	663	2,009
Accrued Liabilities	784	-	1,756	100
Due to Brokers	1,499,458	34,203	311	-
Intergovernmental Payables	-	-	-	351,252
Unearned Revenue	409	-	-	-
Deposits Held in Trust	2,852	-	-	33,742
Due to Component Units	-	-	-	14,001
Other Liabilities	318,629	17	8	3,221
Other Obligations	48	-	159,927	-
Total Liabilities	1,835,049	34,220	162,665	\$ 404,325
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources	-	-	11,565	-
Total Deferred Inflows of Resources	-	-	11,565	-
NET POSITION				
Restricted for:				
Pension Benefits	27,893,957	-	-	-
Other Postemployment Benefits	829,672	-	-	-
Defined Contribution	662,083	-	-	-
External Investment Pool Participants	-	849,867	-	-
Other Purposes	-	-	3,009,605	-
Net Position	\$ 29,385,712	\$ 849,867	\$ 3,009,605	-

STATE OF NEW MEXICO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended June 30, 2020

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employee Contributions	\$ 848,321	\$ -	\$ -
Employer Contributions	968,063	-	-
Member Contributions	-	-	509,506
Other	8	-	-
Total Contributions	<u>1,816,392</u>	<u>-</u>	<u>509,506</u>
 Pool Participant Deposits	 -	 711,193	 -
Investment Income (Loss):			
Net Increase (Decrease) in			
Fair Value of Investments	(422,889)	3,924	178,273
Interest and Dividends	364,903	3,126	61,346
	<u>(57,986)</u>	<u>7,050</u>	<u>239,619</u>
Less Investment Expense	209,360	-	3,047
Net Investment Income	<u>(267,346)</u>	<u>7,050</u>	<u>236,572</u>
Other Additions			
General Fund Appropriation	-	-	3,000
Other Operating Revenues	121,051	-	30,586
Total Other Additions	<u>121,051</u>	<u>-</u>	<u>33,586</u>
 Total Additions	 <u>1,670,097</u>	 <u>718,243</u>	 <u>779,664</u>
DEDUCTIONS			
Benefits and Claims	2,490,647	-	-
Distributions	-	620,626	644,312
Refunds	96,446	-	117,348
General and Administrative Expenses	345,686	5,220	54,400
Other Operating Expenses	1,001	-	27,466
Total Deductions	<u>2,933,780</u>	<u>625,846</u>	<u>843,526</u>
 Change in Net Position	 (1,263,683)	 92,397	 (63,862)
Net Position - Beginning, as Restated	<u>30,649,395</u>	<u>757,470</u>	<u>3,073,467</u>
Net Position - Ending	<u>\$ 29,385,712</u>	<u>\$ 849,867</u>	<u>\$ 3,009,605</u>

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STATE OF NEW MEXICO

COMPONENT UNIT FINANCIAL STATEMENTS

June 30, 2020

New Mexico Finance Authority

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

New Mexico Mortgage Finance Authority

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

New Mexico Lottery Authority

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

University of New Mexico Foundation

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

New Mexico State University Foundation

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

Non-major Component Units

There were seventeen non-major component units at June 30, 2020. Their financial information is presented in total. They are as follows: UNM Alumni Association; UNM Lobo Club; UNM Anderson School of Management Foundation; New Mexico Tech Foundation; New Mexico Highlands University (NMHU) Foundation; NMHU Stable Isotopes Corporation; Western New Mexico University Foundation; Eastern New Mexico University (ENMU) Foundation; ENMU Roswell Foundation; ENMU Ruidoso Foundation; Northern New Mexico College Foundation; New Mexico Military Institute Foundation; New Mexico School for the Visually Impaired Foundation; Cumbres & Toltec Scenic Railroad Commission; New Mexico Renewable Transmission Authority; the New Mexico Small Business Investment Corporation and New Mexico State-chartered Charter Schools.

STATE OF NEW MEXICO

COMBINING STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2020
(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	University of New Mexico Foundation	New Mexico State University Foundation	Nonmajor Component Units	Total
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$ 16,168	\$ 75,510	\$ 5,127	\$ 12,164	\$ 27,680	\$ 74,847	\$ 211,496
Investment in Local Government	-	-	-	-	-	-	-
Invested Cash Pool	320,578	-	3,111	-	-	10,348	10,348
Restricted Cash and Cash Equivalents	-	7,750	-	-	301	56,037	337,936
Investments	-	-	-	-	-	6,214	64,088
Due From Primary Government	10,864	4,485	1,592	851	13,341	2,514	6,214
Receivables, Net	141,335	-	-	-	-	-	33,647
Loans Receivable, Current	-	-	217	-	-	-	141,335
Prepaid Expenses	-	-	-	-	-	724	941
Other Assets	638	4,081	-	566	-	-	5,285
Inventory	-	-	3	-	-	243	246
Total Current Assets	489,583	91,826	10,050	13,581	41,322	165,174	811,536
Noncurrent Assets:							
Restricted Cash and Cash Equivalents	-	9,489	-	-	-	1,204	10,693
Restricted Investments	369,252	1,105,330	-	226,060	-	48,272	1,748,914
Loans Receivable, Net	1,583,144	219,932	-	977	-	62,582	1,866,635
Investments	-	57,946	-	5,919	183,459	78,304	325,628
Other Noncurrent Assets	-	15,138	-	23,606	1,765	2,900	43,409
Nondepreciable Capital Assets	1,119	512	744	-	-	26,806	29,181
Other Capital Assets, Net	220	783	2,334	-	50	82,545	85,932
Total Noncurrent Assets	1,953,735	1,409,130	3,078	256,562	185,274	302,613	4,110,392
Total Assets	2,443,318	1,500,956	13,128	270,143	226,596	467,787	4,921,928
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Charge on Refunding	694	284	-	-	-	-	978
Deferred Outflows - OPEB	-	-	-	-	-	11,268	11,268
Deferred Outflows - Pension	-	-	-	-	-	59,315	59,315
Total Deferred Outflows	694	284	-	-	-	70,583	71,561

STATE OF NEW MEXICO

COMBINING STATEMENT OF NET POSITION (CONTINUED)

June 30, 2020
(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	University of New Mexico Foundation	New Mexico State University Foundation	Nonmajor Component Units	Total
LIABILITIES							
Current Liabilities:							
Accounts Payable	455	8,803	1,643	95	-	2,701	13,697
Accrued Liabilities	262	7,089	-	1,916	2,650	14,457	26,374
Unearned Revenue	-	-	-	-	-	1,739	1,739
Due to Primary Government	13,267	-	3,554	8,282	1,554	3,356	30,013
Funds Held for Others	-	10,496	-	-	-	307	10,803
Bonds Payable	116,270	46,639	-	-	-	-	162,909
Other Liabilities	406,603	30,606	3,052	1,851	2,350	3,789	448,251
Total Current Liabilities	536,857	103,633	8,249	12,144	6,554	26,349	693,786
Noncurrent Liabilities:							
Bonds Payable	1,322,672	1,074,535	-	-	-	-	2,397,207
Due to Primary Government	-	-	-	3,087	-	-	3,087
Net Pension Liability	-	-	-	-	-	172,412	172,412
Net OPEB Liability	-	-	-	-	-	48,810	48,810
Other Liabilities	-	2,591	-	2,706	45,701	79,237	130,235
Total Noncurrent Liabilities	1,322,672	1,077,126	-	5,793	45,701	300,459	2,731,751
Total Liabilities	1,859,529	1,180,759	8,249	17,937	52,255	326,808	3,445,537
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflows of Resources	3,705	-	-	-	-	1,208	4,913
Deferred Inflows - OPEB Liability	-	-	-	20,101	-	32,446	52,547
Deferred Inflows - Pension Liability	-	-	-	-	-	15,320	15,320
Total Deferred Inflows	3,705	-	-	20,101	-	48,974	72,780
NET POSITION							
Net Investment in Capital Assets	1,340	1,295	3,078	-	50	39,595	45,358
Restricted:							
Nonexpendable	-	-	-	208,058	162,499	95,995	466,552
Expendable:							
Debt Service	-	90,778	-	20,081	-	-	110,859
Other Purposes	563,270	32,779	-	-	-	134,270	730,319
Unrestricted Net Position (Deficit)	16,168	195,629	1,801	3,966	11,792	(107,272)	122,084
Total Net Position (Deficit)	\$ 580,778	\$ 320,481	\$ 4,879	\$ 232,105	\$ 174,341	\$ 162,588	\$ 1,475,172

STATE OF NEW MEXICO

COMBINING STATEMENT OF ACTIVITIES COMPONENT UNITS

For the Year Ended June 30, 2020
(In Thousands)

	New Mexico Finance Authority	New Mexico Mortgage Finance Authority	New Mexico Lottery Authority	University of New Mexico Foundation	New Mexico State University Foundation	Nonmajor Component Units	Total
Expenses	\$ 103,687	\$ 57,513	\$ 88,737	\$ 12,891	\$ 15,088	\$ 136,479	\$ 414,395
Program Revenues:							
Charges for Services	59,621	20,306	127,063	-	1,507	7,686	216,183
Operating Grants and Contributions	11,599	80,353	-	34,417	14,230	48,239	188,838
Total Program Revenues	71,220	100,659	127,063	34,417	15,737	55,925	405,021
Nonoperating Revenues:							
Grant Revenue	-	-	-	-	-	-	-
Net (Expenses) Revenues	(32,467)	43,146	38,326	21,526	649	(80,554)	(9,374)
Other Revenues & Expenses:							
Payment from State of New Mexico	70,109	1,116	-	-	-	205,079	276,304
Payment to State of New Mexico	(6,779)	-	(38,147)	(33,536)	-	-	(78,462)
Other	-	-	60	9,678	-	5,339	15,077
Investment Income	8,599	(54)	21	(1,541)	4,333	6,389	17,747
Total General Revenues	71,929	1,062	(38,066)	(25,399)	4,333	216,807	230,666
Change in Net Position	39,462	44,208	260	(3,873)	4,982	136,253	221,292
Net Position - Beginning, as Restated	541,316	276,273	4,619	235,978	169,359	26,335	1,253,880
Net Position - Ending (Deficit)	\$ 580,778	\$ 320,481	\$ 4,879	\$ 232,105	\$ 174,341	\$ 162,588	\$ 1,475,172

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

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STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

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

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

Blended Component Units

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **STC.UNM**

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

- **Lobo Development Corporation**

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

- **Lobo Energy, Inc.**

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

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

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

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

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

- **Innovate ABQ, Inc.**

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **Arrowhead Center, Inc.**

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

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

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

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

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

Discretely-presented Component Units

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

Major Component Units

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

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

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

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

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

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

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

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

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

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

Non-major Component Units

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

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 incorporate 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.

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

D. Basis of Presentation – Fund Financial Statements

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

The State reports the following governmental funds:

Major funds:

- **General Fund** – This fund accounts for the financial resources of the State, except those required to be accounted for in another fund. This is the State's primary operating fund.
- **Debt Service Fund** – Debt Service Fund accounts are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations and other contractual obligations.
- **Capital Projects Fund** – The Capital Projects Fund accounts for funds appropriated by the State Legislature for capital outlay, including severance tax and general obligation bond proceeds and State General Appropriation capital outlay funds.
- **Severance Tax Fund** – The Severance Tax Fund accounts for the proceeds of severance taxes, which are levied by the State on certain natural resources extracted from State lands. Severance tax revenues are first applied to pay the required debt service on Severance Tax Bonds issued by the State. Remaining severance tax revenues are then transferred to the Severance Tax Fund, administered by the State Investment Council. Distributions from this fund are stipulated by the State Constitution. This is a special revenue fund that includes the excess of amounts not applied to severance tax bond debt service in the debt service fund.
- **Land Grant Fund** – The Land Grant Fund receives royalties and income from trust lands distributed to various entities assigned by the Ferguson Act of 1898. This is a special revenue fund.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

The State reports the following enterprise funds:

Major fund:

- **Educational Institutions Fund** – The Educational Institutions Fund accounts for the activities of the State’s ten educational institutions created by the *Constitution of the State of New Mexico* in Article XII, Section 11: University of New Mexico, New Mexico State University, Eastern New Mexico University, New Mexico Institute of Mining and Technology, Western New Mexico University, New Mexico Highlands University, Northern New Mexico College, New Mexico Military Institute, New Mexico School for the Blind and Visually Impaired, and New Mexico School for the Deaf.
- **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.) This fund was reported as a non-major enterprise fund in prior year.

Non-major funds:

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

The State reports the following internal service fund:

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

Additionally, the State reports the following fiduciary fund types:

- **Pension and Other Employee Benefits Trust Funds** – These funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans and other employee benefit plans. These funds account for the activities of the Public Employees Retirement Association (PERA), Educational Retirement Board (ERB), the Retiree Health Care Authority (RHCA), and the Deferred Compensation Plan.
- **External Investment Trust Funds** – These funds account for assets held by the government in a trustee capacity. These funds are used to account for cash, securities, and other investments held in custody for external participants in the New Mexico State Treasurer’s Local Government Investment Pool and the State Investment Council’s Investment Pools.
- **Private Purpose Trust Funds** – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. These funds include the Scholarship Fund, Water Trust Fund, Higher Education Savings Plan, Bartlett Trust, Children’s Trust, Children’s Next Generation Trust, and Office of State Insurance Trust.

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

- **Agency Funds** – These funds are used to report resources held by the State in a purely custodial capacity for external parties. Agency funds account for receipt of various taxes, refundable deposits, and other monies collected or recovered to be held until the State has the right or obligation to distribute them to various entities or individuals.

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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

2. Budget to GAAP Reconciliation

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

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

4. Excess of Expenses/Expenditures Over Budget

For the fiscal year ended June 30, 2020, the Ninth Judicial District Attorney exceeded Pcode/program budget authority.

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

3. Investment Pools

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

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, 2020, the LGIP carrying cost approximated the fair value. Participation in the LGIP is voluntary. The external portion of LGIP is reported as a separate investment trust fund. The internal portion, consisting of funds belonging to the State and its component units, has been included in the various funds and component units.

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

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

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

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

4. Inventories

The governmental funds, except for the Department of Transportation are mandated to use the purchase method of accounting for inventories. Under the purchase method, inventories are recorded as expenditures when purchased. For the consumption method, costs are recorded as expenditures when consumed rather than when purchased.

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

5. Receivables and Loan Receivables

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

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

6. Capital Assets

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

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

<u>Asset Class</u>	<u>Years</u>
Infrastructure	10-40
Land Improvements	15-30
Leasehold Improvements	15
Furniture and Fixtures	5-7
Machinery and Equipment	5-20
Data Processing Equipment	3-8
Vehicles and Aircraft	3-15
Buildings and Improvements	5-75

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

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

7. Deferred Outflows/Inflows of Resources

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

8. Accrued Liabilities

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

9. Compensated Absences

Qualified employees' vacation leave is accrued at a graduated schedule of 80 to 160 hours per year, depending upon the length of service and employees' hire date. Employees are paid for the accumulated annual leave upon retirement or other termination up to 240 hours. A maximum of thirty days of annual leave (240 hours) may be carried forward into the beginning of the calendar year, with any excess forfeited. Qualified employees sick leave accrued at the rate of 4.0 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.

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

However, in accordance with GAAP, the liability is not recorded in the Governmental funds financial statements. See additional disclosure in the detailed notes.

10. Unearned Revenue

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

11. Bonds Payable

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

12. Insurance Losses and Loss Adjustment Expense

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

13. Interfund Transactions

Government-Wide Financial Statements

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

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

Governmental Fund Financial Statements

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

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

14. Net Position and Fund Balance

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

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

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

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

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

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

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

H. Revenues and Expenditures/Expenses

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

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

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

Grants

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

Investment Income

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

Endowments

Net appreciation on the Educational Institutions' investments of donor-restricted endowments are available for authorization for expenditure by the governing boards of the universities with endowments, which are reported in Net Position as restricted for purposes for which the endowments were established. Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Prudent Management of Institutional Funds Act, Chapters 46-9A-1 to 46-9A-10, NMSA 1978, except where a donor has specified otherwise. The universities use the total-return policy for authorizing and spending investment income. The universities review the investment earnings designed to support distributions from the pool and to protect the purchasing power of the endowment principal.

Retirement and Employee Benefit Costs

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

I. Use of Estimates

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

J. New Accounting Standards

For the fiscal year ended June 30, 2020, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. GASBS 83, 84, 88, 89, 90, 91, 92, 93 and Implementation Guides 2017-3, 2018-1, 2019-1, and 2019-2 are postponed for one year. GASBS 87 and Implementation Guide 2019-3 are postponed for 18 months.

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. 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, 2021. *(Implementation date modified per GASBS 95).*

GASB Statement No. 87, Leases

This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is due to be adopted by the State for the fiscal year ending June 30, 2022. *(Implementation date modified per GASBS 95).*

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

This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement is due to be adopted by the State for the fiscal year ending June 30, 2022. *(Implementation date modified per GASBS 95).*

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ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The statement is due to be adopted by the State for the fiscal year ending June 30, 2021. *(Implementation date modified per GASBS 95).*

GASB Statement No. 91, Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement is due to be adopted by the State for the fiscal year ending June 30, 2023. *(Implementation date modified per GASBS 95).*

GASB Statement No. 92, Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The statement is due to be adopted by the State for the fiscal year ending June 30, 2021. Per GASBS 95, paragraphs 6, 7, 8, 9, 10, and 12 have a postponed implementation date for fiscal year ending June 30, 2022 *(Implementation date modified per GASBS 95).*

GASB Statement No. 93, Replacement of Interbank Offered Rates

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. *The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.* The statement is due to be adopted by the State for the fiscal year ending June 30, 2022.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement is due to be adopted by the State for the fiscal year ending June 30, 2023.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The statement is due to be adopted by the State for the fiscal year ending June 30, 2023.

L. State Auditor Rule Disclosure

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2

NOTE 2. Cash

Primary Government

New Mexico State Treasurer

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

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

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

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

As of June 30, 2020, collateral pledged to public money deposits was as follows:

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

	<u>Fiscal Agent Account</u>	<u>Certificates of Deposit</u>
Cash in Bank *	\$ 46,304	\$ 12,200
Less: FDIC Insurance Coverage	-	(1,000)
Total Unsecured Public Funds	<u>\$ 46,304</u>	<u>\$ 11,200</u>
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	<u>\$ 23,152</u>	<u>\$ 5,600</u>
Collateral Pledged:		
U.S. Government Securities	\$ 77,693	\$ 11,662
Surety Bond	-	-
Collateral Pledged	<u>77,693</u>	<u>11,662</u>
Over Collateralized	<u>\$ 54,541</u>	<u>\$ 6,062</u>

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

While the balances of the Office of State Treasurer are fully collateralized per state statute, *GASB Statement No. 40* requires that the State disclose balances which are not fully insured. As of June 30, 2020, the funds held by the State Treasurer in the fiscal agency account were exposed to custodial credit risk as follows:

	Balance at June 30, 2020
Cash in Banks	\$ 1,169,836
Less: Deposit of Institutions Which are Fully Insured and Collateralized	<u>(1,088,673)</u>
Deposits of Institutions Not Fully Collateralized	81,163
Less: FDIC Insurance Coverage	<u>(1,250)</u>
Uninsured Deposits	<u>79,913</u>
Collateral Pledged:	
Surety Bond	2,000
Securities	<u>39,793</u>
Total Collateral Pledged	<u>41,793</u>
Subject to Custodial Credit Risk	<u>\$ 38,120</u>

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

NOTE 3. Investments

The following schedule lists the total investments reported in the financial statements (expressed in thousands):

	<u>Balance at June 30, 2020</u>
Primary Government:	
Current:	
Investment in State General Fund Investment Pool	\$ 6,189,639
Investment in Local Government Investment Pool	165,949
Investments	486,851
Noncurrent:	
Investments	25,364,488
Fiduciary Funds:	
Investment in State General Fund Investment Pool	188,206
Investment in Local Government Investment Pool	4,434
Investments	32,452,517
Component Units:	
Investments	2,138,630
Investment in Local Government Investment Pool	10,348
Total Investments	<u>\$ 67,001,062</u>
 <i>Reconciliation to Investments presented</i>	
Total presented above	\$ 67,001,062
Less - Information presented separately:	
Component Unit Invest. Including LGIP	(2,148,978)
UNM Investments Held by Foundation	(226,060)
Other	(1,350,628)
Total separately held investments	<u>\$ 63,275,396</u>

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.

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

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.

During fiscal year 2020, the State Treasurer added mutual funds to the eligible investment options to provide additional liquidity investment alternatives.

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

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

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

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

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

Cities, counties, and other agencies invest monies in the State Treasurer external investment pool (LGIP). The LGIP investments are presented at fair value based on the valuation date in the financial statements. The individual participant balances remain at their amortized cost. As of June 30, 2020, LGIP amortized cost approximated fair value, with the difference deemed immaterial.

The LGIP is not SEC registered. Chapter 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and adhere to the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the LGIP is voluntary. As of June 30, 2020, the WAM(R) of the LGIP was 25 days, and the WAM(F) was 77 days. The fund was rated AAAM by Standard & Poor's as of June 30, 2020.

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment Guidelines and Limitations

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

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

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

State Investment Council

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

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

Pension Benefits Funds

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State Universities and Colleges

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

Education Trust Board

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

A. Fair Value

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

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

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

Level 3 inputs are unobservable inputs for an asset.

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment	State of New Mexico Fair Value of Investments (Expressed in Thousands)			
	Fair Value June 30, 2020	Quoted Prices, Active Markets (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
Investments By Fair Value Level				
Equity Securities:				
Domestic Common Stock	\$ 4,606,989	\$ 4,600,989	\$ 1,000	\$ 5,000
Domestic Preferred Stock	71	71	-	-
International Common Stock	1,863,990	1,863,990	-	-
Equities	11,839,395	11,836,485	2,312	598
Domestic Equity Derivatives	4,424	(1,577)	6,001	-
Money Market Funds	805,638	805,638	-	-
Mutual Funds - Equity	372,208	372,208	-	-
Pooled Funds - Mutual Funds	153	30	123	-
Public MLP	180,511	180,511	-	-
Public REIT	392,463	392,463	-	-
Exchange-traded Funds	5,772	5,772	-	-
Nonredeemable Securities	74	-	-	74
Self-directed Investments (Deferred Comp.)	6,415	6,415	-	-
Total Equity Securities	20,078,103	20,062,995	9,436	5,672
Debt Securities:				
U.S. Government Bonds	3,834,593	-	3,834,593	-
US Treasuries	2,069,003	279,786	1,789,217	-
US Agency Securities	254,647	63,784	190,863	-
Non-U.S. Government Bonds	148,930	-	147,407	1,523
Municipal Bonds	45,437	156	45,281	-
Corporate Bonds	3,463,419	229	3,463,190	-
Core Fixed Income	3,388,545	1,418,552	1,968,652	1,341
Global Fixed Income	307,514	-	306,062	1,452
Mutual Funds - Fixed	39,413	39,413	-	-
Certificates of Deposit	26,586	20,027	6,559	-
Commercial Paper	2,550	-	2,550	-
Mortgage-backed Securities	723,758	-	720,529	3,229
Asset-backed Securities	235,693	-	235,317	376
Repurchase Agreements	612,000	-	612,000	-
Discounted Notes	955,959	-	955,959	-
Bankers' Acceptances	2,484	-	2,484	-
Bank Loans	149,858	-	149,858	-
Collateralized Loan Oblig.	147,507	-	147,507	-
TIPS	505,618	505,618	-	-
Sovereign Debt	4,561	-	4,561	-
Fixed Income Derivatives	(5,585)	5,083	(10,668)	-
Securities Lending Collateral Investments	296,084	-	296,084	-
Total Debt Securities	17,208,574	2,332,648	14,868,005	7,921
Alternative Investments:				
Real Estate	5,173	5,173	-	-
Master Limited Partnerships	121,183	121,183	-	-
Total Alternative Investments	126,356	126,356	-	-
Investments in Derivative Instruments:				
Credit Derivatives	2,867	-	2,867	-
Equity Derivatives	3,210	3,209	1	-
Foreign Exchange Derivatives	(63)	(63)	-	-
Interest Rate Derivatives	(758)	723	(1,481)	-
Other Derivatives	516	-	516	-
Total Derivative Instruments	5,772	3,869	1,903	-
Total Investments Measured				
At Fair Value	37,418,805	\$ 22,525,868	\$ 14,879,344	\$ 13,593

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investments Measured At		Unfunded	Redemption	Redemption
Net Asset Value (NAV):		Commitments	Frequency	Notice Period
Commingled Domestic Equity	5,167	\$ -	Monthly	15 days
Commingled International Equity	1,932,183	-	Daily, monthly	5 -30 days
Comm. Emerging Market Debt Fund	358,281	-	Daily	10-12 days
Absolute Return (Hedge) Funds	1,804,161	-	Monthly/Annually	30-90 days
Private Equity Partnerships	4,382,650	1,412,349	Illiquid	Illiquid
Private Debt Partnerships	589,513	-	-	-
Real Estate Partnerships	1,737,960	817,628	Illiquid	Illiquid
Open-ended Real Estate Partnerships	1,814,013	-	Quarterly	45-90 days
Real Asset Funds	1,496,050	776,099	Illiquid	Illiquid
Real Estate Funds	10,776	-	Quarterly/Biannual	90-180 days
Open-ended Real Asset Partnerships	1,083,855	-	-	-
Commingled Bond Funds	104,909	-	Monthly	2 months
Commingled Global Asset Allocation	1,013,723	-	Monthly, quarterly	30-120 days
Opportunistic Credit Funds	2,263,515	666,138	Daily, monthly	5-15 days
Private Equity Funds	2,696,299	1,657,726	N/A	N/A
Private Real Estate Funds	1,657,739	1,059,763	N/A	N/A
Hedge Fund Investments	338	In liquidation	N/A	N/A
Bond Plus Alpha Engine	485,637	-	-	-
Marketable Alternatives	83,116	-	-	-
Credit and Structured Finance Pool	2,001,918	894,060	-	-
Illiquid Funds	5,573	-	-	-
Mutual Funds - Fixed	15,292	-	-	-
Mutual Funds - Equity	207,726	-	-	-
Life Cycle Funds	181,344	-	-	-
Other Assets	(870)	-	-	-
Investments Measured at NAV	<u>25,930,868</u>	<u>\$ 7,283,763</u>	<u>-</u>	<u>-</u>
Investments Measured at Amortized Cost:				
Certificates of Deposit	12,200			
Corporate Fixed Income	2,827			
Money Market Funds	41,603			
Investments at Amortized Cost	<u>56,630</u>			
Investments Measured at Contract Value:				
Stable Value Options (Deferred Comp.)	137,335			
Investments Measured at Contract Value	<u>137,335</u>			
Other Investments:				
Equity	978			
Cash	12			
Information Not Available	266			
Less: Investments Held by UNM Foundation	(226,060)			
Less: Investments Held by Others	(43,438)			
Total Other Investments	<u>(268,242)</u>			
Total Investments	<u>\$ 63,275,396</u>			

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

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 6-10-10(O), 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.

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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, 2020, were as follows:

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

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Investments Subject to Credit Risk - S&P Ratings:		
Government Bonds	AAA	\$ 130,553
	AA+	5,198,974
	AA	4,962
	AA-	6,090
	A+	3,895
	A-	12,918
	BBB+	7,944
	BBB	42,660
	BBB-	14,283
	BB	897
	BB-	7,763
	B	12,793
	B-	2,885
	CCC+	3,900
	CC	1,737
	D	1,054
	SD	871
	Not Rated	319,625
Foreign Government Bonds	AAA	14,288
	AA+	6,556
	AA	8,586
	AA-	7,662
	A+	11,165
	A	702
	A-	363

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Foreign Government Bonds (Continued)		
	BBB+	\$ 4,287
	BBB	6,937
	BBB-	1,449
	BB	455
	BB-	2,306
	B+	1,451
	B	3,418
	B-	2,708
	CCC+	490
	D	164
	Not Rated	171,768
Municipal Bonds		
	AAA	12,229
	AA+	1,529
	AA	15,711
	AA-	7,006
	A+	6,486
	A	4,966
	BBB-	2,676
	Not Rated	2,835
Corporate Bonds		
	AAA	46,673
	AA+	155,380
	AA	49,082
	AA-	134,468
	A+	356,796
	A	199,370
	A-	418,785
	BBB+	459,656
	BBB	754,379
	BBB-	534,641
	BB+	138,697
	BB	275,535
	BB-	287,742
	B+	147,118
	B	142,735
	B-	82,377

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Corporate Bonds (Continued)	CCC+	\$ 43,604
	CCC	4,501
	CCC-	666
	CC	267
	C	196
	D	11
	Not Rated	347,664
Mortgage-backed Securities	AAA	6,213
	AA+	543,740
	AA	41,399
	A	37,764
	BB	1,928
	Not Rated	292,535
Commercial Mortgage-backed Securities	AAA	59,824
	AA+	46,260
	BBB-	1,686
	B	84
	B-	846
	CCC	753
	CCC-	89
Asset-backed Securities	Not Rated	168,875
	AAA	106,502
	AA+	10,240
	AA	63,739
	AA-	11,042
	A+	5,168
	A	40,322
	A-	8,047
	BBB+	11,785
	BBB	17,056
	BBB-	5,472
	BB+	4,683
	BB	639
	BB-	626
	B+	1,901
	B	1,254
	B-	3,188
CCC	9,053	
CC	4,192	
D	1,836	
Not Rated	169,706	

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For the Year Ended June 30, 2020

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):		
Collateralized Debt/Loan Obligations	AAA	\$ 46,531
	AA	238,250
	A	5,525
	BBB	637
	BBB-	4,181
	BB-	231
	NR	90,401
Collateralized Mortgage Obligations/REMIC	AAA	2,587
	AA+	194,188
	AA	60
	AA-	628
	A+	502
	A	137
Collateralized Mortgage Obligations/REMIC (Continued)	BBB+	83
	BBB-	949
	BB	1,386
	BB-	185
	B+	175
	B	399
	B-	896
	CCC	1,467
	D	429
	Not Rated	49,406

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
U.S. Treasury Bills	AAA	5,915
	AA	139,464
	BBB	16,900
	BB	63,219
	NR	6,380
Certificates of Deposit	Not Rated	6,559
Money Market Mutual Funds	AAAm	805,483
TIPS	Not Rated	505,618
Common Stock	Not Rated	647
Preferred Stock	BBB	426
	BBB-	715
	BB+	778
	D	1
	Not Rated	22,720
Derivatives Swaps)	Not Rated	(5,585)
Commercial Paper	Not Rated	2,550
Repurchase Agreements	Not Rated	612,000
Bankers Acceptances	AA-	2,484
Discounted Notes	AA+	955,959
Total Subject to Risk - S & P Ratings		16,112,253

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ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Investment	Rating	Fair Value
Investments Subject to Credit Risk - Moody's Ratings:		
U. S. Government Agencies	Aaa	\$ 252
Corporate Bonds	Aaa	1,078
	Aa1	4,550
	Aa2	4,494
	Aa3	2,600
	A1	17,188
	A2	20,462
	A3	16,174
	Baa1	18,576
	Baa2	7,536
	Baa3	1,223
Municipal Bonds	Aa1	1,362
	Aa2	2,069
	Aa3	1,034
	Not Rated	156
Mutual Funds - Fixed	Aaa	2,598
	Not Rated	1,094
U.S. Treasury Bills	A-1+	101,638
Money Market Funds	Aaa	9,070
	Not Rated	989
Total Subject to Risk - Moody's Ratings		214,143
Other Investments Subject to Credit Risk - Not Rated:		
PERA Securities Lending Collateral Investments	Not Rated	296,084
Deferred Comp. Investments	Not Rated	649,693
Certificates of Deposit	Not Rated	32,227
Unidentified	Not Rated	41,146
Other Investments Subject to Credit Risk: Not Rated		1,019,150
Total Investments Subject to Credit Risk		17,345,546
Investments Not Subject to Credit Risk		43,786,467
Less: Foundation Investments Held in Consol. Inv. Pool		(226,060)
Investments in Fiduciary Fund		(43,438)
Add: Education Trust Board Investments (presented in separate note)		2,412,881
Total Investments		\$ 63,275,396

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ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

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

Scholar's Edge Plan

<u>Portfolio/Rating</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>
Principal Core Fixed Income Fund Class R-6	36.10 %	1.34 %	21.90 %	36.63 %	2.46 %
Principal Short-term Income Fund Inst. Class	31.35	15.27	17.78	33.06	0.66
iShares Core U.S. Aggregate Bond ETF	74.01	2.61	10.88	12.46	0.04
MainStay MacKay High Yield Corp. Class R-6	0.00	0.00	0.20	9.00	52.80
Vanguard Total Int'l. Bond Index Fund ETF	20.69	26.56	24.39	28.36	0.00

<u>Portfolio/Rating</u>	<u>B</u>	<u>Below B</u>	<u>Not Rated</u>	<u>Total</u>
Principal Core Fixed Income Fund Class R-6	1.07 %	0.44 %	0.06 %	100.00 %
Principal Short-term Income Fund Inst. Class	0.33	0.00	1.55	100.00
iShares Core U.S. Aggregate Bond ETF	0.00	0.00	0.00	100.00
MainStay MacKay High Yield Corp. Class R-6	32.60	3.50	1.90	100.00
Vanguard Total Int'l. Bond Index Fund ETF	0.00	0.00	0.00	100.00

The Education Plan

<u>Portfolio/Rating</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>
DFA Inflation-Protected Securities - Inst. Class	100.00 %	0.00 %	0.00 %	0.00 %	0.00 %
iShares Core Int'l. Aggregate Bond ETF	21.36	27.22	28.97	17.46	0.03
PGIM Global Total Return	17.65	8.55	18.10	28.69	11.06
TIAA-CREF Core Plus Bond Fund Inst. Class	41.26	6.52	16.54	22.92	5.53
Vanguard Total Bond Market Index ETF	62.99	3.71	12.84	20.46	0.00
Vanguard Short-term Treasury Index Inst. Class	99.62	0.00	0.00	0.38	0.00
Vanguard Total Bond Market II Index Inst.	62.86	3.66	12.81	20.67	0.00
Vanguard Short-term Inflation-Prot. Sec. Index Inst.	100.00	0.00	0.00	0.00	0.00
Vanguard Untra Short-term Bond Admiral	26.33	11.75	33.11	19.11	0.63
Vanguard High Yield Corp. Admiral	5.96	0.03	0.00	3.77	54.61

<u>Portfolio/Rating</u>	<u>B</u>	<u>Below B</u>	<u>Not Rated</u>	<u>Total</u>
DFA Inflation-Protected Securities - Inst. Class	0.00 %	0.00 %	0.00 %	100.00 %
iShares Core Int'l. Aggregate Bond ETF	0.00	0.00	4.96	100.00
PGIM Global Total Return	5.15	1.35	9.44	99.99
TIAA-CREF Core Plus Bond Fund Inst. Class	3.42	0.86	2.95	100.00
Vanguard Total Bond Market Index ETF	0.00	0.00	0.00	100.00
Vanguard Short-term Treasury Index Inst. Class	0.00	0.00	0.00	100.00
Vanguard Total Bond Market II Index Inst.	0.00	0.00	0.00	100.00
Vanguard Short-term Inflation-Prot. Sec. Index Inst.	0.00	0.00	0.00	100.00
Vanguard Untra Short-term Bond Admiral	0.00	0.00	9.07	100.00
Vanguard High Yield Corp. Admiral	28.39	7.12	0.12	100.00

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Custodial Credit Risk

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

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. It is the policy of the State to diversify its investments portfolios. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. At June 30, 2020, there were no holdings with a single issuer comprising five percent or more of total net investments. It should be noted that investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

E. Interest Rate Risk

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Maturities on investment at June 30, 2020, were as follows:

Investment	Fair Value	State of New Mexico Maturities on Investments (Expressed in Thousands)				Life Not Avail.
		< 1 year	1-5 years	6-10 years	> 10 Years	
		Total				
Investments Subject to Interest Rate Risk:						
U.S. Treasuries	\$ 520,887	\$ 333,745	\$ 47,678	\$ -	\$ 139,464	\$ -
U.S. Government Agencies	3,979,692	1,130,819	2,417,951	383,608	47,314	-
Corporate Bonds	4,624,184	703,525	1,576,057	1,971,684	372,918	-
Municipal/Provincial Bonds	58,060	6,784	11,722	7,373	32,181	-
Certificates of Deposit	38,786	11,046	27,740	-	-	-
Repurchase Agreements	612,000	142,000	470,000	-	-	-
Collateralized Debt Obligations	147,507	147,507	-	-	-	-
CMO/REMIC	253,478	130,913	2,461	7,519	112,585	-
Asset-backed Securities	476,448	65,822	313,330	49,483	47,813	-
Commercial Mortgage-backed	278,418	52,767	1,993	12,449	211,209	-
Commercial Paper	2,550	-	2,550	-	-	-
Discounted Notes	955,959	955,959	-	-	-	-
Government Bonds	1,841,370	47,104	743,219	587,914	463,133	-
Money Market	26,407	11,960	-	14,447	-	-
Money Market Mutual Funds	806,018	-	805,483	-	535	-
Mortgage-backed Secs.	1,118,502	5,988	281,483	29,741	801,290	-
Mutual Funds - Fixed	55,799	1,094	-	54,705	-	-
Preferred Stock	24,642	-	-	-	-	24,642
TIPS	505,618	-	-	505,618	-	-
Futures	(286)	(286)	-	-	-	-
International Government Obligations	376,739	-	-	131,983	244,756	-
Bankers' Acceptances	2,484	2,484	-	-	-	-
Cash Collateral	2,986	-	-	-	221	2,765
Derivatives/Interest Rate Swap	(5,585)	-	(5,585)	-	-	-
Swaps	(1,490)	1,606	(2,326)	(60)	(710)	-
Swaptions	9	9	-	-	-	-
Short-term Investments	792,805	792,805	-	-	-	-
Investments Subject to Interest Rate Risk	17,493,987	\$ 4,543,651	\$ 6,693,756	\$ 3,756,464	\$ 2,472,709	\$ 27,407
Investments Not Subject to Interest Rate Risk	43,638,026					
Less: UNM Investments in Consolidated Pool	(226,060)					
Investments Held in UNM Fiduciary Fund	(43,438)					
Add: Education Trust Board - (presented in separate note)	2,412,881					
Total Investments	\$ 63,275,396					

Calculations based on weighted-average method (WAM)

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

New Mexico Education Trust Board			
Maturities on Investments			
Investment	< 1 year	1-5 years	6-10 years
The Scholar's Edge:			
Principal Core Fixed Income Fund Class R-6			X
Principal Short-term Income Fund Inst. Class		X	
iShares Core U.S. Aggregate Bond ETF			X
MainStay MacKay High Yield Corp. Class R-6		X	
Vanguard Total Int'l. Bond Index Fund ETF			X
The Education Plan:			
DFA Inflation-Protected Securities - Inst. Class			X
iShares Core Int'l. Aggregate Bond ETF			X
PGIM Global Total Return			X
TIAA-CREF Core Plus Bond Fund Inst. Class			X
Vanguard Total Bond Market Index ETF			X
Vanguard Short-term Treasury Index Inst. Class		X	
Vanguard Total Bond Market II Index Inst.			X
Vanguard Short-term Inflation-Prot. Sec. Index Inst.		X	
Vanguard Ultra Short-term Bond Admiral	X		
Vanguard High Yield Corp. Admiral		X	

F. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Exposure to foreign currency risk at June 30, 2020 was as follows:

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Foreign Currency	Equity	Fixed Income	State of New Mexico Foreign Currency Risk International Investment Securities at Fair Value (Expressed in Thousands)			Total Investments	Cash and Cash Equivalents (Overdraft)
			\$	\$	Vent. Cap., Pref. Stk., Rts., REITs, Ptsbhs., Wrnts.		
Argentine Peso	-	815	-	-	-	815	136
Australian Dollar	250,202	10,610	-	(2)	-	260,810	1,218
Botswana Pula	7	-	-	-	-	7	1
Brazilian Real	78,677	-	-	(14)	-	78,663	488
British Pound Sterling	673,263	36,818	123,105	(208)	-	832,978	2,759
Canadian Dollar	378,670	11,518	-	244	-	390,432	1,222
Chilean Peso	7,160	204	-	-	-	7,364	222
Chinese Yuan Renminbi	80,672	-	-	-	-	80,672	909
Colombian Peso	3,140	833	-	(93)	-	3,880	38
Croatian Kuna	3	-	-	-	-	3	-
Czech Koruna	2,631	277	-	-	-	2,908	161
Danish Krone	108,669	12,201	-	-	-	120,870	405
Dominican Peso	121	-	-	-	-	121	-
Egyptian Pound	423	-	-	-	-	423	24
Euro	1,559,768	146,423	784,265	(730)	-	2,489,726	26,218
Ghanian Cedi	98	-	-	-	-	98	-

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Foreign Currency	State of New Mexico									
	Foreign Currency Risk (Continued)									
	International Investment Securities at Fair Value (Expressed in Thousands)									
	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Pshps., Wrmts.	Derivatives	Total Investments	Cash and Cash Equivalents				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Hong Kong Dollar	562,011	-	-	-	562,011	1,775				
Hungarian Forint	6,104	176	-	47	6,327	683				
Indian Rupee	44,609	-	-	-	44,609	350				
Indonesian Rupiah	39,297	1,361	-	(15)	40,643	503				
Israeli Shekel	25,608	547	-	-	26,155	222				
Japanese Yen	1,307,059	66,313	-	(79)	1,373,293	6,762				
Kenyan Shilling	5	-	-	-	5	-				
Malaysian Ringgit	25,661	1,101	-	-	26,762	308				
Mexican Peso	35,909	924	-	362	37,195	648				
New Taiwan Dollar	253,637	-	-	-	253,637	1,321				
New Zealand Dollar	20,752	825	-	-	21,577	1,089				
Norwegian Krone	37,026	231	-	-	37,257	316				
Pakistan Rupee	(1)	-	-	-	(1)	-				
Peruvian Nuevo Sol	1,983	6,824	-	191	8,998	53				
Philippine Peso	4,984	-	-	-	4,984	70				
Polish Zloty	18,313	533	-	(5)	18,841	541				
Qatari Riyal	11,068	-	-	-	11,068	27				
Romanian Leu	961	-	-	-	961	-				

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

	State of New Mexico							Cash and Cash Equivalents
	Foreign Currency Risk (Continued)							
	International Investment Securities at Fair Value (Expressed in Thousands)							
Foreign Currency	Equity	Fixed Income	Vent. Cap., Pref. Stk., Rts., REITs, Prtshps., Wrnts.	Derivatives	Total Investments			
Russian Ruble	\$ 6,618	\$ 457	-	-\$ (11)	\$ 7,064	\$	58	
Saudi Riyal	12,307	-	-	-	12,307		49	
Singapore Dollar	69,279	573	-	-	69,852		2,079	
South African Rand	66,806	-	-	-	66,806		288	
South Korean Won	175,081	4,208	-	-	179,289		1,594	
Swedish Krona	150,391	958	-	-	151,349		730	
Swiss Franc	560,311	1,045	-	(1)	561,355		3,546	
Thai Baht	47,080	1,442	-	(48)	48,474		185	
Tunisian Dinar	3	-	-	-	3		-	
Turkish Lira	7,659	-	-	-	7,659		368	
UAE Dirham	5,708	-	-	-	5,708		107	
Ukrainian Hryvnia	513	-	-	-	513		-	
Uruguayan Peso	99	-	-	-	99		-	
Subtotals	\$ 6,640,345	\$ 307,217	\$ 907,370	-\$ (362)	\$ 7,854,570			
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk							\$ 57,473	
Investments Not Subject to Foreign Currency Risk							55,420,826	
Total Investments							\$ 63,275,396	

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

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, 2020 as follows:

Collateral Securities Held <i>(Expressed in Thousands)</i>					Value
Investments Subject to Interest Rate Risk:					
U.S. Government Mortgage-backed Securities AA+					\$ 612,000
Maturities on Collateralized Securities					
<u>< 1 Year</u>	<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>\$ 612,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612,000</u>

Securities Lending

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

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Total securities on loan at June 30, 2020, had a carrying amount and fair value of \$564.1 million. Under the agreement, the lending agent is required to indemnify the entity if the borrower fails to return the securities, if collateral is inadequate to replace the securities lent, or if the counterparty fails to pay the entity for income distributions by the securities' issuers while the securities are on loan. There were no such losses during the year ended June 30, 2020, 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 \$296.1 million and the securities lending obligations were \$296.1 million at June 30, 2020. Total cash and noncash collateral was \$600.0 million, 106.2% of the fair value of the securities on loan.

At June 30, 2020, 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 \$2.6 million for the fiscal year.

Derivatives

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

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, 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:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Public Employees Retirement Association

Derivative Financial Instruments

(Expressed in Thousands)

Derivative Type	Change in Fair Value	Fair Value	Notional Amount	Unit of Value
Futures Contracts				
Currency Futures	\$ (1,032)	\$ (871)	\$ 62,973	\$ 62,102
Equity Index Futures	(3,424)	(1,576)	(39,615)	(41,191)
Bond Index Futures	(4,783)	1,710	641,795	643,505
Commodity Futures	1,004	3,373	45,874	49,246
Options				
Equity	\$ (2)	\$ (2)	\$ -	\$ (2)
Fixed Income Options	205	(60)	-	(60)
Swap Contracts				
Return Swaps (Equity)	\$ 6,001	\$ 6,001	\$ -	\$ 8,580
Return Swaps (Fixed Income)	(8,002)	(8,002)	-	(8,002)
Cleared Credit Default Swaps	(10,279)	(1,538)	-	(1,206)
Cleared Inflation Swaps	71.00	(135)	-	(135)
Interest Rate Swaps	81.00	123	-	128
Credit Default Swaps	(1.00)	(2)	-	(1)
Cleared Interest Rate Swaps	924	(1,054)	-	(1,056)

Educational Retirement Board

Derivative Financial Instruments - Notional Amounts

(Expressed in Thousands)

Derivative Type	Balance at June 30, 2020
Futures Contracts - Short	\$ (6,248)
FX Forward Contracts, Net	117,098
Pay Interest Rate Swaps	15,373
Receive Interest Rate Swaps	31,913

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

**Educational Retirement Board
Fair Values of Derivative Instruments
Unrealized Gain/(Loss)**

<u>Derivative Type</u>	<u>Classification</u>	<u>Gain/Loss</u>
Futures	Investment Income	\$ (31)
Fx Forwards	Investment Income	(31)
Pay Interest Rate Swaps	Investment Income	(387)
Receive Interest Rate Swaps	Investment Income	1,405

<u>Derivative Type</u>	<u>Classification</u>	<u>Amount</u>
Futures	Investment	\$ (31)
Fx Forwards	Investment	(32)
Pay Interest Rate Swaps	Investment	(395)
Receive Interest Rate Swaps	Investment	1,404

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

Transation Type	Currency	Notional Amount	Unrealized Gain/Loss
Futures	Euro	\$ (1,348)	\$ (14)
	U.S. Dollar	(4,900)	(17)
Swaps	Brazilian Real	4,101	229
	Chilean Peso	213	5
	Chinese Yuan Renminbi	6,259	(93)
	Colombian Peso	818	68
	Czech Koruna	486	3
	Hungarian Forint	1,444	(8)
	Indian Rupee	1,330	(38)
	Malaysian Ringgit	10,175	495
	Mexican Peso	1,719	67
	Polish Zloty	2,584	181
	Russian Ruble	3,037	12
	South African Rand	2,744	36
	South Korean Won	12,376	62
Totals		\$ 41,038	\$ 988

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Types of Derivatives Instruments

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

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

The following table summarizes the foreign exchange contracts by currency held by the Education Retirement Board as of June 30, 2020:

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

Currency	Buys	Unrealized Gain (Loss)	Sells	Unrealized Gain (Loss)
Australian Dollar	\$ 1,390	\$ (105)	\$ -	\$ -
Brazilian Real	9,911	242	13,164	(54)
Canadian Dollar	216	(8)	214	7
Chilean Peso	3,197	41	456	(7)
Chinese Yuan Renminbi	1,382	25	7,150	(6)
Colombian Peso	1,075	5	499	(2)
Czech Koruna	879	(42)	3,815	128
Euro	6,531	(185)	2,990	27
Hungarian Forint	2,876	(32)	3,247	81
Indian Rupee	3,886	(29)	241	1
Indonesian Rupiah	1,288	11	507	23
Japanese Yen	503	1	1,466	(12)
Malaysian Ringgit	-	-	313	(2)
Mexican Peso	691	10	4,612	(261)
New Israeli Shekel	222	1	964	(2)
New Zealand Dollar	696	(51)	744	4
New Taiwan Dollar	2,782	19	1,342	(11)
Philippine Peso	2,451	(16)	1,408	8
Polish Zloty	2,700	(112)	4,422	161
Romanian Leu	100	(1)	424	18
Russian Ruble	397	7	3,019	(41)
Singapore Dollar	-	-	3,378	(14)
Sol	2,074	32	358	(10)
South African Rand	4,134	122	657	(15)
South Korean Won	521	-	3,832	(5)
Thai Baht	-	-	3,888	18
Turkish Lira	3,379	(9)	707	8
Totals	\$ 53,281	\$ (74)	\$ 63,817	\$ 42

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

During 2020 and 2019, 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, 2020.

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, 2020, there were no open written or purchased options.

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

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

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

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Discretely-Presented Component Units

Fair Value

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

State of New Mexico Discretely Presented Component Units Fair Value of Investments (Expressed in Thousands)				
Investment	Fair Value June 30, 2020	Quoted Prices, Active Markets (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
Equity Securities:				
Domestic Common Stock	\$ 65,483	\$ 65,483	\$ -	\$ -
International Common Stock	13,968	13,968	-	-
Real Assets	2,526	757	1,769	-
Marketable Securities	197	197	-	-
Mutual Funds - Equity	83,937	83,937	-	-
Mutual Funds - Cash	1,285	1,270	15	-
Cash Equivalents	10,419	10,419	-	-
Money Market Funds	7,696	7,696	-	-
Balanced Funds	194	194	-	-
Real Estate	4,327	-	-	4,327
Total Equity Securities	<u>190,032</u>	<u>183,921</u>	<u>1,784</u>	<u>4,327</u>
Debt Securities:				
U.S. Government Bonds	59,076	57,280	1,796	-
US Treasuries	328,428	328,428	-	-
Corporate Bonds	1,783	-	1,783	-
Municipal Bonds	3,113	-	3,113	-
Mutual Funds - Fixed	4,091	3,892	199	-
Motgage-backed Securities	5,263	3,791	1,472	-
Certificates of Deposit	1,104	1,104	-	-
Securitized Mortgage Loans	1,111,815	1,111,815	-	-
Fixed Income	703	703	-	-
Other	24	-	24	-
Total Debt Securities	<u>1,515,400</u>	<u>1,507,013</u>	<u>8,387</u>	<u>-</u>
Total Investments Measured				
At Fair Value	<u>1,705,432</u>	<u>\$ 1,690,934</u>	<u>\$ 10,171</u>	<u>\$ 4,327</u>

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico Discretely Presented Component Units Fair Value of Investments (Expressed in Thousands)				
Investment	Fair Value June 30, 2020	Quoted Prices, Active Markets	Observable Inputs	
		(Level 1)	Other Than Quoted Prices (Level 2)	Unobservable Inputs Level 3)
Investments Measured At		Unfunded	Redemption	Redemption
Net Asset Value (NAV):		Commitments	Frequency	Notice Period
Real Estate	3,813	\$ -	-	-
Limited Partnerships	30,983	15,995	None - Qtrly	0 - 90 days
Limited Partnerships	10,213	2,021	None - Monthly	0 - 90 days
Limited Partnerships	21,310	-	-	-
Hedge Funds	143	-	-	-
Private Equity Funds	305	-	-	-
Mutual Funds - International	28,111	-	-	-
Investments Measured at NAV	94,878			
Investments Measured by the Equity Method:				
Investments in Small Businesses	2,491			
Other Investments:				
Held in Investment Pools	93,168			
Held by UNM Consol. Invest. Fund	226,060			
Investment Information Not Available	16,602			
Total Other Investments	335,830			
Total Investments, Discretely-presented Components	\$ 2,138,631			

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Interest Rate Risk

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

State of New Mexico						
Discretely Presented Component Units						
Maturities on Investments						
<i>(Expressed in Thousands)</i>						
Investment Type	Fair Value	Investment Maturities (in Years)				
		Less Than 1 year	1-5 years	6-10 years	Greater Than 10 Years	Not Available
Investments Subject to Interest						
Rate Risk:						
U.S. Treasury Notes/Bonds	\$ 330,747	\$ 329,945	\$ 802	\$ -	\$ -	\$ -
Fixed Income	703	703	-	-	-	-
Certificates of Deposit	1,000	-	-	-	-	1,000
U.S. Government Bonds	58,054	10,200	47,369	101	384	-
Corporate Bonds	728	5	171	395	157	-
Mortgage-backed Securities	661	-	60	-	601	-
Pooled Funds	93,168	-	-	-	-	93,168
Municipal Bonds	3,112	67	876	1,104	1,065	-
Money Market	7,696	-	-	-	-	7,696
Securitized Mortgage Loans	1,111,815	7,750	674	10,288	1,093,103	-
Real Assets	2,526	2,526	-	-	-	-
Balanced Funds	194	194	-	-	-	-
Investments Subject to Interest Rate Risk	1,610,404	<u>\$ 351,390</u>	<u>\$ 49,952</u>	<u>\$ 11,888</u>	<u>\$ 1,095,310</u>	<u>\$ 101,864</u>
Investments Not Subject to						
Interest Rate Risk	15,026					
Held in CI Fund	226,060					
Information Not Available	287,141					
Total Investments, Discretely- Presented Components	<u>\$ 2,138,631</u>					

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Credit Risk

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

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

<u>Investment Type</u>	<u>Rating</u>	<u>Value</u>
Investments Subject to Credit Risk - S&P Ratings:		
U.S. Government Bonds	Gov't. Guarantee	\$ 986
	AA+	31
	AA	16,213
Corporate Bonds	AAA	91
	AA-	62
	A+	1
	A	4
	A-	162
	BBB+	281
	BBB	78
	BBB-	5
	BB+	45
Securitized Mortgage Loans	AA	176,195
	Gov't. Guar.	935,620
Mortgage-backed Securities	AAA	42
	Not Rated	151
Other Securities	Not Rated	370,422
Total Subject to Risk - S & P Ratings		<u>1,500,389</u>

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

<u>Investment Type</u>	<u>Rating</u>	<u>Value</u>
Investments Subject to Credit Risk - Moody's Ratings:		
Municipal Bonds	Aaa	677
	Aa1	305
	Aa2	608
	Aa3	530
	A1	25
	Baa2	10
	Not Rated	958
U.S. Treasuries	Aaa	2,318
Total Subject to Risk - Moody's Ratings		<u>5,431</u>
Total Subject to Credit Risk		1,505,820
Total Not Subject to Credit Risk		28,933
Held by SIC Investment Pool		93,168
Held by UNM Consol. Inv. Fd.		226,060
Information Not Available		<u>284,650</u>
Total Investments, Discretely-		
Presented Components		<u><u>\$ 2,138,631</u></u>

Concentration of Credit Risk

The New Mexico Mortgage Finance Authority had the following issuers and their respective percentage of total investments represent greater than five percent of their total investments reported as of September 30, 2020: Ginnie Mae at 80 percent and Fannie Mae at 15 percent.

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 4

NOTE 4. Receivables

Receivables at June 30, 2020, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	Federal	Local Governments	Accounts Receivable	Brokers	Interest	Taxes	Current Loans	Allowance	Current Receivables, Net Total	Noncurrent Loans, Net	Noncurrent Accounts Receivable	Noncurrent Receivables, Net Total	Receivables, Net Total
Governmental Activities:													
General	\$ 826,940	\$ 10,544	\$ 465,419	\$ 365,471	\$ 22,882	\$ 2,497,593	\$ 21,263	\$ (1,828,199)	\$ 2,381,913	\$ 4,419	\$ 4,056	\$ 8,475	\$ 2,390,388
Business-Type Activities	127,300	-	520,476	-	1,335	45,718	11,421	(80,082)	624,168	212,128	-	212,128	836,295
Fiduciary Funds	-	\$	146,048	1,262,267	10,716	339,220	13,221	(1,953)	1,769,524	-	-	-	1,769,524
Component Units	-	-	33,644	-	3	-	141,335	-	174,982	1,866,635	-	1,866,635	2,041,618
Governmental Activities:													
General	824,008	10,512	390,598	50,448	22,877	2,497,593	21,263	(1,824,263)	1,993,037	4,419	4,056	8,475	2,001,511
Debt Service	-	-	1,338	-	5	-	-	-	1,343	-	-	-	1,343
Capital Projects	2,932	32	98	-	-	-	-	-	3,062	-	-	-	3,062
Severance Tax Permanent	-	-	14,223	79,728	-	-	-	-	93,951	-	-	-	93,951
Land Grant Permanent	-	-	47,988	235,295	-	-	-	-	283,283	-	-	-	283,283
Internal Service	-	-	11,174	-	-	-	-	(3,936)	7,238	-	-	-	7,238
Business-type Activities:													
Educational Institutions	-	-	429,305	-	-	-	-	-	429,305	15,252	-	15,252	444,557
Major Enterprise	127,241	-	70,245	-	-	45,718	-	(74,255)	166,948	-	-	-	166,948
Nonmajor Enterprise	59	-	20,926	-	1,335	-	11,421	(5,827)	27,915	196,876	-	196,876	224,791
Fiduciary Funds:													
Pension Trust	-	-	140,399	1,259,895	10,716	-	13,131	(226)	1,423,915	-	-	-	1,423,915
External Trust	-	-	462	2,121	-	-	-	-	2,583	-	-	-	2,583
Private Purpose Trust	-	\$	2,176	251	-	-	-	-	2,432	-	-	-	2,432
Agency	-	-	3,011	-	-	339,220	90	(1,172)	340,594	-	-	-	340,594
Discrete Component Units:													
Finance Authority	-	-	10,863	-	-	-	141,335	-	152,198	1,583,144	-	1,583,144	1,735,343
Mortgage Finance Authority	-	-	4,485	-	-	-	-	-	4,485	219,932	-	219,932	224,417
Other Major Component Units	-	-	15,785	-	-	-	-	-	15,785	977	-	977	16,762
Nonmajor Component Units	-	-	2,511	-	3	-	-	-	2,513	62,582	-	62,582	65,095

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 4 (CONTINUED)

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

Arizona Water Settlement

The State of New Mexico entered into the Arizona Water Settlement with the federal government. Under the terms of the agreement, the federal government will pay the State of New Mexico a total of \$66 million in 2004 dollars adjusted for inflation, in 10 annual installments. The inflation adjusted amount is estimated at \$90.4 million. The installment of \$9.04 million was received by the Agency during the fiscal year ended June 30, 2020, and the Agency recorded a receivable of \$8.5 million to account for the remaining amount due. This receivable will be reduced as payments are received from the federal government according to the settlement agreement. In addition, the actual amounts received may require adjustment relative to the receivable recorded, due to indexing.

The amounts expected by year, as of June 30, 2020, assuming imputed interest of approximately 6.17%, are as follows:

Arizona Water Settlement Receivable *(Expressed in Thousands)*

<u>Year-End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	9,040	524	9,564
Total	\$ 9,040	\$ 524	\$ 9,564

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

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 4 (CONTINUED)

Discrete Component Units

The following is an analysis of the allowance for loan losses as of June 30, 2020 for the two largest discretely-presented component units (in thousands):

NMFA & NMMFA - Loan Loss Allowance

	NM Finance Authority	NM Mortgage Fin. Auth.
Beginning Balance	\$ 2,781	\$ 3,300
Provision for Loan Losses	176	199
Loans Written Off, Net of Recoveries	(1,328)	2,348
Ending Balance	<u>\$ 1,629</u>	<u>\$ 5,847</u>

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

NMMFA - Loan Repayment Terms

Rental Housing Programs	2.5% -	7.0%
Other Mortgage Loans	0.0% -	8.4%
Second Mortgage Down Payment Assistance Loans	0.0% -	6.6%

MBSs have stated interest rates ranging from 2.6% and 7.5%.

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

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, 2020, is as follows (in thousands):

	Due From	Due To	Transfers In	Transfers Out
Governmental Activities:				
General	\$ 3,485	\$ 167,384	\$ 1,165,773	\$ 1,143,260
Debt Service	78,647	-	4,331	31,873
Capital Projects	585	12,798	300,572	220,944
Severance Tax Permanent	116	-	31,873	234,870
Land Grant Permanent	82,837	-	-	818,376
Internal Service	-	-	40,130	30,067
	<u>165,670</u>	<u>180,182</u>	<u>1,542,679</u>	<u>2,479,390</u>
Business-type Activities:				
Educational Institutions	17,704	1,145	922,642	-
Major Enterprise	-	43	-	-
Nonmajor Enterprise	-	2,004	15,233	1,164
	<u>\$ 17,704</u>	<u>\$ 3,192</u>	<u>937,875</u>	<u>1,164</u>
Totals	<u>\$ 183,374</u>	<u>\$ 183,374</u>	<u>\$ 2,480,554</u>	<u>\$ 2,480,554</u>

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6

NOTE 6. Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2020, was as follows (in thousands):

Governmental Activities:	Beginning Balance	Restatement	Additions	Deletions	Reclass	Transfers	Ending Balance
Capital Assets not being Depreciated:							
Land and Land Improvements	\$ 680,760	\$ -	\$ 848	\$ (9)	\$ 3,296	\$ -	\$ 684,895
Construction in Progress	525,709	667	454,233	(473)	(302,379)	(10,087)	667,670
Mineral Rights	84,179	-	7,731	(55)	-	-	91,855
Art and Other	739	-	-	-	-	-	739
Total Capital Assets not being Depreciated	1,291,387	667	462,812	(537)	(299,083)	(10,087)	1,445,159
Capital Assets being Depreciated:							
Land Improvements	56,073	-	806	-	973	-	57,852
Equipment and Machinery	199,235	(500)	29,536	(6,063)	684	(369)	222,523
Building and Improvements	1,986,865	-	34,033	(29,349)	13,418	(1,006)	2,003,961
Furniture and Fixtures	22,578	639	494	(825)	167	214	23,267
Data Processing Equipment and Software	417,058	371	12,430	(11,676)	1,462	6,055	425,700
Library Books and Other	10,907	-	11,335	(6,860)	-	-	15,382
Vehicles	361,312	(234)	14,744	(12,768)	-	1,456	364,510
Infrastructure	13,559,933	-	20	(67,623)	282,379	-	13,774,709
Total Capital Assets being Depreciated	16,613,961	276	103,398	(135,164)	299,083	6,350	16,887,904
Less Accumulated Depreciation for:							
Land Improvements	(34,500)	-	(1,527)	67	(8)	-	(35,968)
Equipment and Machinery	(141,771)	(9)	(10,661)	6,036	93	(2)	(146,314)
Building and Improvements	(1,025,385)	(80)	(58,152)	22,823	-	-	(1,060,794)
Furniture and Fixtures	(17,225)	(213)	(1,200)	749	(1)	2	(17,888)
Data Processing Equipment and Software	(243,050)	(82)	(29,811)	11,650	(84)	-	(261,377)
Library Books and Other	(1,268)	-	(12)	-	-	-	(1,280)
Vehicles	(260,544)	268	(24,474)	19,291	-	-	(265,459)
Infrastructure	(9,067,751)	-	(405,098)	67,623	-	-	(9,405,226)
Total Accumulated Depreciation	(10,791,494)	(116)	(530,935)	128,239	-	-	(11,194,306)
Total Capital Assets being Depreciated, Net	5,822,467	160	(427,537)	(6,925)	299,083	6,350	5,693,598
Capital Assets, Net	\$ 7,113,854	\$ 827	\$ 35,275	\$ (7,462)	\$ -	\$ (3,737)	\$ 7,138,757

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

General Control	\$ 54,196
Education	634
Health and Human Services	10,254
Highways and Transportation	415,932
Culture, Recreation, and Nat. Resources	18,261
Judicial	6,244
Legislative	1,862
Public Safety	18,011
Regulation and Licensing	5,541
Total	\$ 530,935

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Business-type Activities for the year ended June 30, 2020, was as follows (in thousands):

Business-type Activities:	Beginning Balance	Restatement	Additions	Deletions	Reclass	Transfers	Ending Balance
Capital Assets not being Depreciated:							
Land and Land Improvements	\$ 102,414	\$ -	\$ 2,054	\$ -	\$ (10,149)	\$ -	\$ 94,319
Construction in Progress	164,864	-	152,224	(4,621)	(156,045)	2,998	159,420
Art and Other	2,572	-	-	-	(55)	-	2,517
Total Capital Assets not being Depreciated	269,850	-	154,278	(4,621)	(166,249)	2,998	256,256
Capital Assets being Depreciated:							
Land Improvements	137,638	-	1,654	(139)	1,330	-	140,483
Equipment and Machinery	951,523	-	44,125	(33,549)	1,166	-	963,265
Building and Improvements	3,509,917	-	3,587	(11,211)	162,450	739	3,665,482
Furniture and Fixtures	786	-	-	-	-	-	786
Data Processing Equipment and Software	22,494	-	404	(17)	-	-	22,881
Library Books and Other	342,927	-	9,969	(9,930)	(3,198)	-	339,768
Vehicles	7,170	-	258	(276)	(390)	-	6,762
Infrastructure	333,228	-	4,756	-	4,891	-	342,875
Total Capital Assets being Depreciated	5,305,683	-	64,753	(55,122)	166,249	739	5,482,302
Less Accumulated Depreciation for:							
Land Improvements	(120,550)	-	(7,665)	138	-	-	(128,077)
Equipment and Machinery	(723,659)	-	(55,871)	32,716	2,579	-	(744,235)
Building and Improvements	(1,604,927)	-	(92,355)	10,738	(6,101)	-	(1,692,645)
Furniture and Fixtures	(724)	-	(8)	-	-	-	(732)
Data Processing Equipment and Software	(19,174)	-	(381)	17	-	-	(19,538)
Library Books and Other	(298,104)	-	(10,869)	9,931	3,122	-	(295,920)
Vehicles	(5,407)	-	(374)	257	400	-	(5,124)
Infrastructure	(215,003)	-	(15,636)	-	-	-	(230,639)
Total Accumulated Depreciation	(2,987,548)	-	(183,159)	53,797	-	-	(3,116,910)
Total Capital Assets being Depreciated, Net	2,318,135	-	(118,406)	(1,325)	166,249	739	2,365,392
Capital Assets, Net	\$ 2,587,985	\$ -	\$ 35,872	\$ (5,946)	\$ -	\$ 3,737	\$ 2,621,648

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 7

Capital asset activity for Fiduciary Funds for the year ended June 30, 2020 was as follows (in thousands):

Fiduciary Funds:	Beginning Balance	Restatement	Additions	Deletions	Reclass	Transfers	Ending Balance
Capital Assets not being Depreciated:							
Land and Land Improvements	\$ 1,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,797
Construction in Progress	-	-	-	-	-	-	-
Art and Other	31	-	-	-	-	-	31
Total Capital Assets not being Depreciated	1,828	-	-	-	-	-	1,828
Capital Assets being Depreciated:							
Land Improvements	19	-	-	-	-	-	19
Equipment and Machinery	244	-	27	-	-	-	271
Building and Improvements	16,083	-	-	-	-	-	16,083
Furniture and Fixtures	1,303	-	23	(106)	-	-	1,220
Data Processing Equipment and Software	26,992	-	429	-	-	-	27,421
Vehicles	57	-	-	-	-	-	57
Total Capital Assets being Depreciated	44,698	-	479	(106)	-	-	45,071
Less Accumulated Depreciation for:							
Land Improvements	(1,020)	-	(36)	-	-	-	(1,056)
Equipment and Machinery	(35)	-	-	-	-	-	(35)
Building and Improvements	(6,063)	-	(524)	-	-	-	(6,587)
Furniture and Fixtures	(1,058)	-	(151)	100	-	-	(1,109)
Data Processing Equipment and Software	(24,154)	-	(259)	-	-	-	(24,413)
Vehicles	(57)	-	-	-	-	-	(57)
Total Accumulated Depreciation	(32,387)	-	(970)	100	-	-	(33,257)
Total Capital Assets being Depreciated, Net	12,311	-	(491)	(6)	-	-	11,814
Total Capital Assets being Depreciated, Net	\$ 14,139	\$ -	\$ (491)	\$ (6)	\$ -	\$ -	\$ 13,642

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 7

Capital asset activity for Component Units for the year ended June 30, 2020 was as follows (in thousands):

Component Units - Capital Assets	Beginning Balance	Restatement	Additions	Deletions	Reclass	Transfers	Ending Balance
Capital Assets not being Depreciated:							
Land and Land Improvements	\$ 14,929	\$ (273)	\$ 5,287	\$ -	\$ -	\$ -	\$ 19,943
Construction Work in Progress	3,791	(273)	3,083	-	(1,617)	-	4,984
Mineral Rights	-	30	-	-	-	-	30
Art and Other	3,643	148	436	(2)	-	-	4,225
Total Capital Assets not being Depreciated	22,363	(368)	8,806	(2)	(1,617)	-	29,182
Capital Assets being Depreciated:							
Building and Improvements	84,198	(1,160)	6,834	(780)	1,185	-	90,277
Leasehold Improvements	23	-	-	-	-	-	23
Infrastructure	6,896	9,967	709	-	-	-	17,572
Aircrafts	105	-	-	-	-	-	105
Vehicles	1,849	1,335	322	(130)	-	-	3,376
Machinery And Equipment	6,306	8,885	667	(83)	432	-	16,207
Data Processing Equipment and Software	4,075	-	92	(63)	-	-	4,104
Furniture and Fixtures	10,023	(516)	1,877	(444)	-	-	10,940
Total Capital Assets being Depreciated	113,475	18,511	10,501	(1,500)	1,617	-	142,604
Less Accumulated Depreciation for:							
Building and Improvements	(16,438)	(2,958)	(2,948)	149	-	-	(22,195)
Infrastructure	(2)	(9,658)	(722)	-	-	-	(10,382)
Vehicles	(819)	(1,304)	(297)	26	-	-	(2,394)
Equipment and Machinery	(2,184)	(8,044)	(574)	74	-	-	(10,728)
Leasehold Improvements	-	-	-	-	-	-	-
Data Processing Equipment and Software	(3,911)	-	(176)	63	-	-	(4,024)
Furniture and Fixtures	(6,547)	341	(1,135)	392	-	-	(6,949)
Total Accumulated Depreciation	(29,901)	(21,623)	(5,852)	704	-	-	(56,672)
Total Capital Assets being Depreciated, Net	83,574	(3,112)	4,649	(796)	1,617	-	85,932
Capital Assets, Net	\$ 105,937	\$ (3,480)	\$ 13,455	\$ (798)	\$ -	\$ -	\$ 115,114

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 7

NOTE 7. Deferred Outflows of Resources

A. Deferred Charge on Refunding

The State issued multiple series of refunding bonds in prior years to advance-refund certain older issues. Thus, the bonds which were advance-refunded are considered defeased in substance. The excess of the reacquisition price (funds required to refund the old debt) over the net carrying amount of the old debt resulted in a loss, reported as a deferred outflow of resources. For fiscal year ending June 30, 2020, the deferred outflow of resources for governmental activities and business-type activities were as follows (in thousands):

Deferred Charge on Refunding

	<u>Governmental</u>	<u>Business-type</u>
Beginning Balance	\$ 70,901	\$ 4,792
Additions	-	-
Deletions	(10,689)	576
Ending Balance	<u>\$ 60,212</u>	<u>\$ 5,368</u>

B. Interest Rate Swaps

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

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

NOTE 8. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020, are presented in the following table (in thousands). As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

	Beginning Balance, Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year	Long term Debt
Governmental Activities:						
General Obligation Bonds	\$ 350,925	\$ 139,985	\$ (69,210)	\$ 421,700	\$ 83,080	\$ 338,620
Severance Tax Bonds	814,370	-	(134,125)	680,245	128,115	552,130
Revenue Bonds and Loans Payable	1,221,323	-	(126,654)	1,094,669	122,950	971,719
Net Unamortized Premiums, Discounts	257,175	17,947	(51,328)	223,794	45,910	177,884
Total Bonds Payable	<u>2,643,793</u>	<u>157,932</u>	<u>(381,317)</u>	<u>2,420,408</u>	<u>380,055</u>	<u>2,040,353</u>
Notes Payable	1,250	-	(1,250)	-	-	-
Insurance Claims Payable	166,594	3,625	(17,827)	152,392	85,205	67,187
Contingent Liabilities	29,516	22	(29,516)	22	22	-
Compensated Absences	68,942	89,168	(74,505)	83,605	76,640	6,965
Native American Water Settlement Liability	69,706	21,837	-	91,543	-	91,543
Pollution Remediation Obligation	27,456	16,291	(2,081)	41,666	1,235	40,431
Misc. Liabilities	451,315	195,960	(17,739)	629,536	625,159	4,377
Total Other Liabilities	<u>814,779</u>	<u>326,903</u>	<u>(142,918)</u>	<u>998,764</u>	<u>788,261</u>	<u>210,503</u>
Total Governmental Long-term Liabilities	\$ 3,458,572	\$ 484,835	\$ (524,235)	\$ 3,419,172	\$ 1,168,316	\$ 2,250,856
Business-type Activities:						
Revenue Bonds	\$ 865,272	\$ 92,005	\$ (133,858)	\$ 823,419	\$ 48,806	\$ 774,613
Bond Premium, Discount, Net	41,791	4,949	(7,461)	39,279	35	39,244
Total Bonds Payable	<u>907,063</u>	<u>96,954</u>	<u>(141,319)</u>	<u>862,698</u>	<u>48,841</u>	<u>813,857</u>
Compensated Absences	87,589	81,792	(70,298)	99,083	77,350	21,733
Reserve for Losses	98,168	30,845	(27,073)	101,940	19,575	82,365
Notes Payable	11,285	3,166	(945)	13,506	2,231	11,275
Insurance Claims Payable	7,178	7,324	(4,549)	9,953	9,953	-
Capital Leases	938	55	(447)	546	300	246
Derivative Instruments - Interest Rate Swaps	7,186	1,189	-	8,375	-	8,375
Student Loans	15,060	300	(3,291)	12,069	-	12,069
Environmental Cleanup	5,434	-	-	5,434	-	5,434
Misc. Liabilities	56,278	125,510	(7,739)	174,049	170,723	3,326
Total Other Liabilities	<u>289,116</u>	<u>250,181</u>	<u>(114,342)</u>	<u>424,955</u>	<u>280,132</u>	<u>144,823</u>
Total Business-type Long-term Liabilities	\$ 1,196,179	\$ 347,135	\$ (255,661)	\$ 1,287,653	\$ 328,973	\$ 958,680

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year	Long term Debt
Fiduciary:						
Pension Trust Funds						
Reserve for Losses	21,653	-	\$ (1,132)	\$ 20,521	\$ 20,521	\$ -
Compensated Absences	\$ 768	\$ 573	\$ (317)	\$ 1,024	\$ 974	\$ 50
Total Fiduciary Long-term Liabilities	\$ 22,421	\$ 573	\$ (1,449)	\$ 21,545	\$ 21,495	\$ 50

	Beginning Balance, Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year	Long term Debt
Component Units:						
Revenue Bonds	\$ 2,462,644	\$ 398,255	\$ (300,783)	\$ 2,560,116	\$ 162,909	\$ 2,397,207
Total Bonds Payable	2,462,644	398,255	(300,783)	2,560,116	162,909	2,397,207
Compensated Absences	1,143	883	(724)	1,302	1,280	22
Notes Payable	39,347	276,804	(281,485)	34,666	30,953	3,713
Loans Payable	257	561	(257)	561	561	-
Misc. Liabilities	518,317	26,869	(3,229)	541,957	415,457	126,500
Total Other Liabilities	559,064	305,117	(285,695)	578,486	448,251	130,235
Total Component Unit Long-term Liabilities	\$ 3,021,708	\$ 703,372	\$ (586,478)	\$ 3,138,602	\$ 611,160	\$ 2,527,442

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

A. Restatement Summary

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

	Ending Balance FY 19	Beginning Balance (Restated)	Change Increase (Decrease)	Reason
Governmental Activities:				
Net Unamortized Premiums	\$ 257,989	\$ 257,175	\$ (814)	Correction of reporting error.
Compensated Absences	68,795	68,942	147	Correction of error.
Insurance Claims Payable	166,593	166,594	1	Rounding
Pollution Remediation Obligations	27,457	27,456	(1)	Rounding
Miscellaneous Liabilities	451,647	451,315	(332)	Correction of error.
Rounding			(1)	Rounding
Total Net Change			(1,000)	
Total Ending Long-term Liabilities, FY 19			3,459,571	
Total Beginning Long-term Liabilities, FY 20			\$ 3,458,571	
Business-type Activities:				
Compensated Absences	\$ 87,588	\$ 87,589	1	
Reserve for Losses	98,170	98,168	(2)	
Insurance Claims Payable	7,179	7,178	(1)	
Capital Leases	939	938	(1)	
Miscellaneous Liabilities	56,715	56,278	(437)	Reporting Error
Rounding			(3)	Rounding
Total Net Change, Business-type			(443)	
Total Long-term Ending Liabilities, FY 19			1,196,621	
Total Beginning Long-term Liabilities, FY 20			\$ 1,196,178	
	Ending Balance FY 19	Beginning Balance (Restated)	Change Increase (Decrease)	Reason
Fiduciary Activities:				
Reserve for Losses	\$ -	\$ 21,653	\$ 21,653	Omitted from prior year
Total Net Change			21,653	
Total Long-term Ending Liabilities, FY 19			768	
Total Beginning Long-term Liabilities, FY 20			\$ 22,421	
Component Units				
Compensated Absences	\$ 915	\$ 1,143	228	Charter Schools Error
Total Net Change			228	
Total Long-term Ending Liabilities, FY 19			3,021,480	
Total Beginning Long-term Liabilities, FY 20			\$ 3,021,708	

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

B. General Obligation Bonds

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

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

General Obligation Bonds Payable						
<i>(Expressed in Thousands)</i>						
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2020	Due in One Year
Series 2011	5/26/11	2021	2.00 - 4.00	\$ 18,645	\$ 2,160	\$ 2,160
Series 2015	3/25/15	2025	5.00	141,635	79,815	14,445
Series 2017A	8/1/17	2027	5.00	148,520	115,465	12,120
Series 2017B	8/1/17	2025	5.00	151,790	115,250	26,545
Series 2019	8/1/19	2029	5.00	139,985	109,010	27,810
Total General Obligation Bonds Payable					\$ 421,700	\$ 83,080

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

General Obligation Bonds			
Debt Service Requirements to Maturity			
For Fiscal Years End June 30			
<i>(Expressed in Thousands)</i>			
Fiscal Year	Principal	Interest	Total
2021	\$ 83,080	\$ 21,063	\$ 104,143
2022	68,950	16,931	85,881
2023	75,315	13,483	88,798
2024	57,390	9,718	67,108
2025	62,580	6,849	69,429
2026 - 2029	74,385	7,594	81,979
Total	\$ 421,700	\$ 75,638	\$ 497,338

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

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, 2020, total severance tax revenues transferred to the Severance Tax Bonding Fund were \$631.7 million. The total principal and interest requirements were \$168.4 million for long-term debt and \$561.8 million for short-term debt for all severance tax and supplemental severance tax bonds and short-term notes.

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

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Severance Tax Bonds Payable	
					Balance June 30, 2020	Due in One Year
Series 2010A	3/24/10	2019	3.00 - 5.00 %	132,265	\$ 16,170	16,170
Series 2010B Supplemental	3/24/10	2019	4.00 - 5.00 %	100,000	11,245	11,245
Series 2011A-1	12/6/11	2021	3.00 - 5.00 %	47,790	7,175	3,540
Series 2012A	6/21/12	2023	3.00 - 5.00 %	57,990	22,745	7,205
Series 2015A	8/12/15	2026	5.00 %	129,195	96,740	14,175
Series 2015B Supplemental	8/12/15	2026	5.00 %	69,745	47,295	6,930
Series 2016A	6/23/16	2027	3.00 - 5.00 %	78,750	78,750	-
Series 2016B	6/23/16	2025	4.00 %	181,395	169,170	36,040
Series 2016C	6/23/2016	2022	2.00 %	41,925	13,125	11,430
Series 2016D	11/15/2016	2028	5.00 %	26,725	26,725	-
Series 2016E	11/15/2016	2022	1.25 - 2.35 %	19,090	14,185	7,100
Series 2017A	8/8/2017	2028	5.00 %	69,470	64,290	5,895
Series 2018A	6/28/2018	2029	5.00 %	122,560	112,630	8,385
Total Severance Tax Bonds Payable					\$ 680,245	\$ 128,115

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 128,115	\$ 28,612	\$ 156,727
2022	108,955	23,586	132,541
2023	104,965	18,765	123,730
2024	98,025	14,063	112,088
2025	83,330	9,823	93,153
2026- 2029	156,855	11,345	168,200
Total	\$ 680,245	\$ 106,194	\$ 786,439

D. Short-term Debt

Per Section 7-27-8 NMSA, the Office of State Treasurer is required to transfer any money left in the Severance Tax Bond Fund every June 30 and December 31 to the Severance Tax Permanent Fund. The State Board of Finance issues short-term Severance Tax Notes, which are of one to three days duration, in order to more fully utilize the excess cash until such time as it is transferred. During the fiscal year 2020, short-term notes were sold:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Sponge Bonds	\$ -	\$ 561,725	\$ (561,725)	\$ -

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E. Revenue Bonds

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

Governmental Activities

Revenue Bonds and Loans Payable - Primary Government

(Expressed in Thousands)

Governmental Activities Bond Issue	Original Issue	Maturity Date	Interest Rate	Balance	Due in
				June 30, 2020	One Year
2015A PPRF - Metro Court	\$ 30,685	2025	4.00 - 5.00 %	\$ 17,020	\$ 3,070
Series 2009C Spaceport Public Project	55,810	2029	2.50 - 5.25 %	31,125	2,855
Series 2010 Spaceport Public Project	20,560	2029	0.47 - 4.08 %	14,860	710
DL - GSD 7 - Cultural Affairs	2,789	2023	0.46 - 1.42 %	468	149
2004B PPRF - Cultural Affairs Dept.	2,350	2023	0.62 - 4.18 %	1,219	401
Series 2003 - Energy and Minerals	7,339	2023	3.82%	1,491	476
2016C PPRF 3445 - General Services Dept. 8	37,320	2036	1.90 - 4.90 %	32,470	1,130
2018C1 PPRF - General Services Dept. - 4417A	11,510	2039	4.00 - 5.00 %	11,510	-
2018C1 PPRF - General Services Dept. - 4417B	7,040	2038	2.77 - 4.09 %	7,010	35
2018A PPRF - General Services Dept. - 4431	28,480	2036	4.00 - 5.00 %	26,360	1,140
PPRF - 4955 - GSD Energy Efficiency	11,500	2033	2.90 - 3.90 %	11,500	-
2013C PPRF - Dept. of Health 9 - Las Vegas Med. Ctr.	8,975	2037	3.80 %	7,836	99
PPRF - 4432 - Cig. Tax Ref. Bonds	5,120	2028	5.00 %	4,055	485
PPRF - 4769 - Ft. Bayard Med. Ctr.	48,635	2039	5.00 %	46,685	1,660
Series 2010A Debt Service	174,625	2024	1.50 - 5.00 %	42,390	9,470
Series 2010B Highway (GRIP)	461,075	2024	3.00 - 5.00 %	128,245	91,265
Series 2012 Refunding	220,400	2026	1.25 - 5.00 %	159,055	4,965
Series 2014 A Revenue	70,110	2032	5.00 %	58,325	2,750
Series 2014 B Revenue	79,405	2027	5.00 %	74,890	1,660
Series 2018 A Refunding	420,090	2030	5.00 %	418,155	630
Total Revenue Bonds and Loans Payable				\$ 1,094,669	\$ 122,950

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

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

Governmental Activities <i>(Expressed in Thousands)</i>			
Fiscal Year	Principal	Interest	Total
2021	\$ 122,950	\$ 52,439	\$ 175,389
2022	140,723	46,409	187,132
2023	146,117	39,671	185,788
2024	171,689	32,869	204,558
2025	72,634	24,162	96,796
2026 - 2030	345,256	65,903	411,159
2031 - 2035	60,961	14,258	75,219
2036 - 2040	34,339	4,347	38,686
2041 - 2045	-	-	-
2046 - 2049	-	-	-
Total	\$ 1,094,669	\$ 280,058	\$ 1,374,727

Of the total of bonds and loans payable for Governmental Activities, \$213,609 is payable to NM Finance Authority, a discretely-presented component unit. These loans are considered to be direct borrowings. These are various covenants in the loan agreements which protect the lender from a default. These are summarized as follows:

Governmental Activities Bonds & Loans Payable - Payable to Others & Payable to NMFA <i>(Expressed in Thousands)</i>			
	Payable to		Total
	Ext. Entities	Due to NMFA	
Current:			
Payable to External Entities	\$ 110,740	\$ -	\$ 110,740
Due to NMFA	-	12,210	12,210
Total Current	110,740	12,210	122,950
Long-term:			
Payable to External Entities	770,320	-	770,320
Due to NMFA	-	201,399	201,399
Total Long-term	770,320	201,399	971,719
Totals	\$ 881,060	\$ 213,609	\$ 1,094,669

Several of the loans reported are secured by prior agreement with tax revenue intercepted by the State Taxation and Revenue Department and sent directly to the NMFA. This includes the General Services Department, \$158,580.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

Business-type Activities

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

Revenue Bonds and Loans Payable - Primary Government <i>(Expressed in Thousands)</i>						
Business-type Activities		Maturity	Interest	Original	Balance	Due in
Inst.	Bond Issue	Date	Rate	Issue	June 30, 2020	One Year
MCMC	MCMC St. Perm. Fd. Rev. Imp. & Refunding Series 2013	2023	3.00 %	\$ 14,645	\$ 7,995	\$ 1,060
NMSU	Refunding and Imp. Revenue Series 2010 A-D	2022	1.89 - 5.27	78,670	390	390
	Refunding and Imp. Revenue Series 2013 A-C	2033	2.00 - 5.00	56,200	18,870	1,300
	System Imp. Revenue Series 2017 A-C	2042	1.75 - 5.00	73,240	68,505	3,675
	Refunding and Imp. Revenue Series 2019 A & B	2040	2.00 - 5.00	24,985	24,865	2,025
	NM Fin. Auth. PPF Loan	2035	0.69 - 3.69	7,000	6,160	295
ENMU	System Imp. Revenue Series 2015 A	2045	0.34 - 3.93	12,480	11,005	400
	System Revenue Refunding Series 2015 B	2026	0.34 - 2.44	6,175	3,490	645
	System Imp. Revenue Bonds Series 2017	2038	0.09 - 3.48	5,645	5,224	239
	System Imp. Revenue Bonds Series 2020	2036	1.12 - 2.75	22,445	22,340	838
NMHU	System Refunding Revenue Series 2009 A	2021	3.00 - 4.50	490	490	-
	System Refunding Revenue Series 2009 B	2035	5.32 - 6.07	9,230	9,230	-
	System Refunding Revenue Series 2012	2034	0.93 - 4.26	18,335	13,085	1,220
NM Tech	System Revenue Series 2011	2031	3.00 - 5.00	13,395	9,435	300
	System Revenue Series 2019	2040	4.00	8,555	8,555	290
NMMI	Series 2013A Improvement	2028	2.00 - 4.00	8,935	6,345	670
	Series 2019A Improvement	2039	1.30 - 2.89	5,181	5,181	-
	Series 2019A Improvement	2044	1.30 - 3.15	6,689	6,689	350
WNNMU	System Revenue Series 2012	2038	2.00 - 5.50	12,245	9,765	385
	System Refunding & Imp. Revenue Series 2013	2038	2.10 - 5.10	6,755	3,885	165
	System Improvement Series 2014	2021	1.97	3,055	460	455
UNM	System Revenue Refunding Series 1992 A	2021	5.60 - 6.25	36,790	1,605	220
	Subordinate Lien System Imp. Revenue Series 2001	2026	Variable	52,625	18,675	2,170
	Subordinate Lien System Refunding Revenue Series 2002 B	2026	Variable	25,475	11,940	1,265
	Subordinate Lien System Refunding Revenue Series 2002 C	2030	Variable	37,840	26,670	2,085
	Subordinate Lien System Imp. Revenue Series 2014A	2033	3.00 - 5.00	9,715	3,695	2,125
	Subordinate Lien System Imp. Revenue Series 2014 B	2024	0.50 - 3.28	3,365	1,495	1,750
	Subordinate Lien System Imp. Revenue Series 2014 C	2035	1.50 - 5.00	97,615	83,945	2,575
	Subordinate Lien System Imp. Revenue Series 2016A	2046	2.00 - 5.00	158,435	152,525	4,525
	Subordinate Lien System Imp. Revenue Series 2016B	2024	0.72 - 2.48	8,030	5,090	1,500
	Subordinate Lien System Imp. Revenue Series 2017	2047	3.25 - 5.00	40,900	39,205	1,750
	Subordinate Lien System Imp. Revenue Series 2019	2032	1.85 - 3.02	22,140	22,140	1,004
	FHA Insured Hospital Mortgage Revenue Series 2015	2032	0.49 - 3.53	115,000	86,305	5,950
	Revenue Build America Bonds, Series 2010A (SRMC)	2036	4.50	133,425	103,540	2,675
	Revenue Recovery Zone Econ. Dev. Series 2010B (SRMC)	2037	5.00	9,740	9,740	1,600
	2016 A PPRF - UNM Health Sciences Ctr. - Loan	2025	1.90 - 4.90	26,200	14,635	2,890
	UNM ADW - UNM - Green Water Project - Loan	2032	0.75	399	250	20
Total Revenue Bonds and Loans Payable					\$ 823,419	\$ 48,806

New Mexico State University issued Refunding Series 2019A and B in the face amount of \$24,985 plus \$3,056 premium. Proceeds were used to refund earlier issued bonds at an economic gain.

Eastern New Mexico University issued \$22,445 in Series 2020 Refunding Bonds. The proceeds of the bonds were used to refund earlier issued bonds.

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New Mexico Institute of Mining and Technology issued Series 2019 Revenue Bonds in the par amount of \$8,555 plus a premium of \$1,188. The Bonds were issued for the purpose of constructing and acquiring energy efficiency improvements on campus.

New Mexico Military Institute issued Series 2019 A and B Revenue Bonds in the par amount of \$11,870 for the purposes of constructing and acquiring building improvements and energy improvements.

The University of New Mexico issued Series 2019 Refunding Revenue Bonds in the par amount of \$24,150 for the purpose of defeasing earlier issued revenue bonds, which resulted in debt service savings to the University.

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

Business-type Activities			
<i>(Expressed in Thousands)</i>			
Fiscal Year	Principal	Interest	Total
2021	\$ 48,806	\$ 33,247	\$ 82,053
2022	49,793	31,339	81,132
2023	51,107	29,384	80,491
2024	51,689	27,339	79,028
2025	53,650	25,278	78,928
2026 - 2030	244,661	95,016	339,677
2031 - 2035	202,538	50,556	253,094
2036 - 2040	81,368	17,079	98,447
2041 - 2045	32,026	6,543	38,569
2046 - 2049	7,781	487	8,268
Total	\$ 823,419	\$ 316,268	\$ 1,139,687

Of the total of bonds and loans payable for Business-type Activities, \$71,505 is payable to NM Finance Authority, a discretely-presented component unit. These loans are considered to be direct borrowings. There are various covenants in the loan agreements which protect the lender from a default. These are summarized as follows:

Business-type Activities			
Bonds & Loans Payable - Payable to Others & Payable to NMFA			
<i>(Expressed in Thousands)</i>			
	Payable to		
	Ext. Entities	Due to NMFA	Total
Current:			
Payable to External Entities	\$ 42,782	\$ -	\$ 42,782
Due to NMFA	-	6,024	6,024
Total Current	42,782	6,024	48,806
Long-term:			
Payable to External Entities	709,132	-	709,132
Due to NMFA	-	65,481	65,481
Total Long-term	709,132	65,481	774,613
Totals	\$ 751,914	\$ 71,505	\$ 823,419

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

F. Pledged Revenue

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

Governmental Activities

<i>Agency:</i>	<i>State of New Mexico - Severance Tax Bonds</i>
Purpose of Bonds:	Construction and acquisition of capital projects statewide
Total Amount of Bonds Issued:	\$ 1.4 billion
Type of Revenues Pledged:	Severance tax revenues collected from mineral-extracting companies.
Term of Commitment:	Through June 30, 2029
Total Debt Service Remaining:	\$ 786.4 million
Revenue Stream for Current Year:	\$ 646.3 million
Debt Service for Current Year:	\$ 168.3 million

<i>Agency:</i>	<i>Energy, Minerals, and Natural Resources Department</i>
Purpose of Bonds:	Acquisition and development of state parks and recreation areas.
Total Amount of Bonds Issued:	\$ 7.4 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:	\$ 1.6 million
Revenue Stream for Current Year:	\$ 6.2 million
Debt Service for Current Year:	\$ 537 thousand

<i>Agency:</i>	<i>Department of Transportation</i>
Purpose of Bonds:	Construct and improve State highway and transportation system.
Total Amount of Bonds Issued:	\$ 1.4 billion
Type of Revenues Pledged:	Gasoline excise taxes, motor vehicle registration and other fees deposited into State Road Fund, plus Federal Highway Fund revenues
Term of Commitment:	Through June 30, 2032
Total Debt Service Remaining:	\$ 1.1 billion
Revenue Stream for Current Year:	\$ 923.5 million
Debt Service for Current Year:	\$ 155.2 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:	\$5.6 million
Type of Revenues Pledged:	Department's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$ 1.7 million
Term of Commitment:	Through June 30, 2023
Revenue Stream for Current Year:	\$ 868 thousand
Debt Service for Current Year:	\$ 631 thousand

<i>Agency:</i>	<i>Spaceport Authority</i>
Purpose of Bonds	Construction of the Spaceport America launch facility.
Total Amount of Debt Issued:	\$76.4 million
Type of Revenues Pledged:	Authority's share of governmental gross receipts tax revenue
Total Debt Service Remaining:	\$ 58.2 million
Term of Commitment:	Through June 30, 2029
Revenue Stream for Current Year:	\$ 4.2 million
Debt Service for Current Year:	\$ 5.6 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

Governmental Activities (Continued)

<i>Agency:</i>	<i>Bernalillo County Metropolitan Court</i>
Purpose of Bonds	Court parking structure
Total Amount of Debt Issued:	\$ 30.7 million
Type of Revenues Pledged:	Court facilities fees collected.
Total Debt Service Remaining:	\$ 19.7 million
Term of Commitment:	Through June 30, 2025
Revenue Stream for Current Year:	\$ 3.1 million
Debt Service for Current Year:	\$ 3.9 million

<i>Agency:</i>	<i>General Services Department</i>
Purpose of Bonds	State facilities acquisition and development.
Total Amount of Debt Issued:	\$ 174 million
Type of Revenues Pledged:	Government gross receipts tax, cigarette tax.
Total Debt Service Remaining:	\$ 217.9 million
Term of Commitment:	Through June 30, 2039
Revenue Stream for Current Year:	\$ 16.1 million
Debt Service for Current Year:	\$ 16.1 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:	\$ 8.8 million
Term of Commitment:	Through June 30, 2023
Revenue Stream for Current Year:	\$ 1.5 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:	\$ 1.2 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:	\$ 1.1 billion
Term of Commitment:	Through June 30, 2047
Revenue Stream for Current Year:	\$ 2.9 billion
Debt Service for Current Year:	\$ 72.4 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

G. Other Liabilities

- **Compensated Absences**

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

- **Pollution Remediation Obligation**

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

The following details the nature of the identified sites:

Leaking Petroleum Storage Tanks (LPST)

The State oversees cleanups of LPST sites and reimburses eligible parties from the PST corrective action fund, which has paid for the vast majority of LPST cleanups. However, for Priority 1 State Lead sites, in which there is an imminent danger to the public health or environment, the State has obligated itself to begin remediation clean-up activities as a result of an unwilling or unable property owner in the amount of \$1.4 million as of June 30, 2020.

Superfund

The Superfund Oversight Section of the State assists the United States Environmental Protection Agency (EPA) in characterization of inactive hazardous waste sites; identifies sites which warrant remedial or removal action under Superfund (CERCLA); and oversees remedial activities and provides management assistance to EPA at Superfund sites listed on the National Priorities List (NPL). There are currently 16 listed Superfund sites and 4 delisted sites in New Mexico which are in various stages of investigation and remediation. Eight of these sites (6 listed and 2 delisted) are subject to State cost-share with EPA. One of the 8 State cost-share Superfund sites was placed on the NPL in April 2016. The site is currently in the remedial investigation phase in which no financial obligation exists. The Department estimates it will take at least 2 or 3 years before a Record of Decision is issued by the EPA. As of June 30, 2020, this site is excluded from the estimated pollution remediation liability which for Superfund sites totals \$40.2 million.

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Amount Due Within One Year	\$ 621	\$ 1,075	\$ (461)	\$ 1,235
Amount Due in More than One Year	26,835	15,216	(1,620)	40,431
Total Pollution Remediation Liabilities	<u>\$ 27,456</u>	<u>\$ 16,291</u>	<u>\$ (2,081)</u>	<u>\$ 41,666</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

▪ Indian Water Rights Liability

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

Each of the agreements involves a contribution from the State of New Mexico in the form of construction of infrastructure. The value of infrastructure and mutual benefits projects contemplated in the three settlements are estimated at more than \$1.6 billion as of June 30, 2020. The State will not own the infrastructure once completed; the infrastructure and projects will be owned by tribal and local governments.

A portion of the State's share includes \$10 million on non-mandatory expenditures for ditch rehabilitation under the Navajo Settlement. The State has met its cost share obligations under the Taos Pueblo settlement.

The State has recognized the estimated liability of \$49.2 million in the financial statements as of June 30, 2020.

A summary of the funds appropriated towards the settlements follows (*presented in thousands*):

Indian Water Rights Settlement:	Total Cost Share	Appropriated Funds	Unappropriated Balances
Aamodt	\$ 104,500	\$ 52,989	\$ 51,511
Taos	20,050	20,661	(611)
Navajo	30,949	32,225	(1,276)
Total	\$ 155,499	\$ 105,875	\$ 49,624

A summary of the funds disbursed and the remaining liability follows (*presented in thousands*):

Indian Water Rights Settlement:	Total Cost Share	Disbursed To Date	Balance, June 30, 2020
Aamodt	\$ 104,500	\$ 19,000	\$ 85,500
Taos	20,050	14,552	5,498
Navajo	30,949	30,404	545
Total	\$ 155,499	\$ 63,956	\$ 91,543

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

H. University of New Mexico

▪ Standby Purchase Agreements

Standby Purchase Agreements provide liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees are based on a percentage of the outstanding bond balance, payable semiannually. Liquidity fees for the years ended June 30, 2020 and 2019 were \$238 and \$259, in thousands, respectively. An agreement with U.S. Bank was entered into on December 31, 2014 for a three year term expiring December 29, 2020. The University has entered into negotiations with U.S. Bank for a possible three year extension of the agreement.

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

US Bank				
Liquidity Expiration	Series 2001	Series 2002B	Series 2002C	Grand Total
12/29/2020	\$ 18,675	\$ 11,940	\$ 26,670	\$ 57,285
Liquidity Fees				
	2001	2002B	2002C	Total
FY 20	\$ 81	\$ 50	\$ 107	\$ 238

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

- Interest Rate Swap Agreements

On June 30, 2020, UNM had the following derivative instruments outstanding (in thousands):

Item/ Counter-Party	Type	Objective	Effective Date	Maturity Date	Terms	Current Fair Value	Current Notional Amount
Hedging Derivatives							
A - JP Morgan	Pay- Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2026	Receive SIFMA \$ USD - Pay 4.2% Fixed	(660)	\$ 4,668
B - JP Morgan	Pay- Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002C Refunding Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2030	Receive SIFMA USD - Pay 3.9% Fixed	(5,361)	26,670
C - JP Morgan	Pay- Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2002B Refunding Revenue Bonds (Underlying Swap)	1/14/2003	6/1/2026	Receive SIFMA USD - Pay 3.8% Fixed	(1,688)	11,940
D - RBC Royal Bank	Pay- Fixed/Receive Variable Interest Rate Swap	Hedge against rising SIFMA rates related to the 2001 System Improvement Revenue Bonds (Underlying Swap)	10/30/2002	6/1/2026	Receive SIFMA USD - Pay 4.2% Fixed	(664)	4,669
Investment Derivatives							
E - JP Morgan	Pay- Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2001 System Improvement Revenue Bonds (Swap Overlays)	8/15/2006	6/1/2026	Receive 63.6% of 5 year USD swap rate + 0.3% - Pay SIFMA	187	9,338
F - JP Morgan	Pay- Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Swap Overlays)	8/15/2006	6/1/2030	Receive 63.6% of 5 year USD swap rate + 0.3% - Pay SIFMA	1,099	26,670

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

• Risks

Credit Risk

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

Entity	Moody's		S & P		Fitch	
	L/T Rating	S/T Rating	L/T Rating	S/T Rating	L/T Rating	S/T Rating
JP Morgan	Aa2	P1	A+	A1+	AA	F1+
RBC Royal Bank	A2	P1	AA-	A1+	AA	F1+

Interest Rate Risk

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

Basis Risk

The variable-rate debt hedged by UNM's derivative instruments are variable-rate demand obligation (VRDO) bonds that are remarketed every seven days. The University is exposed to basis risk on its pay-variable (SIFMA), receive-variable (USD Swap Rate) overlay interest rate swaps, because the variable-rate payments received by the University on these derivative instruments are based on a rate USD Swap Rate other than the index (SIFMA) the University pays on the VRDO bonds. At June 30, 2020, the interest rate on the University's variable-rate hedged debt (SIFMA) is 0.13 %, while the 63.55% of five year USD Swap Rate + 0.31% is 0.36 %.

Termination Risk

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

Rollover Risk

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

Foreign Currency Risk

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

▪ **Commitments**

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

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

The collateral to be posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions net of the effect of applicable netting arrangements. If UNM or the counterparty does not post collateral, the derivative instrument may be terminated. UNM's credit rating is AA/Aa2 at June 30, 2020; therefore, no collateral has been posted.

▪ **Derivative Instrument Payments and Hedged Debt**

As of June 30, 2020, aggregate debt service requirements of UNM's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting (in thousands).

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

University of New Mexico
Debt Service Requirements - Hedging Derivative Instruments

Fiscal Year Ending June 30,	Principal	Interest	Hedge Deriv. Instruments, Net	Total
2021	\$ 6,580	\$ 46	\$ 1,821	\$ 8,447
2022	6,855	43	1,619	8,517
2023	7,155	44	1,403	8,602
2024	7,465	45	1,175	8,685
2025	7,770	45	940	8,755
2026	9,900	40	703	10,643
2027	2,900	25	406	3,331
2028	3,030	21	300	3,351
2029	3,160	15	192	3,367
2030	2,470	1	96	2,567
	<u>\$ 57,285</u>	<u>\$ 325</u>	<u>\$ 8,655</u>	<u>\$ 66,265</u>

- **Fiscal Year Changes in Swap Valuations**

UNM has entered into interest rate swaps as shown in the prior schedule. The swaps were put in place starting in fiscal years 2002 and 2003. The University has recorded the swaps at their estimated fair values as of June 30, 2020. 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 2020 for the hedge instruments was a \$1.2 million increase to the liability and an equal offsetting increase to the deferred outflow of resources. Swaps E and F are not cash flow hedges, but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2020 was recorded to unrealized gain in the amount of \$331.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

I. Notes Payable

The State has issued notes payable for various purposes, mainly equipment acquisition. Details of notes payable for the fiscal year ended June 30, 2020 follow:

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,015	\$ 317	\$ 1,332
2022	1,090	286	1,376
2023	1,165	253	1,418
2024	1,240	217	1,457
2025	1,325	179	1,504
2026 - 2028	4,505	282	4,787
Total	\$ 10,340	\$ 1,534	\$ 11,874

Miners Colfax Medical Center obtained a loan through the Paycheck Protection Program with the Federal Government. The total amount is \$3,166, of which \$ 1,216 is due within one year. If certain conditions are met, it is expected that this loan will be forgiven. This loan is not included in the table above.

- **Direct Borrowing – Business Type Activities**

NMSU issued a tax-exempt Subordinate Lien Improvement Revenue Note, Series 2014 on April 21, 2014 in a direct purchase with BOKF, NA dba Bank of Albuquerque. The original principal amount of the note was \$15,865,000 and the interest rate is 3.07%. The note is payable solely from, and secured by, a pledge of, and a non-exclusive subordinate lien on the following revenues: student tuition and fees; sales and service revenue; other operating revenue; investment income; and, building fees. The note matures April 1, 2029.

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

J. Discretely-presented Component Units

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

Bonds Payable - New Mexico Finance Authority
(Expressed in Thousands)

Bond Series	Interest Rate (%)	Maturity Date	Original Issue	Balance June 30, 2020
Public Project Revolving Fund - Senior Lien:				
2010 A-2 & B-2	4.7 - 6.4	2035 - 2039	\$ 31,395	\$ 25,635
2011 B - C	3.0 - 5.0	2021 - 2036	110,680	46,825
2012 A	3.0 - 5.5	2021 - 2038	24,340	14,640
2013 A - B	3.0 - 5.0	2021 - 2038	60,645	30,030
2014 B	3.0 - 5.0	2021 - 2035	58,235	33,070
2015 B - C	2.3 - 5.0	2021 - 2045	90,800	75,580
2016 A - F	2.0 - 5.0	2021 - 2046	315,540	237,580
2017 A - E	3.0 - 5.0	2021 - 2046	138,130	107,435
2018 A - D	2.5 - 5.0	2021 - 2038	200,170	170,985
2019 B - D	3.0 - 5.0	2021 - 2041	97,130	93,875
2020 A - B	2.0 - 5.0	2021 - 2041	113,305	113,305
Subtotal			1,240,370	948,960
Public Project Revolving Fund - Subordinate Lien:				
2014 A-1, 2	2.8 - 5.0	2021 - 2034	31,940	19,195
2015 A, D	3.0 - 5.0	2021 - 2035	92,745	65,200
2016 B	5.0	2020 - 2022	8,950	1,580
2017 B - F	2.3 - 5.0	2021 - 2036	128,725	78,895
2018 C - E	3.0 - 5.0	2021 - 2039	102,780	93,025
2019 A - C	2.0 - 5.0	2021 - 2039	68,555	64,355
Subtotal			433,695	322,250
Total Public Project Revolving Fund and Total Bonds Outstanding			\$ 1,674,065	1,271,210
Add: Net Unamortized Premium				167,732
Total Bonds Payable				\$ 1,438,942
Current Portion				\$ 116,270

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

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

Bonds Payable - New Mexico Mortgage Finance Authority

(Expressed in Thousands)

Bond Series	Interest Rate (%)	Maturity Date	Balance September 30, 2020
Single Family Mortgage Programs:			
Series 2010 A	4.6	2025	\$ 2,565
Series 2011 A - C	2.3 - 5.4	2041	29,835
Series 2012 A - B	2.6 - 4.3	2043	34,035
Series 2013 A - C	2.2 - 4.5	2043	39,091
Series 2014 A - B	2.8 - 5.0	2044	11,448
Series 2015 A - E	2.1 - 4.0	2045	51,508
Series 2016 A - C	1.6 - 3.8	2046	97,715
Series 2017 A - B	1.3 - 3.8	2048	61,545
Series 2018 A - D	1.9 - 4.3	2049	230,180
Series 2019 A - F	1.4 - 4.3	2050	396,837
Series 2020 A	1.0 - 3.5	2051	69,925
Subtotal			1,024,684
Unaccreted Bond Premium/Discount, Net			25,013
Total Single Family Mortgage Programs Payable			1,049,697
Rental Housing Mortgage Programs:			
Series 2003 A - B	5.1 - 5.2	2038	7,135
Series 2004 A - D	5.01 - 6.0	2039	11,245
Series 2005 C - F	4.7 - 5.1	2040	13,685
Series 2007 A - D	5.1 - 10.0	2043	17,234
Series 2008 A - B	0.1 - 6.0 *	2043	8,000
Series 2010 A - B	5.0	2047	810
Series 2012 A	5.0	2049	4,606
Series 2019	5.25	2020	8,722
Subtotal			71,437
Unaccreted Bond Premium/Discount, Net			40
Total Rental Housing Mortgage Programs Payable			71,477
Total Bonds Payable			\$ 1,121,174

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

Annual debt service requirements to maturity are as follows:

Bonds Payable						
Debt Service Requirements to Maturity						
For Fiscal Years End September 30						
New Mexico Finance Authority				New Mexico Mortgage Finance Authority		
<i>(Expressed in Thousands)</i>				<i>(Expressed in Thousands)</i>		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 116,270	\$ 57,469	\$ 173,739	\$ 46,639	\$ 37,232	\$ 83,871
2022	113,350	52,094	165,444	23,190	36,415	59,605
2023	108,720	46,720	155,440	23,918	35,741	59,659
2024	94,815	41,542	136,357	24,601	35,021	59,622
2025	91,395	37,001	128,396	25,547	34,257	59,804
2026-2030	360,190	127,010	487,200	137,182	158,361	295,543
2031-2035	254,660	56,964	311,624	168,960	132,891	301,851
2036-2040	112,245	14,572	126,817	263,767	97,817	361,584
2041-2045	17,665	1,708	19,373	239,168	49,739	288,907
2046-2050	1,900	57	1,957	143,144	11,667	154,811
2051-2055				5		5
	<u>1,271,210</u>	<u>435,137</u>	<u>1,706,347</u>	<u>1,096,121</u>	<u>629,141</u>	<u>1,725,262</u>
Unaccrued Premium	167,732	-	167,732	25,053	-	25,053
Total	\$ 1,438,942	\$ 435,137	\$ 1,874,079	\$ 1,121,174	\$ 629,141	\$ 1,750,315

Details of the Mortgage Finance Authority Notes Payable follows:

New Mexico Mortgage Finance Authority			Debt Service Requirements to Maturity			
Notes Payable			For Fiscal Years End September 30			
<i>(Expressed in Thousands)</i>			<i>(Expressed in Thousands)</i>			
Note	Balance	Fiscal	Principal	Interest	Total	
	Sept. 30,	Year				
	2020					
PRLF Cash and Loans	\$ 1,659	2021	\$ 30,074	\$ 249	\$ 30,323	
Securities and Loans Held for Sale	30,000	2022	393	32	425	
Subtotal: Debt with Pledged Collateral	31,659	2023	499	24	523	
Other Direct Borrowings Without Assets Pledged	850	2024	180	15	195	
Total Direct Borrowings	\$ 32,509	2025	74	14	88	
		2026-2030	371	57	428	
		2031-2035	371	38	409	
		2036-2040	371	20	391	
		2041-2045	176	3	179	
			<u>\$ 32,509</u>	<u>\$ 452</u>	<u>\$ 32,961</u>	

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

The Authority also has an unused line of credit in the amount of \$2.5 million as of Sept. 30, 2020.

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9

NOTE 9. Net Position and Fund Equity

A. Governmental Fund Balances

Fund balances of governmental funds are classified as:

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

STATE OF NEW MEXICO

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For the Year Ended June 30, 2020

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, 2020, follows (in thousands):

	General Fund	Debt Service	Capital Projects	Severance Tax	Land Grant	Total
Nonspendable:						
Prepaid Expenses	\$ 340	-	\$ -	\$ -	-	\$ 340
Inventories	30,925	-	-	-	-	30,925
Other	14,761	-	-	-	-	14,761
Total Nonspendable	\$ 46,026	\$ -	\$ -	\$ -	\$ -	\$ 46,026
Restricted:						
Capital Projects	\$ -	-	\$ 1,867,176	\$ -	-	\$ 1,867,176
Culture, Recreation and Natural Resources	192,983	-	-	-	-	192,983
Debt Service	-	433,135	-	-	-	433,135
Education	249,604	-	-	-	-	249,604
General Control	2,118,164	-	-	5,302,828	19,330,276	26,751,268
Health and Human Services	166,162	-	-	-	-	166,162
Highway and Transportation	391,070	-	-	-	-	391,070
Judicial	25,108	-	-	-	-	25,108
Legislature	3,132	-	-	-	-	3,132
Public Safety	85,878	-	-	-	-	85,878
Regulation and Licensing	157,215	-	-	-	-	157,215
Total Restricted	\$ 3,389,316	\$ 433,135	\$ 1,867,176	\$ 5,302,828	\$ 19,330,276	\$ 30,322,731

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

	General Fund	Debt Service	Capital Projects	Severance Tax		Land Grant		Total
				Permanent	Permanent	Permanent	Permanent	
Committed:								
Culture, Recreation and Natural Resources	\$ 2,512	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,512
Education	11,860	-	-	-	-	-	-	11,860
General Control	19,982	-	-	-	-	-	-	19,982
Health and Human Services	10,099	-	-	-	-	-	-	10,099
Regulation and Licensing	1,007	-	-	-	-	-	-	1,007
Total Committed	\$ 45,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,460
Assigned:								
Health and Human Services	\$ 9,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,120
Judicial	2,213	-	41	-	-	-	-	2,254
Regulation and Licensing	1,590	-	-	-	-	-	-	1,590
Total Assigned	\$ 12,923	\$ -	\$ 41	\$ -	\$ -	\$ -	\$ -	\$ 12,964
Unassigned:								
Capital Projects	\$ -	\$ -	\$ (6,815)	\$ -	\$ -	\$ -	\$ -	\$ (6,815)
Culture, Recreation and Natural Resources	(6,777)	-	-	-	-	-	-	(6,777)
Education	(89,633)	-	-	-	-	-	-	(89,633)
General Control	803,308	-	-	-	-	-	-	803,308
Health and Human Services	(63,841)	-	-	-	-	-	-	(63,841)
Highway and Transportation	(66,250)	-	-	-	-	-	-	(66,250)
Judicial	(2,166)	-	-	-	-	-	-	(2,166)
Legislature	4,426	-	-	-	-	-	-	4,426
Public Safety	(16,521)	-	-	-	-	-	-	(16,521)
Regulation and Licensing	(30,218)	-	-	-	-	-	-	(30,218)
Total Unassigned	\$ 532,328	\$ -	\$ (6,815)	\$ -	\$ -	\$ -	\$ -	\$ 525,513

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

B. Deficit Net Position/ Fund Equity

Governmental Activities

There were no deficit overall fund balances to report for the fiscal year ended June 30, 2020.

C. Net Position/Fund Balance Restatements -

1. Correction of Errors

During the fiscal year ended June 30, 2020, the State determined that several errors in accounting and reporting had been made in the prior fiscal year. The effect of the correction of those errors together with the adoption of the new accounting principle on beginning net position and governmental fund balances follows (in thousands):

The following schedule reconciles June 30, 2020, Net Position/fund balance previously reported to beginning Net Position/fund balance, as reported in the accompanying financial statements (in thousands):

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

Summary of Adjustments, Net Position/Fund Balance	
Government-wide Statements -	
Governmental Activities:	
Adjustments	
Agencies PPA to correct begin balances	\$ (1,842)
Correction of errors	(37,912)
Total government-wide adjustments	<u>(39,754)</u>
Governmental fund financial statements:	
Capital Projects - Correction of Errors CY	(2,931)
Capital Projects - Correction of errors PY	2,347
Capital Projects - Timing of released audit	87
General Fund - Agency Prior Adjustments	14,995
General Fund - Correction of Errors CY	43,210
General Fund - Correction of Errors PY	(21,291)
General Fund - Timing of released audit	<u>(4,162)</u>
Total Governmental fund adjustments	<u>32,255</u>
Internal Service - Correction of Errors	<u>(45)</u>
Total Internal Service Fund Adjustments	<u>(45)</u>
Total adjustments, Governmental Activities	<u>\$ (7,544)</u>
Business - type Activities, Educational Institutions:	
Correction of Errors	
NNMC - CY	\$ 1,928
NNMC - GASB68 Adjustment	(201)
WNNMU - PY	<u>3</u>
Total adjustments, Educ. Inst.	1,730
Business - type Activities	<u>\$ 1,730</u>
Non-Major Component Units	
Change in Accounting Method, Adjustments, & Corrections of Errors:	
Cumbres and Toltec	574
Charter Schools - exclusion/inclusion of foundations	220
Charter Schools - Implementation GASB84	870
Charter Schools - Transfers to Districts	11,515
Rounding	<u>3</u>
Total adjustments, Non-Major Component Units	<u>\$ 13,182</u>

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

Net Position/Fund Balance Restatements									
Governmental Activities:	Net Position - Governmental Activities	Total Net Position - Internal Svc. Funds	Total Fund Balances - Governmental Funds	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax Fund	Land Grant Fund	
Beg. Net Position/Fund Balances, as Previously Reported	\$ 30,189,958	\$ 15,023	\$ 29,783,941	\$ 3,094,745	\$ 535,184	\$ 1,578,495	\$ 5,528,038	\$ 19,047,479	
Adjustments	(7,544)	(45)	32,255	32,752	-	(497)	-	-	
Beg. Net Position/Fund Balances, as Restated	\$ 30,182,414	\$ 14,978	\$ 29,816,196	\$ 3,127,497	\$ 535,184	\$ 1,577,998	\$ 5,528,038	\$ 19,047,479	
Effect on Change in Net Position/Fund Balance	\$ (7,544)	\$ (45)	\$ 32,255	\$ 32,752	\$ -	\$ (497)	\$ -	\$ -	
FYE June 30, 2019									

Business-type Activities:	Net Position - Business-type Activities	Educational Institutions	Major Enterprise	Nonmajor Enterprise
Beg. Net Position, as Previously Reported	\$ 1,250,781	\$ 328,664	\$ 482,104	\$ 440,013
Adjustments	(1,730)	(1,730)	-	-
Beg. Net Position, as Restated	\$ 1,249,051	\$ 326,934	\$ 482,104	\$ 440,013
Effect on Change in Net Position	\$ (1,730)	\$ (1,730)	\$ -	\$ -
FYE June 30, 2019				

Fiduciary and Component Units:	Pension Trust Funds	External Investment Trust Funds	Major Component Units	Non-Major Component Units
Beg. Net Position, as Previously Reported	\$ 30,649,395	\$ 757,470	\$ 1,227,545	\$ 13,156
Adjustments	-	-	-	13,182
Beg. Net Position, as Restated	\$ 30,649,395	\$ 757,470	\$ 1,227,545	\$ 26,338
Effect on Change in Net Position	\$ -	\$ -	\$ -	\$ 13,182
FYE June 30, 2019				

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

Fiduciary Funds:	<u>Agency Funds</u>
Beg. Total Assets and Total Liabilities, as previously reported	\$ 441,942
Adjustment - Correction of Errors	<u>-</u>
Beg. Total Assets and Total Liabilities, as Restated	<u>\$ 441,942</u>
	<u>Private Purpose Trust</u>
Beg. Net Position, as Previously Reported	3,073,467
Adjustments	<u>-</u>
Beg. Net Position, as Restated	<u>\$ 3,073,467</u>
Effect on Change in Net Position	
FYE June 30, 2019	<u>\$ -</u>

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 10 (CONTINUED)

NOTE 10. Leases

Operating Leases

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

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

	Governmental	Business-type	Fiduciary
2021	\$ 74,705	\$ 7,259	\$ 142
2022	61,643	6,160	124
2023	54,832	4,385	128
2024	46,033	3,317	132
2025	34,555	1,943	136
2026-2030	49,810	10,254	769
2031-2035	7,214	1,093	-
2036-2040	1,026	25	-
Thereafter	146,850	30	-
Total	\$ 476,668	\$ 34,466	\$ 1,431

Operating lease expenditures/expenses for fiscal year 2020 for governmental activities, business-type activities, and fiduciary activities, respectively (in thousands) were \$ 84,609, \$ 8,063, and \$ 163.

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 10 (CONTINUED)

As of June 30, 2020, the State did not have any capital lease obligations for governmental activities. The State does have one outstanding capital lease for business type activities. Commitments under capital leases are as follows (in thousands):

	<u>Business-type</u>
2021	\$ 328
2022	187
2023	52
2024	18
2025	-
	<u>587</u>
Less Amounts Representing Interest	<u>(41)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 545</u>

The carrying value of assets consisting of office and computer equipment for NMSU acquired under these arrangements is \$894.7 thousand.

Lessor Revenue

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

	<u>Governmental</u>	<u>Business-type</u>
2021	\$ 3,327	\$ 11,383
2022	3,272	9,303
2023	3,218	7,661
2024	3,182	6,864
2025	3,142	6,716
2026-2030	-	20,638
2031-2035	-	19,466
2036-2040	-	11,255
2041-2045	-	5,689
Thereafter	<u>23,165</u>	<u>9,821</u>
	<u>\$ 39,306</u>	<u>\$ 108,796</u>

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

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NOTE 11. Risk Management

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

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

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

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

Total insurance claims payable at June 30, 2020, were \$152.4 million. The amounts of the liabilities are determined by independent actuarial consultants to the ISF. The total liability is shown in the accompanying financial statements at the present value of the payments, computed at 2.0 percent annual rate, except for long-term disability liability, which is computed at 2.0 percent annual rate, between June 30, 2020 and the date the claims are ultimately expected to be paid.

Insurance claims payable presented are actuarial computed estimates of the costs of administering, defending, and settling claims for events that had occurred as of the year-end. Since these estimates are based on historical information and various statistical measures, actual amounts paid may vary significantly from the amount estimated by the fund actuaries and reported herein. The basis of estimating the liabilities for unpaid claims is found in the independent actuarial report.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 11 (CONTINUED)

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

	Balance June 30, 2019	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2020	Current Amount Due
State Unemployment	\$ 3,950	\$ 4,519	\$ (4,779)	\$ 3,690	\$ 3,690
Local Public Body	869	1,334	(1,391)	812	812
Public Property Reserve	2,978	4,364	(4,323)	3,019	2,539
Public Liability	68,298	24,330	(41,840)	50,788	23,012
Surety Bond	3	-	-	3	2
Workers Compensation	49,847	13,050	(12,147)	50,750	11,820
Group Insurance Premium	40,649	347,499	(344,818)	43,330	43,330
Total	\$ 166,594	\$ 395,096	\$ (409,298)	\$ 152,392	\$ 85,205

	Balance June 30, 2018	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2019	Current Amount Due
State Unemployment	\$ 4,279	\$ 3,028	\$ (3,357)	\$ 3,950	\$ 3,950
Local Public Body	941	1,525	(1,597)	869	869
Public Property Reserve	2,237	6,949	(6,208)	2,978	2,506
Public Liability	75,456	19,253	(26,411)	68,298	31,041
Surety Bond	3	-	-	3	2
Workers Compensation	46,783	16,440	(13,376)	49,847	11,609
Group Insurance Premium	42,805	325,170	(327,326)	40,649	40,648
Total	\$ 172,504	\$ 372,365	\$ (378,275)	\$ 166,594	\$ 90,625

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12

NOTE 12. Pension Plans

A. Plan Descriptions

The State maintains five public employees' retirement systems (Systems): Four separate systems are administered by the New Mexico Public Employees' Retirement Association (PERA) and one system is administered by the New Mexico Educational Employees' Retirement Board (ERB). The State elected to use June 30, 2019 as its measurement date for both its PERA and ERB pension plans.

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

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

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

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

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

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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, 2020, were (not in thousands):

	PERS*	JRS	MRS	VFRS	EERS
Number of Employers					
State Agencies	121	15	12	-	11
Cities, Towns, Villages	93	-	-	364	-
Counties	33	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	97
Other	78	-	-	-	-
Totals	325	15	12	364	216
Retirees and Beneficiaries					
Receiving Benefits	40,744	186	105	1,429	51,397
Terminated Plan Members					
not yet Receiving Benefits	19,652	26	21	360	50,914
Active Plan Members	48,159	124	65	8,182	61,091

* Note: PERA Retirement Fund includes the Legislative Fund

B. Funding and Benefit Policies

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Effective July 1, 2019, House Bill 501 increased employer contributions by .0025 percent for funds under the Public Employees Retirement Act.

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. A blended pension benefit is equal to the sum of the pension attributable to the service credit the member has accrued under each coverage plan with different pension factors, for service credit earned after July 1, 2013.

Cost of living adjustment (COLA)

- Eligible retired members will receive a 4% COLA.
- Graduated COLA eligibility period for those who retire:
 - Before June 30, 2014: no change to current 2 full-calendar years after retirements to receive a COLA;
 - Between July 1, 2014 and June 30, 2015: 2 full-calendar year eligibility period to receive a COLA;
 - Between July 1, 2015 and June 30, 2016: 4 full-calendar year eligibility period to receive a COLA; and
 - After July 1, 2016: 7 full-calendar year eligibility period to receive a COLA
- No change in 1-year COLA eligibility for disability retirees or retirees age 65 or older.

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

Contribution rates for members vary depending on the plan under PERS. Employee contribution rates range from 4.78 % to 18.15% of annual salary, and employer rates range from 7.0% to 26.12%. Generally, Tier I regular state members contribute 7.42% to 8.92%, while employers contribute 17.24%.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

CHANGES FOR RETIREES

Cost of living adjustment (COLA)

- Reduces the COLA from 3% to 2% except for:
- 2.5% COLA for members retired with 25 or more years of PERA service credit (not reciprocity) and disability retired members, whose annual pensions are less than \$20,000.

CHANGES FOR RE-EMPLOYED RETIREES

Cost of living adjustment (COLA)

- Suspends the COLA for grandfathered return-to-work retirees during reemployment with PERA-affiliated employers or retirees employed by entities covered by the Education Retirement Act.

State Legislative Fund – This plan is a defined benefit pension plan which is accounted for in PERS. Eligibility for membership in the State Legislative Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, Section 43 and 43.5, NMSA 1978). 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. Legislative service credit is earned each calendar year during which the member fulfills the obligations of the position of the legislator for more than six months of the calendar year, including the legislative session. Legislators are not required to make a member contribution until after the legislative session has ended and after PERA verifies services credit. PERA invoices legislative members to cover member contributions for each legislative session after the session ends, which is normally July or August. State funding for the State Legislative Fund is defined in Sections 10-11-43 and 10-11-43.5, NMSA 1978. The State is required to contribute sufficient amounts to finance the membership of members under state legislator coverage plan 2 on an actuarial reserve basis. The total actuarially determined amount for the State Legislative Fund for the fiscal year ended June 30, 2018 was \$0.00. Regarding the source of funding, Section 7-1-6.43 of the Tax Administration Act states “A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the legislative retirement fund in an amount equal to two hundred thousand dollars (\$200,000) a month or, if larger, one-twelfth of the amount necessary to pay out the retirement benefits due under state legislator member coverage plan 2 and Paragraph (2) of Subsection C of Section 10-11-42 NMSA 1978 for the calendar year.” During the State of New Mexico (53rd Legislature) in 2017, House Bill 2 was passed that reduced the State’s distribution to the legislative retirement fund from \$75,000 a month to \$0.00 a month.

Age and service requirements for retirement are age 65 or older with 5 or more years of service credit or any age with 10 or more years of service credit. Legislative members who meet retirement eligibility requirements receive annual pensions equal in any calendar year to 11% of the per diem rate in effect on the first day of the calendar year that the member retires multiplied by 60 and further multiplied by credited service. The per diem rate starting January 1, 2018 is \$165.

Effective 2019 the annual contribution amount under Legislative Retirement Plan 2 the amount increases to \$1,000 per Senate Bill 307.

Cost of living adjustment (COLA) is made to eligible retirees and beneficiaries. Retirees of the Legislative fund receive a COLA yearly after retirement of two full-calendar years (January 1st through December 31st) subject to

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

certain conditions. The 2% COLA will be effective July 1 of the following year after the two full calendar years and will be compounded for each fiscal year thereafter. The COLA for disabled retired members making less than \$20,000 and members that make less than \$20,000 and have 25 years of service credit will be 2.5%.

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. All assets accumulated for the payment of benefits may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the Judicial Retirement plan.

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. Suspends the COLA for judges and magistrates if the Funds' funded ratios fall below 100%. COLA suspensions shall only be implemented for two consecutive fiscal years.

Early retirement provisions apply to members retiring between ages 50 and 60. The plan also provides for survivors' allowances and disability benefits. Members contribute at a rate of 10.5 percent of their salaries and the member's court contributes at a rate of 15.0 percent of the member's salary. Additionally, the district court contributes \$38 for each civil case docket fee paid in the district court, \$25 from each civil docket fee paid in metropolitan court and \$10 (not in thousands) for each jury fee paid in metropolitan court. Contribution rates are established by State statute. Various other changes took place under House Bill 33 which amended the Judicial Retirement Act.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

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. All assets accumulated for the payment of benefits may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the Magistrate Retirement plan. 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.

The retirement age and service credit requirements for normal retirement for magistrate members who first take the bench on or after July 1, 2014 increased with the passage of House Bill 216 Substitute in the 2014 Legislative Session. Under the new requirements, magistrates are eligible to retire at age 65 with eight or more years of services, at age 60 with 15 or more years of service credit or at any age with 24 years of service credit.

Effective July 1, 2014, membership is mandatory, all magistrate pension factors were reduced, employee contributions increased 3 percent, and the computation of final average salary increased as the average of salary for the 60 consecutive months prior to retirement. Employer contributions increased by 4% effective July 1, 2015. In addition, cost-of-living increases were suspended for two consecutive fiscal years, and future cost-of-living adjustments are reduced to 2% every third year until the Fund is projected to be 100% funded.

Member contributions are based on 10.5 percent of salaries and the State, through the administrative office of the courts, contributes at a rate of 11.0 percent of the member's salary. Beginning July 1, 2015, the employer contributions increased to 15 percent of the member's salary. Additionally, the magistrate or metropolitan courts contribute \$25 for each civil case docket fee paid and \$10 for each civil jury fee paid in magistrate court. Contribution rates are established by State statute. Certain other changes took place under House Bill 216 and amended the Magistrate Retirement Act.

Volunteer Firefighters Retirement Fund – This plan is a single employer defined benefit pension plan with a special funding situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in Chapter 10-11A-2, NMSA 1978. Any volunteer non-salaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements set forth in the statute is eligible for membership in the Volunteer Firefighters Retirement Fund. Benefits are available at age 55 or older to any member having served as a volunteer firefighter 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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

and have the responsibility for operating the Educational Employees' Retirement Plan. ERB is an agency of the State. The plan administered by ERB is considered part of the State financial reporting entity and is a pension trust fund of the state.

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

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. For plan members whose annual salary is over \$20,000, they are required to contribute 10.7% of their gross salary to the plan in fiscal year 2018 and thereafter. Employers are required to contribute 14.15% of gross covered salaries in fiscal year 2020 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 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

Disability Benefit:

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

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

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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 then applied.

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.

C. Net Pension Liability

The total pension liability, net pension liability, and certain sensitivity information presented on the next page are based on an actuarial valuation performed as of June 30, 2019. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2020. The net pension liability of each plan as of June 30, 2020, is as follows (in thousands):

Public Employees Retirement Association and Education Retirement Board					
Net Pension Liability, By Fund					
<i>(Expressed in Thousands)</i>					
	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	\$ 22,140,637	\$ 223,408	\$ 58,618	\$ 51,906	\$ 33,285,087
Plan's Fiduciary Net Position	14,691,984	84,871	29,071	68,836	13,019,198
Net Pension Liability	<u>\$ 7,448,653</u>	<u>\$ 138,538</u>	<u>\$ 29,546</u>	<u>\$ (16,930)</u>	<u>\$ 20,265,890</u>
Percentage of Fiduciary Net Position to Total Pension Liability	<u>66.36%</u>	<u>37.99%</u>	<u>49.59%</u>	<u>132.62%</u>	<u>39.11%</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

These assumptions were adopted by the Board for use in the June 30, 2019 actuarial valuation.

	<u>PERS</u>	<u>JRS</u>	<u>MRS</u>	<u>VFRS</u>	<u>EERS</u>
Valuation date	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Pay	Level Percent of Pay, Open	Level Percent of Payroll, Open	Level Dollar, Open	Closed 30 year period, Amortization. Level percent of Payroll.
Amortization period	Solved for Based on Statutory Rates	30 years	30 years	30 years	Closed 30 years
Asset valuation method					5 Year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.25%	SEIR 4.34%	SEIR 7.25%	7.25%	7%
Projected Benefit Payment	100 years	89 years	86 years	100 years	
Payroll Growth	3.00%	3.00%	3.00%	N/A	-
Projected Salary Increases	3.25%-13.50%	4.00%	3.25%	N/A	2.30% Inflation, plus .05% Prod, Inc.
Includes Inflation At	2.50%	2.50%	2.50%	2.50%	2.30%
Mortality Assumption	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	2020 GRS Southwest Region Teacher Mortality Table
Discount Rate	7.25%	4.34%	7.25%	7.25%	3.89%
Municipal Bond Rate	3.50%	3.50%	3.50%		3.50%

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

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ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

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

Net Pension Liability	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PERS	\$ 10,161,983	\$ 7,448,652	\$ 5,201,418
Single-Employer Funds:			
	(3.34%)	(4.34%)	(5.34%)
Judicial	\$ 165,487	\$ 138,538	\$ 116,101
	(6.25%)	(7.25%)	(8.25%)
Volunteer Firefighters	\$ (10,975)	\$ (16,931)	\$ (21,892)
	(6.25%)	(7.25%)	(8.25%)
Magistrate	\$ 35,376	\$ 29,547	\$ 24,595
	(2.89%)	(3.89%)	(4.89%)
ERB	\$ 25,593,615	\$ 20,265,889	\$ 15,979,388

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

Public Employees Retirement Association All Systems		
Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	35.50 %	5.90 %
Risk Reduction & Mitigation	19.50	1.00
Credit Oriented Fixed Income	15.00	4.20
Real Assets to include Real Estate Equity	20.00	6.00
Multi-Risk Allocation	10.00	6.40
Total	100.00 %	

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ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

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

	Allocation	Policy Target ¹
Schedule of Asset Allocation Versus Policy Targets		
Equities		
<i>Domestic Equities</i>		
Large cap	14%	14%
Small-mid cap	3%	3%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	8%	9%
Total equities	<u>30%</u>	<u>31%</u>
Fixed Income		
Core Fixed Income	6%	6%
Opportunistic credit	18%	16%
Emerging market debt	2%	2%
Total fixed income	<u>26%</u>	<u>24%</u>
Alternatives		
Real estate	4%	6%
REITs	2%	2%
Private equity	16%	15%
Global asset allocation	3%	2%
Risk parity	6%	3%
Inflation-linked assets	9%	9%
Other	4%	7%
Total alternatives	<u>43%</u>	<u>44%</u>
Cash	<u>1%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

1. Long-Term Policy Target approved by the Board on August 2019.

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

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

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

For the year ended June 30, 2020, the annual money-weighted rate of return on the PERA pension plan investments net of investment expense was a negative 2.70%. For the ERB pension plan, it was a negative .97%.

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

State – Funded Divisions of PERA

For the fiscal year ended June 30, 2020, the State Funded Divisions of PERA were composed of State General, State Police and Legislative. The measurement date used by the State was June 30, 2019.

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 \$200 million for the fiscal year ended June 30, 2020.

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

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

<u>Division</u>	<u>Net Pension Liability</u>
State General	\$ (3,635,039)
State Police	299,411
Legislative	10,955
Total	\$ (3,324,673)

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

Governmental Activities (including Internal Service Funds)	\$ 3,248,141
Business-type Activities (including Nonmajor enterprise funds and two educational institutions)	76,532
Total	\$ 3,324,673

At June 30, 2020, the State's total proportion of the PERA State Funded Divisions net pension liability was 51.29% percent and at June 30, 2019. Total contributions for State Funded Divisions were \$175.7 million, \$23.6 million, and \$.90 million for the three divisions respectively. Pension expense was \$535.8 million, \$2.2 million and \$.83 million respectively.

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Single-Employer Funds

The State contributes 100 percent of the contributions to three single-employer funds in the PERA System. They are the Judicial, Magistrate, and Volunteer Firefighters Retirement Funds. The measurement date used by State was June 30, 2019 (in thousands).

	Judicial	Magistrate	Volunteer Firefighters
Net Pension Liability (Asset)	<u>\$ 113,675</u>	<u>\$ 45,634</u>	<u>\$ (19,276)</u>

Contributions – Contributions from the State to the PERA Judicial, Magistrate Retirement and Volunteer Firefighter funds were \$4.7 million, \$1.3 million, and \$.750 million, respectively, for the year ended June 30, 2020.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The State reported liabilities of \$113.6million and \$45 million for the net pension liabilities of the Judicial and Magistrate Retirement Funds, respectively, which were 100 percent of the proportionate share. For the year ended June 30, 2020, the State recognized \$10.2 million as pension expense for the Judicial Retirement Funds. Also, for the year ended June 30, 2020, the State recognized \$6.3 million as pension expense for the Magistrate Retirement Fund, respectively.

The Volunteer Firefighters Retirement Fund reported a plan net position of \$71.8 million and a total pension liability of \$52.6 million for a positive net position asset of \$19.2 million. Therefore, in accordance with accounting guidance, the positive net position is reported as a net pension asset in the financial statements. Pension expense was \$.78 million.

At June 30, 2020, these plans reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Governmental</u>		<u>Business-type</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
PERA - State-Funded and Single-Employer Funds (Judicial and Magistrates Funds)				
Differences between expected and actual experiences	\$ 41,425	\$ (163,230)	\$ 749	\$ (3,374)
Changes of assumptions	158,167	(10,185)	3,146	(162)
Net difference between projected and actual earnings on pension plan investments	86,953	-	1,839	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-	-	-
State contributions subsequent to measurement date	201,986	-	4,221	-
Totals	<u>\$ 488,531</u>	<u>\$ (173,415)</u>	<u>\$ 9,955</u>	<u>\$ (3,536)</u>

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ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

The amounts of \$201,986 for governmental activities and \$4,221 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, 2019, will be recognized as a reduction of the respective net pension liability in the following fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Governmental		Business-type	
Year ended June 30:		Year ended June 30:	
2020	\$ 74,690	2020	\$ 1,451
2021	\$ 33,367	2021	\$ 648
2022	\$ (8,540)	2022	\$ (166)
2023	\$ 13,612	2023	\$ 265
2024	\$ -	2024	\$ -
Thereafter	\$ -	Thereafter	\$ -

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

Volunteer Firefighter's Fund	Governmental	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ (5,584)
Changes of assumptions	1,741	(123)
Net difference between projected and actual earnings on pension plan investments	825	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to measurement date	750	-
Totals	\$ 3,316	\$ (5,707)

The amount of \$750, reported as deferred outflows of resources related to pensions resulting from the State's contributions subsequent to the measurement date June 30, 2019, will be recognized as a reduction of the respective net pension liability in the following fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Governmental	
Year ended June 30	
2020	\$ (87)
2021	\$ (1,018)
2022	\$ (656)
2023	\$ (709)
2024	\$ (299)
Thereafter	\$ (371)

E. Employer Reporting – Educational Retirement Board (ERB)

Contributions – As stated earlier in this note, the contribution requirements of ERB plan members and the State are established in state statute. Contributions for the fiscal year ended June 30, 2020, from the State to the ERB were \$1.2 million for governmental activities and \$ 121.1 million from the twelve 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, 2019. Therefore, the employer’s portion was established as of the measurement date June 30, 2019. On June 30, 2020, the State reported a liability of \$ 22.0 million for its proportionate share of the net pension liability covering state employees in governmental activities, and \$ 2.1 billion for the collective proportionate share of the twelve educational institutions reported as business-type activities. At June 30, 2019, the proportion was .29 percent for governmental activities and 27.87 percent for business-type activities. The State’s proportion of the net pension liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2019. The contribution amounts were defined by Section 22-11-21, NMSA 1978.

For the year ended June 30, 2020, the State recognized pension expenses of \$8.6 million in governmental activities and \$652.3 million in business-type activities. At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
ERB Fund				
Differences between expected and actual experiences	\$ -	\$ (577)	\$ -	\$ (55,346)
Changes of assumptions	3,101	-	297,551	-
Net difference between projected and actual earnings on pension plan investments	-	(469)	-	(44,973)
Changes in proportion and differences between State contributions and proportionate share of contributions	710	(303)	10,813	(71,036)
State contributions subsequent to measurement date	1,217	-	121,126	-
Totals	<u>\$ 5,027</u>	<u>\$ (1,348)</u>	<u>\$ 429,490</u>	<u>\$ (171,356)</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

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

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

Governmental		Business-type	
Year ended June 30		Year ended June 30	
2020	\$ 2,507	2020	\$ 209,844
2021	\$ 64	2021	\$ (43,495)
2022	\$ (47)	2022	\$ (23,478)
2023	\$ (61)	2023	\$ (5,863)
2024	\$ -	2024	\$ -
Thereafter	\$ -	Thereafter	\$ -

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

	Net Pension Asset	Net Pension Liability		Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Governmental Activities</u>			<u>Governmental Activities</u>		
PERA - State Divisions	\$ -	\$ 3,248,141	PERA - State Divisions, Judicial & Magistrate	\$ 488,531	\$ (173,415)
PERA - Judicial	-	113,675	PERA - Volunteer Firefighters	3,316	(5,707)
PERA - Magistrate	-	45,634	ERB	5,027	(1,348)
PERA - Volunteer Firefighters	19,276	-	Total Governmental Activities	496,874	(180,470)
ERB	-	22,005	<u>Business-type Activities</u>		
Total Governmental Activities	19,276	3,429,455	PERA - State Divisions	9,955	(3,536)
<u>Business-type Activities</u>			ERB	429,491	(171,356)
PERA - State Divisions	-	76,532	Rounding	-	-
ERB	-	2,111,752	Total Business-type Activities	439,446	(174,892)
Total Business-type Activities	-	2,188,285	Component Units	59,315	(15,320)
Component Units	-	172,412			

F. Discount Rates and Sensitivity Analysis

Discount Rate –

PERA - The discount rate used to measure the total pension liability was 7.25 percent for the State-Funded Divisions. The discount rate for the Volunteer Firefighters fund was 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefits payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.25 percent assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability of the Magistrate fund was 4.56 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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

with GASB Statement No. 67. Therefore, a 4.56% discount rate was applied to all periods of projected benefit payments to determine the total pension liability. This rate is a blend of the expected rate of return on assets of 7.25% and the 20 year tax-exempt municipal bond rate 4.56% as of the measurement date for both the Judicial and Magistrate funds. The discount rate for the Judicial fund was 5.12%

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

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>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
State-Funded Divisions	\$ 4,584,779	\$ 3,324,673	\$ 2,279,073
Single-Employer Funds:			
Judicial	\$ 137,185	\$ 113,675	\$ 93,914
Volunteer Firefighters	\$ (13,083)	\$ (19,276)	\$ (24,415)
Magistrate	\$ 55,091	\$ 45,634	\$ 37,796

ERB - A single discount rate of 7.25% was used to measure the total ERB pension liability as of June 30, 2020. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

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

	Educational Retirement Board Employer Reporting Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Expressed in Thousands)		
<u>Net Pension Liability</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
State Employees (Governmental Activities)	\$ <u>29,705</u>	\$ <u>22,005</u>	\$ <u>15,636</u>
Educational Institution Employees (Business-type Activities)	\$ <u>2,850,703</u>	\$ <u>2,111,752</u>	\$ <u>1,500,569</u>
Total Primary Government- ERB	\$ <u><u>2,880,409</u></u>	\$ <u><u>2,133,757</u></u>	\$ <u><u>1,516,205</u></u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13

NOTE 13. Post-Employment Benefits Other Than Pensions

A. Plan Description

In addition to pension benefits as described in Note 12, the State provides other post-employment benefits (OPEB). The following is in accordance with the provisions of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The New Mexico Retiree Health Care Authority (RHCA) was formed February 13, 1990 under the New Mexico Retiree Health Care Act (Act), Chapters 10-7C-1 to 10-7C-19, NMSA 1978, to administer the retiree health care fund which was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents, and surviving spouses) who have retired or will retire from public service in New Mexico. The Retiree Health Care Act established a cost-sharing multi-employer defined benefit postemployment health care plan (Plan) that provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Act created a governing board composed of 11 members (a twelfth member was added through an amendment). RHCA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to RHCA, 6300 Jefferson Street NE, Suite 150, Albuquerque, NM 87109.

The legislation establishing RHCA specifically did not intend to create formal trust relationships among the participating employees, retirees, employers and RHCA administering the Act. However, the substantive plan created by the Act contains all requisite elements to be considered as the equivalent of a trust arrangement. These elements include irrevocable contributions to the Plan, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan, and plan assets are legally protected from creditors of employers or the Plan administrator. Additionally, there is no provision for a participating government entity to withdraw membership, and all risks and costs including benefit costs are shared and are not attributed individually to employers, and a single contribution rate applies to employers. RHCA received a legal opinion that the manner of legal organization of RHCA is substantially equivalent to a trust. As such, RHCA was required to apply GASB Statement No. 74 (GASB 74) *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans* which was implemented by the State effective for fiscal year ending June 30, 2018. The Net Position of the RHCA is reported as restricted per GASB Statement No. 46 and Chapter 10-7-C-14, NMSA 1978.

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Plan Membership (Not in Thousands):	
Current Retirees and Surviving Spouses	52,179
Inactive and Eligible for Deferred Benefit	10,916
Current Active Members	91,082
Total	154,177
Active Membership:	
State General	17,097
State Police and Corrections	1,830
Municipal General	17,538
Municipal Police	3,159
Municipal Fire	1,966
ERB	49,492
Total	91,082
Total Number of Participating Employers	301

B. Single Employer Post-Employment Plans

Plan Description for UNM

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

At the valuation date of January 1, 2019, the VEBA Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments 4,048, active plan members 7,133 and total plan members 11,181

Total active plan members include 2,535 members hired on or after July 1, 2015 who are not eligible to receive postretirement health benefits but may be eligible to receive postretirement life insurance benefits.

Plan Description for New Mexico State University

Plan Description. New Mexico State University is a single employer that offers employees and their eligible dependents retiree benefits. This is an unfunded OPEB plan operating on a pay as you go basis. The authority to establish and amend the benefit provisions rests with the Board of Regents. Retirees, who have had 10 consecutive years of health insurance coverage with the University at the time of retirement, are offered the opportunity to participate in a fully-insured PPO medical plan, including prescription drugs. Medicare retirees (for retirees 65 years of age and over) are offered the opportunity to participate in a Medicare carve-out medical plan, including prescription drugs. Eligible retired employees may select a Life Insurance benefit up to \$10,000. All premiums for life insurance are paid by the retiree. The University currently pays 60% of the monthly medical and prescription premium for retirees and their eligible dependents until the retiree reaches age 70, at which time the University reduces their contribution to 30%. As of June 30, 2020, 1,376 retirees met the eligibility requirements for health insurance. Employees hired after June 30, 2016 are not offered this benefit.

Plan Participation Percentage. The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 85% of all pre Medicare employees and their dependents who are eligible for early retirement will participate in the retiree medical plan. It is also assumed that 80% of those enrolled in the pre Medicare plans will continue on the plan once Medicare eligible. Lastly, it is assumed that 88% of all pre Medicare employees who are eligible for the retiree life insurance benefit will participate, and 91% of those enrolled will continue on the plan once Medicare eligible. This assumes that a one-time irrevocable election to participate is made at retirement. Employees covered by benefit terms - At June 30, 2020, the following employees were covered by the benefit terms: Current retirees receiving benefits – 1,802 and current active members – 2,052.

Plan Description for NM Institute of Mining and Technology

Plan Description: The Board of Regents authorized the creation of the New Mexico Tech Employee Benefit Trust (Trust or Plan), a contributory benefit plan, to operate, control and maintain a program to provide certain health and life insurance benefits to the employees of the Institute and their families. Retired employees may participate in the Plan. The Plan is considered a postemployment benefit plan as defined by GASB 74, *Financial Reporting for Postemployment Benefit Other than Pension Plans* which was implemented for June 30, 2020. The Trust is recorded as a fiduciary fund in the accompanying financial statements and as a blended component unit. The Board of Regents serves as trustee and has delegated the day-to-day operations of the Trust to the executive staff of the Institute. The Trustees and Institutes management have designated a third-party administrator to process the claims submitted by covered participants.

Effective January 1, 2019, the Institute is no longer using the Trust, a contributory benefit plan, to operate, control and maintain a program to provide the health insurance benefits to the employees of the Institute and their families. The Board of Regents made a resolution approving an agreement for participating with New

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Mexico Public School Insurance Authority (NMPSIA), for employee health benefits for its employees, retirees and their families. The Trust will continue to operate, control and maintain the life insurance and flexible benefits to the employees of the Institute and their families. The Trust issues standalone audited financial statements that can be obtained by request or via the Office of the State Auditor's website at www.saonm.org.

C. Funding and Benefit Policies

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

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

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, 2020, for regular state employees, the statute required each participating employer to contribute 2.0 percent of each participating employee's annual salary; each participating employee was required to contribute 1.0 percent of their salary.

For employees who were members of an enhanced retirement plan (state police, adult correctional officers, firefighters and judges) during the fiscal year ended June 30, 2020, 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 health care trend's 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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

D. Funding and Benefit Policies for Single Employer Plans

UNM

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

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

NMSU

Funding Policy: The University does not use a trust fund to administer the financing and payment of benefits. The retired employees that elect to participate in post-employment benefits are required to make contributions in the form of monthly premiums based on current rates established under the medical and life plans. The University funds the plan on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits, and includes all expected claims and related expenses and is offset by retiree contributions. The pay-as-you-go expenses for fiscal year 2020 were \$5.8 million, net of retiree contributions.

NMIMT

Benefits Provided – Retirees are offered \$10,000 of retiree basic life insurance. In addition, the Trust is used to pay premiums for life insurance coverage on eligible participants and to administer the Flexible Benefits Plan (the Flex Plan). The Flex Plan, which is fully funded by employees, provides reimbursement of certain employee health and dependent care expenses. The Trust also holds Employee Assistance Plan (EAP) and Commuter Benefits Holding funds.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Contributions – The Trust is funded by contributions from both the Institute and employees of the Institute. Flex Plan contributions consist of employee-only contributions and are based on amounts elected by the employees up to specified limits, and are withheld from employee pay. All other contributions, including employee and employer contributions, are based on amounts determined by the Trust Committee as necessary to cover the expenses of the Trust. Contributions are funded on a monthly basis.

E. Funded Status

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of June 30, 2020.

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

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

<u>Investments Measured at NAV Practical Expedient</u>	<u>Fair Value June 30, 2020</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
U.S. Large Cap Index Pool	\$ 112,487	Daily	5 business days
Non U.S. Emerging Markets Index Pool	73,372	Daily	5 business days
Non U.S. Developed Markets Index Pool	99,502	Daily	5 business days
Private Equity Pool	90,356	Twice per year	9 months
Credit and Structured Finance Pool	112,681	4 times per year	3 months
Real Estate Pool	78,117	Twice per year	6 months
Small/Mid Cap Active Pool	13,455	Daily	5 business days
Real Asset Pool	33,459	Twice per year	6 months
Core Bond Pool	174,843	Daily	5 business days
	<u>\$ 788,273</u>		

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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

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

The actuarial methods and assumptions for the Plan at June 30, 2020, were as follows:

Valuation Date	June 30, 2019
Actuarial cost method	Entry age normal, level of percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Inflation	2.50% for ERB; 2.50% for PERA
Projected payroll increases:	3.25% to 13.50% based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate:	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

Schedule of Annual Money-Weighted Rate of Return

<u>Year Ended June 30,</u>	<u>Annual Money- Weighted Rate Of Return</u>
2020	1.43%

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The following schedule summarizes the current investment allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocations</u>
U.S. core fixed income	20%
U.S. equity - large cap	20%
Non U.S. - emerging markets	15%
Non U.S. - developed equities	12%
Credit and structured finance	10%
Private equity	10%
Real estate	5%
Absolute return	5%
U.S. equity - small/mid cap	3%
	<u>100%</u>

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

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

F. Net OPEB Liability

Net OPEB liability - The net OPEB liability and the plan's actuarial valuation were calculated by the Authority's independent actuary as of June 30, 2019. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB 74 requirements at the request of the Authority.

The discount rate used to measure the total OPEB liability is 2.86% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates.

For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2041. Thus, the 7.25% assumed investment return on Plan assets, which includes the assumed inflation rate of 2.50%, was used to calculate the net OPEB liability through 2040. Beyond 2041, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 2.86% is the blended discount rate.

The following presents the net OPEB liability, calculated using the discount rate of 2.86%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate (in thousands):

1% Decrease (1.86%)	Current Discount Rate (2.86%)	1% Increase (3.86%)
\$ 5,219,259	\$ 4,198,908	\$ 3,410,281

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

1% Decrease	Current Trend	1% Increase
\$ 3,446,518	\$ 4,198,908	\$ 4,769,615

The total OPEB liability, net OPEB liability, and certain sensitivity information presented are based on an actuarial valuation performed as of June 30, 2019. The total OPEB liability was rolled forward from the valuation date to the plan year ending June 30, 2020. The component of net OPEB liability as of June 30, 2020, is as follows:

	June 30, 2020
Total OPEB Liability	\$ 5,028,580
Plan's Fiduciary Net Position	829,672
Net OPEB Liability	\$ 4,198,908
 Plan fiduciary net position as a percentage of the total OPEB liability	 16.5%

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

G. Employer Reporting Net OPEB Liability – RHCA

Contributions – As stated earlier in this note, the contribution requirements of RHCA plan members and the State are established in state statute. Statutorily required contributions for the fiscal year ended June 30, 2020, from the State to the RHCA were \$ 22.6 million for governmental activities and \$ 2.8 million for business-type activities.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - The total RHCA OPEB liability, net OPEB liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2019. Therefore, the employer's portion was established as of the measurement date June 30, 2019. At June 30, 2020, the State reported a liability of \$774.2 million for its proportionate share of the net OPEB liability covering state employees in governmental activities, and \$99.8 million for its proportionate share of the net OPEB liability covering state employees business-type activities. At June 30, 2019, the proportion was 23.88 percent for governmental activities and 3.08 percent for business-type activities. The State's proportion of the net OPEB liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2019.

For the year ended June 30, 2020, the State recognized a reduction to OPEB expense of \$82.1 million in governmental activities and a reduction to OPEB expense of \$9.5 million in business-type activities.

At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
RHCA				
Differences between expected and actual experiences	\$ -	\$ (194,850)	\$ -	\$ (25,134)
Changes of assumptions	-	(249,903)	-	(32,235)
Net difference between projected and actual earnings on pension plan investments	-	(7,199)	-	(929)
Changes in proportion and differences between State contributions and proportionate share of contributions	4,661	-	1,438	(8,217)
State contributions subsequent to measurement date	22,650	-	2,886	-
Totals	<u>\$ 27,311</u>	<u>\$ (451,953)</u>	<u>\$ 4,324</u>	<u>\$ (66,514)</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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

Governmental		Business-type	
Year ended June 30:		Year ended June 30:	
2020	\$ (121,368)	2020	\$ (17,298)
2021	\$ (121,368)	2021	\$ (17,298)
2022	\$ (105,843)	2022	\$ (15,295)
2023	\$ (64,368)	2023	\$ (9,872)
2024	\$ (34,344)	2024	\$ (5,313)
Thereafter	\$ -	Thereafter	\$ -

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net State's Proportionate Share of the OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

Net OPEB Liability	1% Decrease (3.16%)	Current Discount Rate (4.16%)	1% Increase (5.16%)
Governmental Activities	\$ 947,142	\$ 774,289	\$ 638,410
Business-type Activities	\$ 122,171	\$ 99,875	\$ 82,348
Total Primary Government- RHCA	\$ 1,069,313	\$ 874,164	\$ 720,758

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

Net OPEB Liability	1% Decrease	Current Rate	1% Increase
Governmental Activities	\$ 644,646	\$ 774,289	\$ 878,087
Business-type Activities	\$ 83,152	\$ 99,875	\$ 113,263
Total Primary Government- RHCA	\$ 727,798	\$ 874,164	\$ 991,350

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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

UNM

The University's net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019, but adjusted for a change in the discount rate. The components of the net OPEB liability of the University at June 30, 2020 was as follows:

	2020
	<i>In thousands</i>
Total OPEB Liability	\$ 134,052
Plan fiduciary net position	\$ 37,341
University's net OPEB liability	\$ 96,711
Plan fiduciary net pension as a percentage of the total OPEB liability	27.86%

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.0%
Investment rate of return	8.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Pre-Medicare: 5.5% initially, reduced by decrements to a rate of 5.0% after nine years Post-Medicare: 5.4% initially, reduced by decrements to a rate of 5.0% after nine years Dental: 4.0%

Mortality rates were based on the PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2018.

Discount rate: The discount rate used to measure the total OPEB liability was 6.69%, which is a blended rate of the University's 8.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.5% on the last Friday prior to the measurement date of June 30, 2019. A blended discount rate was calculated based on separating the projected future payments between those paid from the VEBA Trust and those paid from general assets. The VEBA Trust assets were projected using the expected employer and employee payroll contributions and the expected long-term rate of return. Payments from the VEBA Trust were assumed to begin when the projected asset amount is fully-funded and all future projected benefit payments will be paid from the VEBA Trust.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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

The following presents the University's net OPEB liability at June 30, 2020, which was measured using the discount rate of 6.69%, as well as what the net OPEB liability would have been if it were calculated using a discount rate that was one percentage point lower (5.69%) or one percentage point higher (7.69%) than the current discount rate.

	Year Ended June 30, 2020 (in thousands)		
	1% Decrease (5.69%)	Current Discount Rate (6.69%)	1% Increase (7.69%)
Net OPEB liability	115,109	96,711	81,416

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

The following presents the University's net OPEB liability at June 30, 2020, which was measured using the current healthcare cost trend rates (Pre-Medicare: 5.5% decreasing to 5%, Post-Medicare: 5.4% decreasing to 5%, Dental: 4%), as well as what the net OPEB liability would have been if it were calculated using healthcare cost trend rates that were one percentage point lower (Pre-Medicare: 4.5% decreasing to 4%, Post-Medicare: 4.4% decreasing to 4%, Dental: 3%) or one percentage point higher (Pre-Medicare: 6.5% decreasing to 6%, Post-Medicare: 6.4% decreasing to 6%, Dental: 5%) than the current healthcare cost trend rates.

Changes in Net OPEB Liability

	Year Ended June 30, 2020 (in thousands)		
	1% Decrease (Pre-Medicare: 4.5% decreasing to 4%, Post-decreasing to 5%, Post- Medicare: 4.4% decreasing to 4%, Dental: 3%)	Current Discount (Pre-Medicare: 5.5% Medicare: 5.4% decreasing to 5%, Dental: 4%)	1% Increase (Pre-Medicare: 6.5% decreasing to 6%, Post-increasing to 6%, Post- Medicare: 6.4% decreasing to 6%, Dental: 5%)
Net OPEB liability	80,995	96,711	115,733

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the University recognized OPEB expense of \$1.5 million. At June 30, 2020 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year Ended June 30, 2020 (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 31,637
Changes of assumptions	\$ 6,340	\$ 8,566
Net difference between projected and actual earnings on OPEB plan investments	415	0
Net difference between projected and actual earnings on OPEB plan investments	7,459	-
Total	\$ 14,214	\$ 40,203

The \$7.4 million reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date of July 1, 2019 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ending June 30:	
2021	(7,461)
2022	(7,461)
2023	(7,451)
2024	(7,197)
2025	(3,878)
Thereafter	0
Total	\$ (33,448)

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

NMSU

The University's annual other postemployment benefit (OPEB) Service/Interest cost (expense) is the portion of the Actuarial Present Value of plan benefits and expenses for active employees which is allocated to a valuation year by the Actuarial Cost Method. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation related for fiscal year 2020:

	<i>Increases (Decreases) in thousands</i>		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Total OPEB Liability - Start of Year (July 1, 2019)	\$ 145,672		\$ 145,672
Changes for the year			
Service cost	5,787	-	5,787
Interest cost	5,208	-	5,208
Differences between expected and actual experience	(13,724)		
Changes in assumptions or other inputs	28,160	-	28,160
Benefit payments	(5,274)	-	(5,274)
Net change in total OPEB liability	20,157	-	20,157
Net OPEB Liability - End of Year (June 30,2020)	\$ 165,829	\$ -	\$ 165,829

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Entry Age Normal Actuarial Cost Method was used based on level percentage of projected salary. The OPEB liability is based on an actuarial valuation performed as of June 30, 2020, conducted in accordance with generally accepted actuarial principles.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

The actuarial methods and assumptions used to determine the total OPEB liability included in the measurement are as follows:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Discount Rate	3.50% per annum (BOY) 2.21% per annum (EOY) Source: Bond Buyer 20-Bond GO Index
Salary Increase Rate	2.5% per annum
Inflation Rate	3.0% per annum
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age 65
Health Care Cost Trend Rate	The actuarial valuation assumes an annual health care cost trend on a select and ultimate basis. Medical and prescription benefits on a select basis at 6.0% for retirees 65 years of age and under and 5.0% for retirees over 65 years of age and on an ultimate basis at 4.5%. The select trend rates are reduced .5% each year until reaching the ultimate trend.
Per Capita Health Claim Cost	Expected pre Medicare retiree claim costs were developed using 24 months of historical claim experience through March 2020. The annual age 60 claim costs for retirees and their spouses is \$7,418. The age 70 costs for retirees is \$3,334.
Mortality Rate	PUB-2010 mortality table with generational scale MP-2019.

Discount Rate. A single discount rate of 2.21% was used to measure the total OPEB liability as of June 30, 2020.

Other Information. The discount rate was updated from the prior valuation. The mortality assumption was updated from RP-2014 mortality table with generational scale MP-2018 to PUB-2010 mortality table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study. Experience/Assumptions gains and losses are amortized over a closed period of 3.8 years starting on July 1, 2019, equal to the average remaining service of active and inactive plan members (who have no future service). The Plan participation rates were updated to reflect the participation trend. Currently, the plans are considered to be unfunded as there are no assets and retiree benefits are expected to be paid annually on a cash basis.

Health Care Trend Sensitivity Analysis. The following schedules measure the Net OPEB Liability if the health care cost trend rate used was 1% higher than the assumed health care cost trend rate and 1% lower than the assumed health care cost trend rate for June 30, 2020.

	<u>Year Ended June 30, 2020 (in thousands)</u>		
	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
New Mexico State University's net OPEB liability	\$ 142,312	\$ 165,830	\$ 196,150

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ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Discount Rate Sensitivity Analysis. The following tables show the sensitivity of the OPEB liability to changes in the discount rate as of fiscal year end 2020. In particular, the table presents the University's OPEB liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower, (1.21%) or one percentage point higher, (3.21%) than the single discount rate for June 30, 2020.

	Year Ended June 30, 2020 (in thousands)		
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
New Mexico State University's net OPEB liability	\$ 195,315	\$ 165,830	\$ 142,680

For the year ended June 30, 2020, the University recognized an OPEB expense of \$15.1 million. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>(in thousands)</i>	
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 10,094
Changes of assumptions	\$ 25,118	\$ 2,283
Total	\$ 25,118	\$ 12,377

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

Year Ending June 30,	<i>(in thousands)</i>
2021	4,158
2022	4,158
2023	4,114
2024	310
	<u>12,740</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

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The Institute's net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020.

The components of the Institute's net OPEB liability at June 30, were as follows:

<u>Components of the Institute's net OPEB liability</u>	<i>(Amounts in thousands)</i> <u>June 30, 2020</u>
Total OPEB Liability	32,131
Plan Fiduciary Net Position	<u>4,243</u>
The Institute's net OPEB liability	<u>27,888</u>
Plan fiduciary net position as a percentage of total OPEB liability	13%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement, unless otherwise specified:

Salary increases	3.0%
Investment rate of return	6.0%
Healthcare cost trend rates	Medical Pre-Medicare: 5.75% initially, reduced by decrements to a rate of 5.0% after seven years Medical Post-Medicare: 5% consistent for next seven years Pharmacy: 7% initially, reduced by decrement to a rate of 5% after eight years Dental and Vision: 3.0%

Mortality rates were based on the PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Discount Rate. The discount rate used to measure the total OPEB liability was 4.12%, which is a blended rate of the Institute's 6.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.5% on the last Friday prior to the measurement date of June 30, 2019. A blended discount rate was calculated based on separating the projected future payments between those paid from the Trust and those paid from general assets. The Trust assets were projected using the expected long-term rate of return. Payments from the Trust were assumed to begin when the projected assets value is fully-funded and all future projected benefit payments will be paid from the Trust.

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the Institute's net OPEB liability at June 30, 2020, which was measured using the discount rate of 4.12 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.12 percent) or 1-percentage-point higher (5.12 percent) than the current rate:

	Year Ended June 30, 2020 (in thousands)		
	1% Decrease (3.12%)	Current Discount Rate (4.12%)	1% Increase (5.12%)
Net OPEB liability	\$ 33,856	\$ 27,888	\$ 23,068

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the Institute's net OPEB liability at June 30, 2020, which was measured using the current healthcare cost trend rate of (Pre-Medicare: 5.75% decreasing to 5%, Post-Medicare: 5%, Pharmacy: 7% decreasing to 5%, and Dental and Vision: 3%), as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (Pre-Medicare: 4.75% decreasing to 4%, Post-Medicare: 4%, Pharmacy: 6% decreasing to 4%, and Dental and Vision: 2%) or 1-percentage-point higher (Pre-Medicare: 6.75% decreasing to 6%, Post-Medicare: 6%, Pharmacy: 8% decreasing to 6%, and Dental and Vision: 4%) than the current rate:

	Year Ended June 30, 2020 (in thousands)		
	1% Decrease (Pre-Medicare: 4.75% decreasing to 4%, Post- Medicare: 4% Pharmacy: 6% decreasing to 4%, Dental & Vision: 2%)	Current Discount (Pre-Medicare: 5.75% decreasing to 5%, Post- Medicare: 5% Pharmacy: 7% decreasing to 5%, Dental & Vision: 3%)	1% Increase (Pre-Medicare: 6.75% decreasing to 6%, Post- Medicare: 6% Pharmacy: 8% decreasing to 6%, Dental & Vision: 4%)
Net OPEB liability	\$ 22,649	\$ 27,888	\$ 34,567

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2020, the Institute recognized OPEB expenses of \$4.6 million. At June 30, 2020, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Amounts in thousands	
	Deferred Outflow of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 5,199
Net difference between projected and actual earnings on OPEB plan investment	109	-
Changes of assumptions	-	1,607
Institute contribution subsequent to the measurement date	3,952	-
Total	\$ 4,061	\$ 6,806

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 13 (CONTINUED)

The \$3.9 million reported as deferred outflows of resources related to OPEB resulting from Institute contributions subsequent to the measurement date of July 1, 2019 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in Thousands):

Year ending June 30:	
2021	(957)
2022	(957)
2023	(953)
2024	(965)
2025	(986)
Thereafter	(1,879)
Total	<u>\$ (6,697)</u>

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ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 14 and NOTE 15

NOTE 14. Deferred Compensation Plan

The State of New Mexico offers state, local government, and school district employees a deferred compensation plan (Deferred Plan) under Chapters 10-7A-1 to 10-7A-12, NMSA 1978, the “Deferred Compensation Act,” in accordance with Internal Revenue Code Section 457. The Deferred Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

PERA is the trustee of the Deferred Plan; however, the Deferred Plan uses a third party administrator, acting under contract with PERA. All costs of administration and funding are borne by the Deferred Plan participants. The Administrator has authority to control and manage the operation of the Deferred Plan. The Administrator is delegated any and all powers as may be necessary or advisable to discharge its duties under the Deferred Plan, and has certain discretionary authority to decide all matters under the Deferred Plan. As Deferred Plan trustee, PERA’s primary responsibility is to select investment options that are safe and provide a reasonable rate of return and to ensure that all investments, amounts, property, and rights under the executed Deferred Plan-Trust are held for the exclusive benefit of Deferred Plan participants and their beneficiaries, as defined in the Deferred Plan. The assets of the Deferred Plan are not assets of the State, but are held in trust for the exclusive benefit of Deferred Plan participants and their beneficiaries. The State has no liability for losses under the Deferred Plan but does have the duty of due care that would be required of a fiduciary agent.

The Deferred Plan issues a publicly available stand-alone financial report which can be obtained by writing to the Public Employees Retirement Association of New Mexico, 33 Plaza la Prensa, Santa Fe, NM 87507. This report is also available online at: <http://www.nmpera.org/deferred-compensation>.

NOTE 15. Arbitrage on Tax-Exempt Bonds

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

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

The Office of the State Treasurer compiles this information and files all required reports in compliance with regulations issued by the United States Internal Revenue Service.

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For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 16

NOTE 16. Segment Information

	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									
Condensed Statement of Net Position:																		
Current Assets	\$ 1,498	\$ 15,897	\$ 166,478	\$ 73,968	\$ 18,204	\$ 86,250	\$ 49,990	\$ 30,055	\$ 1,439,756									
Other Assets	-	1,002	164,246	20,376	9,985	75,660	50,080	2,012	366,430									
Capital Assets, Net	39,729	22,660	499,188	183,907	95,404	152,452	71,644	58,114	1,367,937									
Total Assets	41,227	39,559	829,912	278,251	123,593	314,362	171,714	90,181	3,174,123									
Deferred Outflows of Resources	722	5,137	123,557	20,180	11,655	26,365	7,967	9,203	278,933									
Current Liabilities	878	9,455	63,220	18,072	8,953	14,107	7,961	5,915	516,598									
Long-term Liabilities	5,972	51,467	793,422	163,313	93,816	159,092	63,837	70,884	1,934,980									
Total Liabilities	6,850	60,922	856,641	181,385	102,769	173,199	71,798	76,799	2,451,578									
Deferred Inflows of Resources	930	6,610	58,358	27,843	16,918	11,985	8,051	13,240	140,974									
Net Investment in Capital Assets	39,729	14,665	377,779	141,848	72,599	133,340	63,784	43,372	790,456									
Restricted	1,120	1,858	85,388	17,663	18,887	45,554	45,658	12,980	261,335									
Unrestricted	(6,680)	(39,359)	(424,697)	(70,308)	(75,925)	(23,351)	(9,610)	(47,007)	(191,287)									
Total Net Position	\$ 34,169	\$ (22,836)	\$ 38,470	\$ 89,203	\$ 15,561	\$ 155,543	\$ 99,832	\$ 9,345	\$ 860,504									
Condensed Statement of Activities:																		
Operating Revenues:																		
Charges for Services	\$ 10,241	\$ 13,001	\$ 20,286	\$ 6,458	\$ 2,911	\$ 4,658	\$ 6,492	\$ 3,471	\$ 105,647									
Net Student Tuition and Fees	-	-	54,281	18,218	15,171	7,974	2,748	10,880	108,523									
Loan and Other Income	-	-	-	-	-	-	-	276	-									
State, Local, Private Grants/Contracts	-	-	-	-	-	-	-	-	-									
Patient Income	-	-	-	-	-	-	-	-	1,396,811									
Federal Funds	-	10,522	92,637	9,671	11,320	41,038	967	1,976	219,666									
Other Operating Revenues	-	-	27,074	7,074	2,427	22,566	2,094	2,873	176,679									
Total Operating Revenue	10,241	23,523	194,278	41,421	31,829	76,236	12,301	19,476	2,007,326									

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

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				
Condensed Statement of Activities (Continued)													
Operating Expenses:													
Operating Expenses	\$ 391	\$ 6,370	\$ 209,832	\$ 40,409	\$ 43,612	\$ 50,490	\$ 7,530	\$ 29,431	\$ 2,089,861				
Depreciation Expense	2,634	2,106	34,791	9,123	4,868	10,999	2,992	3,839	105,955				
General and Administrative	11,982	32,014	117,213	23,838	(4,836)	46,239	12,159	(3,982)	(107,271)				
Total Operating Expenses	15,007	40,490	361,836	73,370	43,644	107,728	22,682	29,288	2,088,545				
Operating Income (Loss)	(4,766)	(16,967)	(167,558)	(31,949)	(11,815)	(31,492)	(10,381)	(9,812)	(81,219)				
Nonoperating Revenue (Expense)													
Government Grants and Contracts	-	-	82,056	16,589	(40)	3,345	(1,581)	4,032	267,800				
Net Investment Income	-	692	4,768	497	507	389	1,886	506	25,202				
Other Revenue	700	489	7,909	-	(60)	5,778	(222)	-	12,255				
Interest Expense	-	-	(4,875)	(1,295)	(1,116)	-	(412)	-	(18,616)				
Private Grants And Gifts	-	-	7,209	-	-	1,621	-	-	34,081				
State Permanent Fund Income	-	-	-	(1,010)	-	-	-	-	-				
Gain (Loss) On Sale Of Capital Assets	-	-	38	-	-	-	-	(75)	(221)				
Total Nonoperating Income (Expense)	700	1,181	97,105	14,781	(709)	11,133	(329)	4,463	320,501				
Capital Contributions	-	-	4,206	49	-	3,410	86	-	-				
Permanent Fund Contributions	-	-	-	-	-	-	-	-	-				
Net Transfers	2,998	7,803	269,687	58,629	39,459	53,658	29,153	27,675	392,631				
Change in Net Position	(1,068)	(7,983)	203,440	41,510	26,935	36,709	18,529	22,326	631,913				
Net Position, Beginning, restated	35,237	(14,853)	(164,970)	47,693	(11,374)	118,834	81,303	(12,981)	228,591				
Net Position, Ending	\$ 34,169	\$ (22,836)	\$ 38,470	\$ 89,203	\$ 15,561	\$ 155,543	\$ 99,832	\$ 9,345	\$ 860,504				

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 16 (CONTINUED)

	Educational Institutions								
	State Fair Commission	Miners' Colfax Medical Center	New Mexico State University	Eastern New Mexico University	New Mexico Highlands University	New Mexico Institute of Mining and Technology	New Mexico Military Institute	Western New Mexico University	University of New Mexico
Condensed Statement of Cash Flows:									
Net Cash Provided (Used) by:									
Operating Activities	\$ (2,340)	\$ (9,328)	\$ (314,558)	\$ (59,193)	\$ (29,933)	\$ (57,939)	\$ (19,366)	\$ (22,690)	\$ (354,005)
Noncapital Financing Activities	700	16,690	328,702	76,102	36,083	73,807	3,720	28,877	635,524
Capital and Related Financing Activities	(196)	(2,617)	(17,433)	(4,230)	(4,192)	5,543	(6,193)	(4,593)	(155,072)
Investing Activities	-	23	76,299	(7,341)	266	3,339	23,849	3,791	19,845
Cash and Cash Equivalents at Beginning of Year	2,761	7,151	106,888	63,250	12,210	40,848	30,913	10,653	451,856
Cash and Cash Equivalents at End of Year	\$ 925	\$ 11,919	\$ 179,898	\$ 68,588	\$ 14,434	\$ 65,598	\$ 37,923	\$ 16,038	\$ 598,148

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 17 and NOTE 18

NOTE 17. State General Fund Investment Pool

The Financial Control Division (FCD), within the Department of Finance and Administration (DFA), in collaboration with the New Mexico State Treasurer's Office (STO), implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool (SGFIP) to the associated resources held by STO. This process has been in place for nearly five years and applied across four fiscal years with stable results. There have been many reviews of the process and each review has deemed it to be adequate and in compliance with established procedures. For fiscal year 2020, the following assertions are provided:

- 1) Resources held in the pool are equivalent to the corresponding business unit claims on those resources.
- 2) All claims, as recorded in SHARE, shall be 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, 2020, the Component Appropriations Funds report an aggregate investment of \$437.2 million in the SGFIP.

NOTE 18. Tax Abatements:

In fiscal year 2017, the State adopted *Statement No. 77 of the Government Accounting Standards Board, entitled, Tax Abatement Disclosures*. Statement No. 77 requires the governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should also recognize those disclosures by major tax abatement programs and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements.
- The specific taxes being abated.
- The gross dollar amount of taxes abated during the period.

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED)

The State has provided the following disclosure of tax abatements affecting the State of New Mexico. Tax receipts processed by the Department of Taxation and Revenue are recognized as revenue in various departments of the State. Abatements affecting local governments are disclosed in the financial statements of each local governmental entity, and can be obtained from the accounting department of each local government.

The State provides for a film production tax credit, which requires a film production company to be eligible to submit to the State, information required to demonstrate conformity with the requirements of the Film Production Tax Credit Act, including detailed information on each direct production expenditure and each postproduction expenditure. A film production company shall make reasonable efforts, as determined by the division, to contract with a specialized vendor that provides goods and services, inventory or services directly related to that vendor's ordinary course of business. A film production company shall provide to the Department a projection of the film production tax credit claim the film production company plans to submit in the fiscal year.

During fiscal year 2020, the Department estimates the State's revenues were reduced by approximately \$55.6 million as a result of these tax credits authorized under Section 7-2F-6 NMSA 1978. Included were approved unpaid film credits prior to July 1, 2019; legislation enacted authorized \$28.7 million to pay these credits.

In addition, as allowed by state statute, the various local governments in the State participate in various Industrial Revenue Bond Programs/Industrial Development Projects (IRBs/IDPs) which result in reduced revenues for all participating governments. Various local governments have identified the State of New Mexico as a governmental entity which has been impacted by reduced revenues. The specific amount of loss revenues of the State as a result of these various programs has not been determined; however, it is deemed to be insignificant to the State of New Mexico as a whole.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 19

NOTE 19. Commitments

A. Construction Commitments

The State has active construction projects as of June 30, 2020. The projects include highway construction, university infrastructure, and facilities construction and renovation. At year-end, the State's commitments for construction were \$281.8 million for governmental activities and \$184.6 million for business-type activities.

B. Loan Commitments

New Mexico Environment Department

The New Mexico Environment Department had loan commitments at June 30, 2020 of the following:

Wastewater Loan Construction Fund – the agency has executed binding commitments to disburse \$26.3 million for future loans.

Rural Infrastructure Loan Fund – the agency has executed binding commitments to disburse \$1.8 million for loans and grants.

New Mexico Energy, Mineral, and Natural Resources Department

Carlsbad Brine Well remediation estimated cost for project completion is \$70 million.

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, 2020, unfunded commitments to private equity partnerships were approximately \$1.41 billion, and unfunded commitments to real estate and real asset investments were approximately \$1.59 billion. Unfunded commitments to the Credit and Structured Finance Pool were \$894 million. Subsequent to June 30, 2020, the Council approved an additional \$805 million of commitments to private equity, real estate, and real assets partnerships and \$175 million to a fixed income investment.

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 20

NOTE 20. Contingencies

A. Contingent Liabilities

Public Education Department

The State did not meet its required level of financial support for the Special Education Cluster of programs for fiscal years 2011 and 2012. As a result, the Department may have a one-time reduction of future federal funding. Management's estimate of the potential one-time reduction in federal funding ranges from \$0 to \$63.49 million.

Office of the State Engineer

The Office of the State Engineer is a party in an appeal from the State Engineer's denial of an application for a new appropriation of groundwater. In this appeal, the district court ruled in December 2019 that the Agency is jointly and severally liable, along with one other party, for nearly \$400,000 of the litigation costs of another party. The Agency timely filed a notice of appeal of the District court's ruling to the New Mexico Court of Appeals in June 2020. The Risk Management Division of the State of New Mexico has indicated that it will be unable to extend coverage to the Agency in regard to this claim.

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, 2020 and 2019, NMMFA is committed to assume a risk of approximately \$6.5 million and \$8.97 million for the 38 and 42 loans closed, respectively. These loans are considered in the NMMFA's assessment for the allowance for mortgage loan losses. As of September 30, 2020, of the 38 loans closed, 4 of the loans are not included in the Authority's financial statements because they are 100% participations with Fannie Mae. Of the \$6.5 million risk assumed as of September 30, 2020, the Authority's assumed risk approximated \$214 thousand for these off balance sheet loans. The end dates for the guarantees range from 2027-2058. In situations where the Authority is called upon to honor its guarantee, the Authority will take possession of and sell the loan collateral. HUD and the NMMFA will make up any shortfall resulting from the sale of the collateral on a 90%/10% pro rata basis.

The NMMFA also entered into a risk-sharing agreement with the U.S. Department of Agriculture under Section 538 Rural Rental Housing Guaranteed Loan Program. The Rural Housing Service (RHS), Department of Agriculture (USDA) provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority as of September 30, 2020. The NMMFA assumes 10% of the risk of loss and as of September 30, 2020 and 2019, is committed to assume risk of \$108 thousand and \$110 thousand respectively for the one loan closed, respectively.

Department of Homeland Security

The Department of Homeland Security has recorded a contingent liability in the amount of \$ 22 thousand dollars. This balance represents the estimated amount of federal expenditures which is not supported by sufficient backup. The amount was recorded when the department's auditors questioned some federal expenditures.

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 20 (CONTINUED)

B. Other Matters

Federal Funds

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

Taxation and Revenue Department

There is pending or threatened litigation in the form of various protests and lawsuits by taxpayers or other parties claiming abatements, refunds and the recovery of unclaimed property arising from various tax programs administered by the Taxation and Revenue Department. The total dollar amount representing the claims in protest or pending in state courts is \$563.3 million.

Taxation and Revenue Department (TRD) is also subject to legal proceedings involving local public bodies related to Gross Receipts Tax distributions (GRT). The plaintiffs assert that distributions have been improperly reduced. TRD is currently reviewing the details and gathering additional information. The amount at risk is not stated in the Complaint and the time period for which the claim applies is uncertain. Several civil complaints have been filed in district court contesting the denial of a refund for amounts of denied applications related to the High Wage Jobs Tax Credit. The total amount representing the claims is \$1.1 million plus interest and attorney fees. Lastly, in District Court, TRD is defending denial of a claim for a refund of gross receipts tax deduction allowed from healthcare insurers. Amount of potential liability is \$1.7 million.

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 21

NOTE 21. Subsequent Events

A. Bond Issues

On November 3, 2020, the State issued Series 2020A Severance Tax Bonds in the amount of \$95,955 for the purpose of financing capital improvements as approved by the State Legislature.

New Mexico Mortgage Finance Authority

On October 22, 2020, the Authority issued \$55 million (2020 Series B) of Single Family Mortgage Program Class I Bonds under the 2005 General Indenture. The 2020 Series B Bonds will be used to fund certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the 2020 Series B Bonds was sold at a premium generating \$2.32 million, which will be used to purchase 2020 Series B Certificates, to fund 2020 Series B Participation Loans and to fund a portion of bond expenses.

On October 30, 2020, the Authority refunded the Series 2019 JLG South Apartments Projects multifamily housing revenue tax-exempt bonds. In addition to refunding the Series 2019 outstanding bond, the proceeds will be used to fund a loan to assist in the acquisition, rehabilitation, and equipping of the three multifamily rental housing facilities located in Anthony, Deming, and Columbus, New Mexico and to fund a portion of bond expenses.

On October 30, 2020, the Authority refunded the Series 2019 JLG North Apartments Projects multifamily housing revenue tax-exempt bonds with the Series 2020 JLG North Apartments Projects multifamily housing revenue tax-exempt bonds. In addition to refunding the Series 2019 outstanding bond, the proceeds will be used to fund a loan to assist in the acquisition, rehabilitation, and equipping of the three multifamily rental housing facilities located in Gallup, Bloomfield, and Bernalillo, New Mexico and to fund a portion of bond debt expenses.

B. Other Events

State of New Mexico

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the State of New Mexico, COVID-19 impacted various parts of its 2020 operations and financial results including, but not limited to, reduction in investments, reduction in lodging tax, reduction in gas prices, costs for emergency preparedness and shortages of personnel. Management believes the State of New Mexico is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

Due to COVID-19, the State implemented numerous emergency policies to help fight the virus. Public schools were closed for in person learning for school year 20-21. These policies included a teleworking policy for State of New Mexico employees, restrictions on hotels and restaurants, closing of certain businesses, etc.. These restrictions are subject to change depending on the Covid numbers and rate of the virus spread (along with other factors). The Department of Workforce Solutions had policy changes to accommodate all the individuals that are temporarily laid off or lost jobs due to the emergency. The Department of Economic Development had been instructed to assist small businesses with loans to ensure businesses can survive the crisis.

STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

Gov. Michelle Lujan Grisham approved in July 2020 \$178 million in CARES Act grants to small business, tribal and local governments across New Mexico to cover the cost of necessary expenditures incurred due to the public health emergency.

Gov. Michelle Lujan Grisham approved in September 2020 \$150 million in CARES Act grants to local governments across New Mexico to cover the cost of necessary expenditures incurred due to the public health emergency.

The state's economic outlook is similarly tied to the success in fighting Covid-19. Widespread inoculation of the population with an effective vaccine is projected to be achieved over the summer, largely improving the economic outlook by the third quarter of 2021.

New Mexico Mortgage Finance Authority

The global outbreak of Covid-19 is affecting national capital markets and negatively impacting the overall economy. The New Mexico Mortgage Finance Authority (Authority) has a continuity of operations plan which has allowed it to provide continued execution of its programs with minimal disruption. In response to COVID-19, the Authority has received additional funding noted in the below paragraphs. The Authority may be asked to administer additional programs in the future in response to the pandemic. Furthermore, the Authority cannot predict the duration of the pandemic and how it may impact the Authority's housing programs and financial position.

On June 9, 2020, HUD Announced an award to the State of New Mexico in Emergency Solutions Grants COVID-2 CARES ACT funding totaling \$8.8 million, all of which will be administered by the Authority. The contract is pending execution.

On August 20, 2020, the Community Development Council of the New Mexico Department of Finance and Administration approved the allocation of \$12.3 million in CARES Act Community Development Block Grant funds, all of which will be administered by the Authority for the implementation of a housing assistance program for households experiencing financial hardship due to the COVID-19 pandemic. The contract is pending execution.

Taxation and Revenue Department

Per legislative capital outlay appropriation, the Combined Reporting System (CRS) is being split into the seven separate tax programs, which are currently combined. The programs include: Gross Receipts Tax (GRT), Compensating Tax, Wage Withholding Tax, Non-Wage Withholding Tax, Leased Vehicle GRT, Interstate Telecom GRT and Governmental GRT. This is referred to as the CRS Re-Design Project. This project is anticipated to have far-reaching impacts including how taxpayers file returns, accommodating return-based audits and the distribution split between the separate tax programs. July 1, 2021 is the planned implementation date.

Department of Information Technology

A breach of contract claim has been filed against the Department of Information Technology (Department). Preliminary estimates of potential liability range from \$1.5 million to \$4.0 million. This has not been recorded as a liability in the financial statements as the Department is still defending their position in court.

Children Youth and Family Department

Children, Youth and Family Department has reached a settlement in a case regarding the death of a minor for \$2.1 million to be paid by General Services Department Risk Management Division.

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STATE OF NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION



NEW MEXICO MUSEUM OF SPACE HISTORY
SOURCE - WWW.NEWMEXICO.ORG

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Year Ended June 30, 2020

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 643,700	\$ 647,322	\$ 836,321	\$ 188,999
Federal Revenue	6,991,171	8,338,411	7,670,160	(668,251)
Investment Income	13,912	13,912	60,068	46,156
Rentals and Royalties	23,737	24,737	33,507	8,770
Charges for Services	172,973	174,356	161,746	(12,610)
Licenses, Fees, and Permits	136,703	139,102	245,386	106,284
Assessments	13,053	44,720	44,309	(411)
Miscellaneous and Other	198,149	213,836	200,744	(13,092)
Operating Transfers In	6,947,380	6,925,423	25,000	(6,900,423)
Total Revenues and Other Financing Sources	15,140,778	16,521,819	9,277,241	(7,244,578)
Fund Balance Budgeted	104,910	351,407		
Total	15,245,688	16,873,226		
EXPENDITURES AND OTHER FINANCING USES				
Culture, Recreation, and Natural Resources				
Museums and Monuments	26,945	29,720	26,199	3,521
Preservation	3,332	3,677	2,856	821
Library Services	5,197	5,264	5,157	107
Program Support	4,293	4,096	3,848	248
Water Resource Allocation	16,643	17,134	16,143	991
Interstate Stream Compact Compliance and Water Development	24,418	29,133	21,446	7,687
Litigation and Adjudication	10,451	10,451	8,948	1,503
Program Support	5,564	5,564	5,241	323
Commissioner of Public Lands	18,754	20,254	19,528	726
Livestock Inspection	6,767	6,924	6,445	479
Youth Conservation Corps	3,870	4,012	2,673	1,339
Office of the Natural Resources Trustee	2,333	2,353	347	2,006
Sport Hunting and Fishing	9,409	9,409	8,925	484
Conservation Services	22,832	25,104	22,450	2,654
Wildlife Depredation and Nuisance Abatement	1,024	1,024	768	256
Program Support	7,560	7,587	7,165	422
Renewable Energy and Energy Efficiency	3,053	3,066	2,264	802
Healthy Forests	13,829	21,384	9,536	11,848
Parks and Recreation	20,899	23,492	17,182	6,310
Mine Reclamation	8,254	8,327	4,062	4,265
Oil and Gas Conservation	11,661	11,661	7,134	4,527
Program Leadership and Support	5,011	5,011	4,225	786
Arts	1,972	2,188	1,936	252
Intertribal Ceremonial	100	100	100	-
Special Appropriations	6,742	6,742	6,179	563
Total Culture, Recreation, and Natural Resources	240,913	263,677	210,757	52,920
Education				
Operations	51,425	47,834	46,200	1,634
Student Financial Aid	64,713	67,713	66,880	833
Administrative Services	4,938	5,238	4,110	1,128
Rehab Services	27,230	27,230	21,119	6,111
Independent Living	1,555	2,005	1,553	452
Disability Determination	13,795	16,137	10,086	6,051
SDE Operation	17,911	17,911	15,997	1,914
Public Schools Facilities Auth	4,688	4,688	4,389	299
Special Appropriations	3,278,641	3,284,682	3,131,955	152,727
Total Education	3,464,896	3,473,438	3,302,289	171,149

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2020

(In Thousands)

EXPENDITURES AND OTHER FINANCING USES (CONT.)	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
General Control				
Policy Development, Budget Oversight and Educational Accountability	\$ 3,474	\$ 3,474	\$ 3,280	\$ 194
Program Support	970	970	825	145
Community Development, Local Government Assistance and Fiscal Oversight	37,446	41,741	40,126	1,615
Fiscal Management and Oversight	62,615	62,066	61,302	764
Program Support	22,190	25,190	23,523	1,667
Tax Administration	31,991	32,204	30,513	1,691
Motor Vehicle	32,892	36,939	32,861	4,078
Property Tax	4,281	4,281	3,299	982
Compliance Enforcement	1,613	1,613	1,488	125
State Purchasing	2,351	2,707	2,435	272
Facilities Management Division	13,971	13,971	13,531	440
Office of the Attorney General	27,200	28,100	23,018	5,082
Medicaid Fraud Program	3,201	3,201	2,568	633
State Auditor	3,968	3,968	3,440	528
State Investment Program	61,339	61,339	48,661	12,678
Criminal & Juvenile Justice Governor	602	602	523	79
Lieutenant Governor	4,185	4,185	3,895	290
Records Info & Archival Mgmt.	581	581	530	51
Secretary of State	2,616	2,616	2,492	124
New Mexico State Personnel	3,920	6,953	6,740	213
State Treasurer	4,152	4,152	3,679	473
Public Employees Labor Relations Board	3,713	3,713	3,636	77
Enterprise Services	243	243	228	15
Elections	-	-	-	-
Compliance and Project Management	5,915	9,881	8,847	1,034
Administrative Hearings Office	869	869	782	87
Administration	2,023	2,023	1,965	58
Special Appropriations	-	-	-	-
	94,919	104,723	87,149	17,574
Total General Control	433,240	462,305	411,336	50,969
Health and Human Services				
Administration	14,972	15,856	14,364	1,492
Financial Oversight	178,297	181,447	161,848	19,599
Epidemiology and Response	28,650	42,890	35,827	7,063
Laboratory Services	13,581	13,780	13,027	753
Program Area 6 - Facilities	148,525	148,525	140,602	7,923
Developmental Disabilities Support	188,944	189,147	163,495	25,652
Health Certification, Licensing and Oversight	14,918	15,168	14,128	1,040
Program Support	56,395	57,324	54,281	3,043
Child Support Enforcement	31,871	32,521	31,885	636
Medical Assistance Program	5,504,352	5,925,785	5,846,870	78,915
Income Support Program	959,689	1,205,512	1,156,473	49,039
Resource Management	8,027	8,297	7,539	758
Water Quality	28,829	28,979	19,506	9,473
Environmental Health	14,031	14,135	11,600	2,535
Environmental Protection	23,382	24,396	20,750	3,646
Program Support	19,604	19,604	18,133	1,471
Juvenile Justice Facilities	74,604	75,232	70,112	5,120
Protective Services	174,477	178,157	166,187	11,970
Program Support	3,885	3,885	3,605	280

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2020

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Health and Human Services (Continued)				
Consumer and Elder Rights	\$ 5,150	\$ 5,737	\$ 4,741	\$ 996
Adult Protective Services	13,830	13,862	13,437	425
Community Involvement	40,195	46,844	38,817	8,027
Administration	1,250	1,250	891	359
Office of African-American Affairs	771	771	746	25
Commission For Deaf and Hard of Hearing	6,302	6,302	2,871	3,431
Martin Luther King Jr., Commission	354	354	215	139
Blind Services Program	8,142	8,142	6,846	1,296
Indian Affairs Department	2,540	2,560	2,359	201
Workers' Compensation Administration	11,528	11,528	10,945	583
Governor's Commission On Disability	1,613	1,675	1,383	292
Brain Injury Advisory Council	202	202	156	46
Veterans' Services Department	5,346	5,720	4,751	969
Developmental Disabilities Planning Council	1,288	1,288	1,247	41
Office of Guardianship	5,615	5,772	5,742	30
Medicaid Behavioral Health	531,219	597,112	518,156	78,956
Behavioral Health Services	61,131	74,016	65,317	8,699
Workforce Transition Services	8,840	10,095	9,398	697
Labor Relations	4,494	4,794	4,351	443
Workforce Technology	14,954	17,814	16,617	1,197
Business Services	12,945	15,487	13,272	2,215
Program Support	34,332	41,705	35,865	5,840
Uninsured Employers Fund	910	910	621	289
Early Childhood Services	293,150	326,630	284,444	42,186
Early Childhood Services	3,224	4,094	3,725	369
Early Childhood Services	20,232	23,333	17,224	6,109
Special Revenue	7,012	7,012	3,606	3,406
Early Childhood Services	41,943	45,320	39,131	6,189
Veterans Retirement Facility	-	-	-	-
Special Appropriations	341,179	346,997	330,418	16,579
Total Health and Human Services	8,966,724	9,807,966	9,387,524	420,442
Highways & Transportation				
Construction Program	549,526	1,101,481	571,087	530,394
Maintenance Program	251,580	316,753	253,278	63,475
Program Support	43,607	62,607	56,715	5,892
MODAL	67,583	129,832	57,445	72,387
Total Highways and Transportation	912,296	1,610,673	938,525	672,148
Judicial				
Supreme Court Law Library	-	-	-	-
New Mexico Compilation Commission	1,568	1,568	848	720
Judicial Standards Commission	898	898	890	8
Court of Appeals	6,617	6,667	6,580	87
Supreme Court	6,381	6,381	6,247	134
Supreme Court Building Commission	-	-	-	-
First Judicial District Court	11,261	11,418	11,025	393
Second Judicial District Court	30,580	31,343	29,386	1,957
Third Judicial District Court	10,952	11,402	11,194	208
Fourth Judicial District Court	4,062	4,364	4,188	176
Fifth Judicial District Court	11,094	11,197	10,884	313
Sixth Judicial District Court	5,612	5,612	5,501	111
Seventh Judicial District Court	4,479	4,479	4,201	278
Eighth Judicial District Court	4,899	4,898	4,770	128
Ninth Judicial District Court	5,762	5,751	5,617	134

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2020

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Judicial (Continued)				
Tenth Judicial District Court	\$ 1,783	\$ 1,783	\$ 1,776	\$ 7
Eleventh Judicial District Court	11,248	11,591	11,163	428
Twelfth Judicial District Court	5,349	5,595	5,363	232
Thirteenth Judicial District Court	12,016	12,218	11,915	303
Bernalillo County Metropolitan Court	29,405	29,631	29,086	545
First Judicial District Attorney	6,467	6,467	6,411	56
Second Judicial District Attorney	27,144	27,172	26,146	1,026
Third Judicial District Attorney	6,333	6,378	5,980	398
Fourth Judicial District Attorney	3,617	3,617	3,102	515
Fifth Judicial District Attorney	6,216	6,243	6,189	54
Sixth Judicial District Attorney	3,503	3,503	3,369	134
Seventh Judicial District Attorney	2,860	2,860	2,793	67
Eighth Judicial District Attorney	3,176	3,176	3,128	48
Ninth Judicial District Attorney	3,507	3,507	3,523	(16)
Tenth Judicial District Attorney	1,469	1,469	1,454	15
Eleventh Judicial District Attorney-Division I	4,919	4,926	4,706	220
Twelfth Judicial District Attorney	3,826	4,095	3,993	102
Thirteenth Judicial District Attorney	5,976	5,976	5,793	183
Administrative Office of the District Attorneys	2,739	2,739	2,424	315
Eleventh Judicial District Attorney-Division II	2,959	2,959	2,811	148
Administrative Support	15,500	17,504	12,981	4,523
Administrative Support	10,271	10,271	8,307	1,964
Statewide Judiciary Automation	14,014	14,014	12,413	1,601
Special Court Services	-	-	-	-
Administrative Support	55,738	56,042	54,446	1,596
Special Appropriations	18,678	18,621	15,822	2,799
Total Judicial	362,878	368,335	346,425	21,910
Legislative				
Leg Analysis/Oversight Program	4,491	4,491	4,338	153
Education Study Committee	1,407	1,407	1,088	319
Special Appropriations	13,025	13,025	11,471	1,554
Total Legislative	18,923	18,923	16,897	2,026
Public Safety				
Program Support	7,959	7,959	5,152	2,807
Law Enforcement	126,686	126,686	122,274	4,412
Program Support	13,517	12,817	11,972	845
Inmate Management and Control	294,772	297,760	292,730	5,030
Community Offender Management	39,205	39,205	36,807	2,398
Parole Board	528	528	518	10
Juvenile Parole Board	8	8	4	4
Victim Compensation	6,962	7,212	7,074	138
Federal Grant Administration	23,099	23,099	15,933	7,166
National Guard Support	24,851	30,006	21,688	8,318
Crisis Response	-	-	-	-
Homeland Security and Emergency Management Department	28,179	29,186	19,049	10,137
Motor Transportation Program	-	-	-	-
State Law Enforcement Support Program	22,061	22,545	17,968	4,577
Special Appropriations	7,328	7,328	7,012	316
Total Public Safety	595,155	604,339	558,181	46,158

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2020

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Regulation and Licensing				
Economic Development	\$ 9,902	\$ 20,858	\$ 10,834	\$ 10,024
Film	686	686	668	18
Program Support	3,359	3,359	3,208	151
Job Creation & Job Growth	-	-	-	-
Program Support	1,202	1,202	1,171	31
Outreach	2,282	2,343	2,081	262
Marketing and Promotion	14,491	14,491	14,129	362
Construction Industries and Manufactured Housing	9,370	9,370	8,496	874
Financial Institutions and Securities	4,960	4,960	3,340	1,620
Alcohol and Gaming	1,030	1,030	1,016	14
Program Support	3,779	3,779	3,562	217
Policy and Regulation	7,953	7,953	6,820	1,133
Public Safety	76,435	79,435	77,596	1,839
Program Support	1,776	1,776	1,660	116
Special Revenues	77,347	77,347	17,042	60,305
Board of Examiners for Architects	408	508	449	59
New Mexico Border Authority	535	688	591	97
Medical Board	2,159	2,159	2,049	110
Board of Nursing	2,883	3,027	2,589	438
ASD/PEPS	998	998	797	201
Gaming Control Board	5,537	5,537	5,513	24
State Racing Commission	4,201	4,201	2,381	1,820
Board of Veterinary Medicine	495	495	411	84
Office of Military Base Planning and Support	227	227	198	29
Program Thirty-three	-	-	-	-
Program Thirty-four	-	-	-	-
Spaceport Authority	9,839	10,330	8,215	2,115
Special Revenue	5,799	5,949	5,949	-
Insurance Operations Program	10,522	10,878	10,212	666
Patient Compensation Program	-	-	-	-
Boards and Commission	16,783	17,263	14,950	2,313
Securities Division	1,960	1,960	1,536	424
Outdoor Recreation	200	210	140	70
Special Appropriations	16,682	16,682	7,391	9,291
Total Regulation and Licensing	293,800	309,701	214,994	94,707
Total Expenditures and Other Financing Uses	15,288,825	16,919,357	15,386,928	\$ 1,532,429
Net Change in Fund Balance	\$ (43,137)	\$ (46,131)	\$ (6,109,687)	

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2020

(In Thousands)

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance (Budgetary Basis) \$ (6,109,687)

Differences:

Taxes - Bud Refs other than 120 and 920	5,826,134
Investment Income - Bud Refs 120 and 920	91,755
Rent and Royalties - Bud Refs other than 120 and 920	886,975
Charges for Services - Bud Refs other than 120 and 920	1,028
Licenses, Fees and Permits - Bud Refs other than 120 and 920	62,954
Assessments - Bud Refs other than 120 and 920	1,980
Misc. and Other Revenue - Bud Refs other than 120 and 920	18,235
Federal Revenue - Bud Refs other than 120 and 920	523,206
Transfers In - Bud Refs other than 120 and 920	1,140,764
Non Budgeted - Transfers In - Component Units	61,410
Transfers In - Bud Refs other than 120 and 920 (Ref. Bond Proceeds)	-
NonBudgeted Revenue - Bond Issuances & Premiums	-
NonBudgeted Revenue - Sale of Capital Assets	1,836
NonBudgeted Revenue - Tobacco Settlement - 497101	34,152
Expenses - Bud Refs other than 120 and 920	(920,132)
Transfers Out - Bud Refs other than 120 and 920	(10,013,199)
NonBudgeted Expenditure - 569000 In-Kind Expenditure	(33,761)
NonBudgeted Expenditure - 565200 Distr. To Beneficiaries	15,593
NonBudgeted Expenditure - 566100 & 566109 (Reversions)	(7,064)
Non Budgeted Expenditure - 555102 (OFU - NonBudgeted)	(1,839)
Non Budgeted Expenditure - 555210 (OFU CU-NonBudgeted)	(7,470)
NonBudgeted Expenditure Adj. - 577100 (General Fund Allotments)	6,508,869
NonBudgeted Expenditure Adj. - 577200 (General Fund Allotments-CUs)	-
NonBudgeted Expenditure Adj. - 577300 (General Fund Allotments-Ext)	-
NonBudgeted Expenditure - 560300 (Refunds)	-
975001 - Indirect Memo Expense Account	-
No Function - Expenditures	2,829,163
Function Exclusions - Expenditures	-
A Code Expenditures not included in Budgetary Comparison Actuals	(12,346)

Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances

\$ 898,556

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2020

(In Thousands)

Budget Process

The State Legislature makes annual appropriations, which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget (Modified Accrual Budgetary Basis) and a financial control system, which permits a budget to actual expenditures comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Program appropriation unit is identified in the State's accounting records and in the budgetary schedules as P-Codes, such as "P523 Child Support Enforcement." Budgeted program appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements represent the final authorized amounts. Administrative line item expenditures (personnel, contractual, and other) may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed the approved budget for the program appropriation. Chapter 6-3, NMSA 1978, sets forth the process used to develop the budget for the State of New Mexico. The process is as follows:

1. No later than September 1, the appropriation request is submitted to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of those hearings are incorporated in the State's General Appropriations Act (Act).
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. Not later than May 1, an annual operating budget is submitted to DFA by appropriation unit and object code based upon the appropriation authorized by the Legislature. DFA reviews and approves the operating budget, which becomes effective on July 1.
5. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds.

Budgetary Basis of Accounting

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

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2020

(In Thousands)

Multiple Year Appropriation – Capital Projects Budgets and Special Appropriation Budgets

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

Budget to GAAP Reconciliation

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

In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities for the operating budgets. Expenditures are classified in the financial control system based on whether the appropriation is from the operating or multiple year budgets (special or capital). Expenditures funded by the operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are fixed asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures. Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated.

Because of perspective differences between this budgetary comparison and the general fund statement of revenues, expenditures, and changes in fund balance, this schedule is presented as required supplementary information (RSI.)

The State's component appropriation accounts do not adopt an annual appropriated budget; however, the expenditures of the component appropriations by law must equal the individual amounts appropriated in the various appropriation acts. Other activities designated as non-appropriated (not budgeted) by the Legislature are the Severance Tax Fund, the Land Grant Fund., and the following Enterprise Funds: State Fair Commission, Environment Department, State Infrastructure Bank, and Unemployment Insurance Funds.

Excess of Expenses/Expenditures Over Budget

For the fiscal year ended June 30, 2020, the Ninth Judicial District Attorney exceeded Pcode/program budget authority.

STATE OF NEW MEXICO

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

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability							
Service Cost	\$ 401,166	\$ 403,879	\$ 376,310	\$ 405,561	\$ 390,221	\$ 389,053	\$ 418,996
Interest	1,547,097	1,504,991	1,462,669	1,452,723	1,393,557	1,335,950	1,286,996
Benefit Changes	(710,227)	-	-	-	-	-	-
Difference Between Expected and Actual Experience	213,521	(54,005)	113,712	(584,186)	330,751	59,112	-
Changes of Assumptions	(222)	-	545,310	(62,778)	424,792	-	(91,857)
Benefit Payments	(1,255,018)	(1,193,943)	(1,133,418)	(1,084,818)	(1,024,399)	(966,237)	(905,329)
Refunds of Contributions	(44,903)	(54,337)	(50,288)	(44,396)	(44,938)	(46,010)	(47,377)
Net Change in Total Pension Liability	151,414	606,585	1,314,495	82,106	1,469,984	771,868	661,429
Total Pension Liability - Beginning	21,989,224	21,382,639	20,068,144	19,986,038	18,516,054	17,744,187	17,082,758
Total Pension Liability - Ending	22,140,638	21,989,224	21,382,639	20,068,144	19,986,038	18,516,055	17,744,187
Plan Net Position							
Contributions - Employer	368,425	339,676	319,499	332,473	324,752	317,164	370,765
Contributions - Member	297,153	281,643	282,847	272,829	265,529	258,920	174,037
Special Fund Appropriation	55,000	-	-	-	-	-	-
Net Investment Income	(223,545)	935,561	1,004,227	1,500,759	47,445	251,488	2,118,285
Benefit Payments	(1,255,018)	(1,193,944)	(1,133,418)	(1,084,818)	(1,024,399)	(966,236)	(905,329)
Administrative Expenses	(14,318)	(13,583)	(12,667)	(11,506)	(10,754)	(9,886)	(10,336)
Refunds of Contributions	(44,903)	(54,337)	(50,288)	(44,396)	(44,938)	(46,010)	(47,377)
Other	1,646	2,047	2,110	471	12,318	25,296	17,006
Net Change in Plan Net Position	(815,560)	297,063	412,310	965,812	(430,047)	(169,264)	1,717,051
Plan Net Position - Beginning	15,507,545	15,210,482	14,798,917	13,826,658	14,255,528	14,424,793	12,707,741
Prior Period Adjustments	-	-	(745)	6,447	1,177	-	-
Plan Net Position - beginning, restated	15,507,545	15,210,482	14,798,172	13,833,105	14,256,705	14,424,793	12,707,741
Plan Net Position - Ending	14,691,984	15,507,545	15,210,482	14,798,917	13,826,658	14,255,529	14,424,792
Net Pension Liability - Ending	\$ 7,448,653	6,481,679	6,172,157	5,269,227	\$ 6,159,380	\$ 4,260,526	\$ 3,319,394

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability							
Service Cost	\$ 5,286	\$ 4,282	\$ 4,488	\$ 5,492	\$ 3,245	\$ 3,344	\$ 3,793
Interest	10,211	10,341	9,867	9,066	10,238	9,900	10,798
Benefit Changes	-	-	-	-	-	-	(16,059)
Difference Between Expected and Actual Experience	(3,901)	7,420	(1,358)	(2,474)	4,737	755	-
Changes of Assumptions	18,400	19,033	(2,892)	(17,241)	46,155	-	(1,004)
Benefit Payments	(12,013)	(11,352)	(10,585)	(10,096)	(9,813)	(9,373)	(8,770)
Refunds of Contributions	(8)	(100)	-	(11)	(45)	(40)	(52)
Net Change in Total Pension Liability	17,975	29,624	(480)	(15,264)	54,517	4,586	(11,294)
Total Pension Liability - Beginning	205,435	175,811	176,291	191,555	137,038	132,452	143,746
Total Pension Liability - Ending	223,409	205,435	175,811	176,291	191,555	137,038	132,452
Plan Net Position							
Contributions - Employer	4,683	4,731	4,723	4,524	4,237	4,196	3,741
Contributions - Member	1,783	1,692	1,632	1,636	1,582	1,579	1,086
Net Investment Income	(1,232)	5,528	6,020	9,012	232	1,512	13,197
Benefit Payments	(12,013)	(11,352)	(10,585)	(10,096)	(9,813)	(9,373)	(8,770)
Administrative Expenses	(82)	(79)	(75)	(69)	(64)	(60)	(64)
Refunds of Contributions	(8)	(100)	-	(11)	(45)	(40)	(53)
Other	-	10	-	-	72	33	486
Net Change in Plan Net Position	(6,889)	430	1,715	4,996	(3,799)	(2,153)	9,623
Plan Net Position - Beginning	91,761	91,331	89,616	84,932	88,989	91,142	81,519
Prior Period Adjustments	-	-	-	(312)	(257)	-	-
Plan Net Position - beginning, restated	91,761	91,331	89,616	84,620	88,732	91,142	81,519
Plan Net Position - Ending	84,872	91,761	91,331	89,616	84,933	88,989	91,142
Net Pension Liability - Ending	\$ 138,538	\$ 113,674	\$ 84,480	\$ 86,675	\$ 106,623	\$ 48,050	\$ 41,310

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability							
Service Cost	\$ 1,656	\$ 1,466	\$ 1,354	\$ 1,537	\$ 1,118	\$ 948	\$ 1,428
Interest	3,436	3,494	3,487	3,192	3,452	3,445	3,689
Benefit Changes	-	-	-	-	-	-	(7,528)
Difference Between Expected and Actual Experience	(1,286)	2,209	(237)	(1,539)	1,571	6,703	-
Changes of Assumptions	(18,414)	5,255	2,874	(8,114)	8,832	-	(7,644)
Benefit Payments	(4,204)	(4,026)	(3,951)	(3,966)	(3,976)	(3,956)	(3,690)
Refunds of Contributions	-	(56)	(63)	-	(15)	(5)	(15)
Net Change in Total Pension Liability	(18,812)	8,342	3,464	(8,890)	10,982	7,135	(13,760)
Total Pension Liability - Beginning	77,434	69,092	65,628	74,518	63,536	56,401	70,161
Total Pension Liability - Ending	58,618	77,434	69,092	65,628	74,518	63,536	56,401
Plan Net Position							
Contributions - Employer	1,293	1,236	1,232	1,282	1,280	937	793
Contributions - Member	650	640	580	603	587	490	266
Net Investment Income	(437)	1,938	2,156	3,290	70	579	5,199
Benefit Payments	(4,204)	(4,026)	(3,951)	(3,966)	(3,977)	(3,956)	(3,690)
Administrative Expenses	(28)	(28)	(27)	(25)	(24)	(23)	(24)
Refunds of Contributions	-	(56)	(63)	-	(15)	(5)	(15)
Other	-	-	14	3	27	(19)	217
Net Change in Plan Net Position	(2,727)	(296)	(39)	1,187	(2,052)	(1,997)	2,746
Plan Net Position - Beginning	31,798	32,094	32,226	31,038	33,187	35,185	32,439
Prior Period Adjustments	-	-	(73)	-	(98)	-	-
Plan Net Position - beginning, restated	31,798	32,094	32,153	31,038	33,089	35,185	32,439
Plan Net Position - Ending	29,071	31,798	32,094	32,226	31,038	33,187	35,185
Net Pension Liability - Ending	\$ 29,547	\$ 45,636	\$ 36,998	\$ 33,402	\$ 43,480	\$ 30,349	\$ 21,216

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability							
Service Cost	\$ 2,250	\$ 2,194	\$ 2,204	\$ 2,337	\$ 1,440	\$ 1,251	\$ 1,254
Interest	3,715	3,594	3,555	3,584	3,376	3,105	2,872
Benefit Changes	-	-	-	-	-	-	-
Difference Between Expected and Actual Experience	(2,143)	(1,573)	(2,504)	(4,101)	(498)	874	-
Changes of Assumptions	(1,853)	-	1,363	-	1,976	-	408
Benefit Payments	(2,626)	(2,457)	(2,319)	(222)	(1,836)	(1,633)	(1,419)
Refunds of Contributions	-	-	-	(2,031)	-	-	-
Net Change in Total Pension Liability	(655)	1,758	2,299	(433)	4,458	3,597	3,115
Total Pension Liability - Beginning	52,560	50,802	48,503	48,936	44,478	40,881	37,766
Total Pension Liability - Ending	51,905	52,560	50,802	48,503	48,936	44,478	40,881
Plan Net Position							
Contributions - Employer	750	750	750	750	750	750	750
Contributions - Member	-	-	-	-	-	-	-
Net Investment Income	(1,057)	4,318	4,512	6,682	206	1,094	8,920
Benefit Payments	(2,626)	(2,457)	(2,319)	(2,031)	(1,835)	(1,633)	(1,419)
Administrative Expenses	(67)	(63)	(58)	(52)	(47)	(43)	(44)
Refunds of Contributions	-	-	-	-	-	-	-
Other	-	1	1	1	51	12	404
Net Change in Plan Net Position	(3,000)	2,549	2,886	5,350	(875)	180	8,611
Plan Net Position - Beginning	71,836	69,287	66,399	61,049	62,103	61,923	53,312
Prior Period Adjustments	-	-	-	-	(179)	-	-
Plan Net Position - beginning, restated	71,836	69,287	66,399	61,049	61,924	61,923	53,312
Plan Net Position - Ending	68,836	71,836	69,287	66,399	61,049	62,103	61,923
Net Pension Liability - Ending	\$ (16,931)	\$ (19,276)	\$ (18,485)	\$ (17,896)	\$ (12,113)	\$ (17,626)	\$ (21,042)

STATE OF NEW MEXICO

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

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability							
Service Cost	\$ 388,501	\$ 523,132	\$ 494,876	\$ 357,631	\$ 356,874	\$ 346,956	\$ 350,248
Interest	1,501,193	1,396,376	1,375,676	1,424,586	1,367,647	1,321,048	1,254,730
Benefit Changes	-	(4,381,849)	-	-	-	-	-
Difference Between Expected and Actual Experience	177,584	(112,652)	(184,090)	(207,789)	42,492	(86,722)	(114,508)
Changes of Assumptions	11,316,076	-	659,788	4,371,800	-	299,085	-
Benefit Payments	(1,220,261)	(1,164,645)	(1,107,441)	(1,052,675)	(1,012,731)	(957,185)	(907,214)
Refunds of Contributions	-	-	-	-	-	-	-
Net Change in Total Pension Liability	12,163,093	(3,739,638)	1,238,809	4,893,553	754,282	923,182	583,256
Total Pension Liability - Beginning	21,121,996	24,861,634	23,622,825	18,729,272	17,974,989	17,051,807	16,468,551
Total Pension Liability - Ending	33,285,087	21,121,996	24,861,634	23,622,825	18,729,272	17,974,989	17,051,807
Plan Net Position							
Contributions - Employer	451,556	406,549	388,724	395,844	396,989	395,130	362,463
Contributions - Member	329,725	303,442	287,324	292,809	295,946	294,561	271,514
Net Investment Income	(75,980)	1,037,882	900,132	1,350,389	364,571	429,738	1,444,233
Benefit Payments	(1,220,261)	(1,164,645)	(1,107,441)	(1,052,675)	(1,012,731)	(957,183)	(907,214)
Administrative Expenses	(10,878)	(9,326)	(9,908)	(9,848)	(9,661)	(10,598)	(16,619)
Refunds of Contributions	-	-	-	-	-	-	-
Other	343	487	2,116	-	-	-	-
Net Change in Plan Net Position	(525,494)	574,390	460,947	976,519	35,115	151,648	1,154,377
Plan Net Position - Beginning	13,544,692	12,970,303	12,509,357	11,532,839	11,497,724	11,346,076	10,191,699
Prior Period Adjustments	-	-	-	-	-	-	-
Plan Net Position - beginning, restated	13,544,693	12,970,303	12,509,357	11,532,839	11,497,724	11,346,076	10,191,699
Plan Net Position - Ending	13,019,199	13,544,692	12,970,303	12,509,357	11,532,839	11,497,724	11,346,076
Net Pension Liability - Ending	\$ 20,265,891	\$ 7,577,302	\$ 11,891,331	\$ 11,113,468	\$ 7,196,433	\$ 6,477,266	\$ 5,705,731

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET OPEB LIABILITY NEW MEXICO RETIREE HEALTH CARE AUTHORITY

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Service Cost	\$ 123,905	\$ 156,598	\$ 188,372	\$ 265,229
Interest	169,239	208,666	199,584	187,563
Benefit Changes	6,624	14,004	-	-
Difference Between Expected and Actual Experience	(150,535)	(754,197)	(145,524)	(210,436)
Changes of Assumptions	989,793	(535,457)	(225,363)	(958,756)
Claims and Premiums	(109,584)	(96,487)	(122,199)	(113,698)
Net Change in Total OPEB Liability	1,029,442	(1,006,873)	(105,130)	(830,098)
Total OPEB Liability - Beginning	3,999,139	5,006,012	5,111,142	5,941,240
Total OPEB Liability - Ending	5,028,581	3,999,139	5,006,012	5,111,142
Contributions - Employer	96,504	88,516	85,402	85,858
Contributions - Member	226,384	216,528	210,650	196,393
Net Investment Income	10,837	41,663	49,758	67,760
Claims and Premiums	(316,936)	(296,417)	(321,480)	(294,393)
Administrative Expenses	(3,687)	(4,148)	(3,672)	(4,180)
Other	59,821	52,949	57,530	55,556
Net Change in Plan Net Position	72,923	99,093	78,188	106,994
Plan Net Position - Beginning	756,750	657,657	579,469	472,475
Prior Period Adjustments	-	-	-	-
Plan Net Position - beginning, restated	756,750	657,657	579,469	472,475
Plan Net Position - Ending	829,673	756,750	657,657	579,469
	<u>\$ 4,198,908</u>	<u>\$ 3,242,389</u>	<u>\$ 4,348,355</u>	<u>\$ 4,531,673</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 22,140,637	\$ 21,989,225	\$ 21,382,639	\$ 20,068,143	\$ 19,986,038	\$ 18,516,055	\$ 17,744,187
Plan Net Position	14,691,984	15,507,546	15,210,483	14,798,918	13,826,658	14,255,529	14,424,793
Net Pension Liability	\$ 7,448,653	\$ 6,481,679	\$ 6,172,156	\$ 5,269,225	\$ 6,159,380	\$ 4,260,526	\$ 3,319,394
Percentage of Plan Net Position to Total Pension Liability	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Covered Payroll	\$ 2,339,923	\$ 2,287,712	\$ 2,265,036	\$ 2,193,889	\$ 2,326,943	\$ 2,248,254	\$ 2,102,265
Net Pension Liability as a Percentage of Covered Payroll	318.33%	283.33%	272.50%	240.18%	264.70%	189.50%	157.90%

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY JUDICIAL RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 223,409	\$ 205,435	\$ 175,810	\$ 176,291	\$ 191,555	\$ 137,038	\$ 132,452
Plan Net Position	84,871	91,760	91,331	89,616	84,932	88,988	91,141
Net Pension Liability	\$ 138,538	\$ 113,675	\$ 84,479	\$ 86,675	\$ 106,623	\$ 48,050	\$ 41,311
Percentage of Plan Net Position to Total Pension Liability	37.99%	44.67%	51.95%	50.83%	44.34%	64.94%	68.81%
Covered Payroll	\$ 16,090	\$ 16,292	\$ 15,126	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
Net Pension Liability as a Percentage of Covered Payroll	861.00%	697.74%	558.50%	559.45%	682.95%	318.54%	313.83%

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY MAGISTRATE RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 58,618	\$ 77,431	\$ 69,090	\$ 65,628	\$ 74,519	\$ 63,536	\$ 56,401
Plan Net Position	29,071	31,798	32,093	32,225	31,038	33,187	35,185
Net Pension Liability	\$ 29,547	\$ 45,633	\$ 36,997	\$ 33,403	\$ 43,481	\$ 30,349	\$ 21,216
Percentage of Plan Net Position to Total Pension Liability	49.59%	41.07%	46.45%	49.10%	41.65%	52.23%	62.38%
Covered Payroll	\$ 6,025	\$ 6,025	\$ 5,638	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
Net Pension Liability as a Percentage of Covered Payroll	490.39%	757.37%	656.17%	592.97%	829.29%	599.09%	603.49%

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET PENSION LIABILITY VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 51,905	\$ 52,561	\$ 50,802	\$ 48,503	\$ 48,936	\$ 44,478	\$ 40,881
Plan Net Position	68,837	71,836	69,287	66,401	61,050	62,103	61,923
Net Pension Liability	\$ (16,932)	\$ (19,275)	\$ (18,485)	\$ (17,898)	\$ (12,114)	\$ (17,625)	\$ (21,042)
Percentage of Plan Net Position to Total Pension Liability	132.62%	136.67%	136.39%	136.90%	124.76%	139.63%	151.47%
Covered Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

STATE OF NEW MEXICO

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

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Total Pension Liability	\$ 33,285,087	\$ 21,121,994	\$ 24,861,632	\$ 23,622,824	\$ 18,729,271	\$ 17,974,989	\$ 17,051,807
Plan Net Position	13,019,197	13,544,692	12,970,301	12,509,356	11,532,838	11,497,723	11,346,076
Net Pension Liability	\$ 20,265,890	\$ 7,577,302	\$ 11,891,331	\$ 11,113,468	\$ 7,196,433	\$ 6,477,266	\$ 5,705,731
Percentage of Plan Net Position to Total Pension Liability	39.11%	64.13%	52.17%	52.95%	61.58%	63.97%	66.54%
Covered Payroll	\$ 3,048,404	\$ 2,797,686	\$ 2,678,215	\$ 2,728,362	\$ 2,740,527	\$ 2,730,320	\$ 2,718,101
Net Pension Liability as a Percentage of Covered Payroll	664.80%	270.84%	444.00%	407.33%	262.59%	237.23%	209.92%

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY NEW MEXICO RETIREE HEALTH CARE AUTHORITY For the Last Ten Years (a) Ending June 30, (In Thousands)

	Ended June 30, 2020	Ended June 30, 2019	Ended June 30, 2018	Ended June 30, 2017
Total OPEB Liability	\$ 5,028,581	\$ 3,999,138	\$ 5,006,012	\$ 5,111,142
Plan Net Position	<u>829,673</u>	<u>756,749</u>	<u>657,657</u>	<u>579,469</u>
Net OPEB Liability	<u>\$ 4,198,908</u>	<u>\$ 3,242,389</u>	<u>\$ 4,348,355</u>	<u>\$ 4,531,673</u>
Percentage of Plan Net Position to Total OPEB Liability	<u>16.50%</u>	<u>18.92%</u>	<u>13.14%</u>	<u>11.34%</u>
Covered Payroll	<u>\$ 4,298,116</u>	<u>\$ 4,172,929</u>	<u>\$ 4,290,617</u>	<u>\$ 4,165,647</u>
Net OPEB Liability as a Percentage of Covered Payroll	<u>97.69%</u>	<u>77.70%</u>	<u>101.35%</u>	<u>108.79%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY THE UNIVERSITY OF NEW MEXICO

For the Last Ten Years (a) Ending June 30,
(Amounts in Thousands)

Amounts are in thousands

	2020	2019	2018	2107
Total OPEB liability				
Service cost	3,267	3,501	3,526	3,019
Interest	10,640	10,007	9,469	9,058
Changes of benefit terms	-	-	-	-
Differences between expected & actual experience	(38,575)	-	-	-
Changes of assumptions	7,729	(7,105)	(6,444)	7,114
Benefit payments	5,298	(4,913)	(4,841)	(4,818)
Net change in total OPEB liability	(22,236)	1,490	1,710	14,373
Total OPEB liability- beginning	156,289	154,799	153,089	138,715
Total OPEB liability- ending (a)	134,053	156,289	154,799	153,089
Plan fiduciary net position				
Contributions- employer	7,513	7,322	7,467	7,675
Contributions- member	2,215	2,408	2,625	2,856
Net investment income	2,111	2,080	1,615	895
Benefit payments	(5,298)	(4,913)	(4,841)	(4,818)
Administrative expense	(5)	(5)	-	-
Net change in plan fiduciary net position	6,536	6,892	6,866	6,608
Plan fiduciary net position- beginning	30,805	23,913	17,045	10,435
Plan fiduciary net position- ending (b)	37,341	30,805	23,913	17,045
University's net OPEB liability- ending (a)-(b)	96,712	125,484	130,886	136,044
Plan fiduciary net position as a percentage of the total OPEB liability	27.86%	19.71%	15.45%	11.13%
Covered-employee payroll	295,345	321,166	350,452	383,432
University's net OPEB liability as a percentage of covered-employee payroll	32.75%	39.07%	37.35%	35.48%

Notes to the Schedule:

Benefit changes: None

Differences between expected and actual experience: The \$38.5 million decrease in the liability from June 30, 2019 to June 30, 2020 is due to changes in the census, claims, and premiums experience.

Changes of assumptions: The \$6.4 million decrease in the liability from the fiscal year ending June 30, 2017 to the fiscal year ending June 30, 2018 is due to the increase in the assumed discount rate as of the measurement date. The \$7.1 million decrease in the liability from the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2019 is due to the increase in the assumed discount rate as of the measurement date. The \$7.7 million increase in the liability from June 30, 2019 to June 30, 2020 is due to the decrease in the assumed discount rate from 6.78% as of June 30, 2019 to 6.69% as of June 30, 2020, as well as updates to the trend, excise tax, and mortality assumptions.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY NEW MEXICO STATE UNIVERSITY

For the Last Ten Years (a) Ending June 30,
(Amounts are in Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	5,787	5,127	4,936
Interest	5,208	5,268	5,291
Current Recognized deferred outflows/(inflows):			
Difference between expected and actual experienc	(13,724)		
Changes in assumptions or other inputs	28,160	7,135	(5,357)
Benefit payments	(5,274)	(5,758)	(5,523)
Net change in total OPEB liability	20,157	11,772	(653)
Total OPEB liability- beginning	<u>145,672</u>	<u>133,899</u>	<u>134,552</u>
Total OPEB liability- ending	<u>165,829</u>	<u>145,672</u>	<u>133,899</u>
Covered-employee payroll	131,987	153,961	150,205
University's net OPEB liability as a percentage of covered-employee payroll	126%	95%	89%

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	2020	2019	2018	2017
Total OPEB liability				
Service cost	1,999	2,317	2,697	2,149
Interest cost	1,518	1,377	1,225	1,194
Changes of benefit terms	-	-	-	-
Differences between expected & actual experience	(5,898)	-	-	-
Changes of assumptions	2,050	(1,486)	(3,354)	3,706
Benefit payments	(61)	(649)	(1,490)	(930)
Net change in total OPEB liability	(392)	1,559	(922)	6,119
Total OPEB liability- beginning	32,523	30,964	31,886	25,765
Total OPEB liability- ending (a)	32,131	32,523	30,964	31,886
Plan fiduciary net position				
Contributions- employer	2,239	3,997	4,998	4,936
Contributions- member	1,632	3,386	3,706	3,628
Net investment income	149	173	208	29
Benefit payments	(61)	(649)	(1,490)	(930)
Administrative expense	(306)	(359)	(378)	(388)
Other	(3,714)	(5,899)	(6,132)	(5,963)
Net change in plan fiduciary net position	(61)	649	912	1,312
Plan fiduciary net position- beginning	4,304	3,655	2,743	1,431
Plan fiduciary net position- ending (b)	4,243	4,304	3,655	2,743
University's net OPEB liability- ending (a)-(b)	27,888	28,219	27,309	29,143
Plan fiduciary net position as a percentage of the total OPEB liability	13.2%	13.2%	11.8%	8.6%
Covered-employee payroll	29,916	28,337	28,142	27,958
University's net OPEB liability as a percentage of covered-employee payroll	93%	100%	97%	104%

Notes to the Schedule:

Changes in assumptions: The \$3.4 million decrease in liability from the fiscal year ending June 30, 2017 to the fiscal year ending June 30, 2018 is due to the increase in the assumed discount rate as of the measurement date. The \$1.5 million decrease in the liability from the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2019 is due to the increase in the assumed discount rate as of the measurement date.

Benefits changes: None

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
 PUBLIC EMPLOYEES RETIREMENT SYSTEM**

For the Last Ten Years (a) Ending June 30,
 (In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Statutory Required Contributions	\$ 368,425	\$ 339,676	\$ 319,499	\$ 332,473	\$ 324,752
Actual Employer Contributions	368,425	339,676	319,499	332,473	324,752
Annual Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,339,923	\$ 2,287,712	\$ 2,265,036	\$ 2,193,889	\$ 2,326,943
Annual Contribution as a Percentage of Covered Payroll	15.75%	14.85%	14.11%	15.15%	13.96%

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
 PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

For the Last Ten Years (a) Ending June 30,
 (In Thousands)

	Fiscal Year				
	2015	2014	2013	2012	2011
Statutory Required Contributions	\$ 317,164	\$ 370,766	\$ 285,560	\$ 274,906	\$ 283,377
Actual Employer Contributions	317,164	370,766	285,560	274,906	283,377
Annual Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,248,254	\$ 2,102,265	\$ 2,049,738	\$ 1,994,280	\$ 1,935,014
Annual Contribution as a Percentage of Covered Payroll	14.11%	17.64%	13.93%	13.78%	14.64%

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
JUDICIAL RETIREMENT SYSTEM**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Statutory Required Contributions	\$ 6,045	\$ 5,881	\$ 4,908	\$ 4,975	\$ 4,816
Actual Employer Contributions	4,683	4,731	4,723	4,524	4,237
Annual Contribution Deficiency (Excess)	<u>\$ 1,362</u>	<u>\$ 1,150</u>	<u>\$ 185</u>	<u>\$ 451</u>	<u>\$ 579</u>
Covered Payroll	<u>\$ 16,090</u>	<u>\$ 16,292</u>	<u>\$ 15,126</u>	<u>\$ 15,493</u>	<u>\$ 15,612</u>
Annual Contribution as a Percentage of Covered Payroll	<u>29.11%</u>	<u>29.04%</u>	<u>31.22%</u>	<u>29.20%</u>	<u>27.14%</u>

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
JUDICIAL RETIREMENT SYSTEM (CONTINUED)**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2015	2014	2013	2012	2011
Statutory Required Contributions	\$ 4,919	\$ 6,413	\$ 7,235	\$ 5,835	\$ 5,784
Actual Employer Contributions	4,196	3,741	3,527	3,266	3,824
Annual Contribution Deficiency (Excess)	\$ 723	\$ 2,672	\$ 3,708	\$ 2,569	\$ 1,960
Covered Payroll	\$ 15,084	\$ 13,163	\$ 13,226	\$ 12,691	\$ 12,267
Annual Contribution as a Percentage of Covered Payroll	27.82%	28.42%	26.67%	25.74%	31.17%

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
MAGISTRATE RETIREMENT SYSTEM**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Statutory Required Contributions	\$ 1,923	\$ 1,862	\$ 1,588	\$ 1,576	\$ 1,463
Actual Employer Contributions	1,293	1,236	1,232	1,282	1,280
Annual Contribution Deficiency (Excess)	\$ 630	\$ 626	\$ 356	\$ 294	\$ 183
Covered Payroll	\$ 6,025	\$ 6,025	\$ 5,638	\$ 5,633	\$ 5,243
Annual Contribution as a Percentage of Covered Payroll	21.45%	20.52%	21.85%	22.76%	24.42%

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
MAGISTRATE RETIREMENT SYSTEM (CONTINUED)**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2015	2014	2013	2012	2011
Statutory Required Contributions	\$ 1,967	\$ 1,992	\$ 2,286	\$ 1,793	\$ 2,014
Actual Employer Contributions	937	793	805	676	895
Annual Contribution Deficiency (Excess)	\$ 1,030	\$ 1,199	\$ 1,481	\$ 1,117	\$ 1,119
Covered Payroll	\$ 5,066	\$ 3,516	\$ 3,137	\$ 3,214	\$ 3,405
Annual Contribution as a Percentage of Covered Payroll	18.49%	22.56%	25.67%	21.04%	26.27%

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Statutory Required Contributions	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Actual Employer Contributions	750	750	750	750	750
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Annual Contribution as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
VOLUNTEER FIREFIGHTERS RETIREMENT SYSTEM (CONTINUED)**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2015	2014	2013	2012	2011
Statutory Required Contributions	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Actual Employer Contributions	750	750	750	750	750
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Annual Contribution as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Statutory Required Contributions	\$ 586,452	\$ 587,331	\$ 546,593	\$ 477,840	\$ 465,341
Actual Employer Contributions	451,556	406,549	388,724	395,844	396,989
Annual Contribution Deficiency (Excess)	\$ 134,895	\$ 180,782	\$ 157,869	\$ 81,996	\$ 68,352
Covered Payroll	\$ 3,048,404	\$ 2,797,686	\$ 2,678,215	\$ 2,728,362	\$ 2,740,527
Annual Contribution as a Percentage of Covered Payroll	14.81%	14.53%	14.51%	14.51%	14.49%

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM (CONTINUED)**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year				
	2015	2014	2013	2012	2011
Statutory Required Contributions	\$ 450,951	\$ 479,884	\$ 480,700	\$ 400,461	\$ 377,885
Actual Employer Contributions	395,130	362,463	299,658	253,845	308,368
Annual Contribution Deficiency (Excess)	\$ 55,821	\$ 117,421	\$ 181,042	\$ 146,616	\$ 69,517
Covered Payroll	\$ 2,730,320	\$ 2,718,101	\$ 2,706,170	\$ 2,495,300	\$ 2,523,800
Annual Contribution as a Percentage of Covered Payroll	14.47%	13.34%	11.07%	10.17%	12.22%

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB NEW MEXICO RETIREE HEALTH CARE AUTHORITY

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year			
	2020	2019	2018	2017
Statutory Required Contributions	\$ 96,504	\$ 88,516	\$ 85,402	\$ 85,858
Actual Employer Contributions	<u>96,504</u>	<u>88,516</u>	<u>85,402</u>	<u>85,858</u>
Annual Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 4,298,116</u>	<u>\$ 4,172,929</u>	<u>\$ 4,290,617</u>	<u>\$ 4,165,647</u>
Annual Contribution as a Percentage of Covered Payroll	<u>2.25%</u>	<u>2.12%</u>	<u>1.99%</u>	<u>2.06%</u>

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB THE UNIVERSITY OF NEW MEXICO For the Last Ten Years (a) Ending June 30 (In Thousands)

	2020	2019	2018	2017
Actuarially determined contribution	7,459	7,513	7,322	7,467
Contributions in relation to the actuarially determined contribution	7,459	7,513	7,322	7,467
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	288,544	295,345	321,166	350,452
Contributions as a percentage of payroll	2.59%	2.54%	2.28%	2.13%

Notes to Schedule:

Valuation date January 1, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal – level % of salary

Asset valuation method Market value of assets

Healthcare cost trend rates Medical Pre-Medicare: 5.5% initially, reduced by decrements to a rate of 5.0% after nine years
Medical Post-Medicare: 5.4% initially, reduced by decrements to a rate of 5% after nine years
Dental: 4.0%

Salary increases 2.0%

Investment rate of return 8.0%, net of OPEB plan investment expense, including inflation

Retirement age 63

Mortality PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using scale MP-2018.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY For the Last Ten Years (a) Ending June 30, (In Thousands)

	2020	2019	2018	2017
Actuarially determined contribution	3,997	2,239	3,997	4,998
Contributions in relation to the actuarially determined contribution	3,997	2,239	3,997	4,998
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	30,619	14,433	28,337	28,142
Contributions as a percentage of payroll	13.1%	15.5%	14.1%	17.8%

Notes to Schedule:

Valuation date January 1, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal – level % of salary
Asset valuation method	Market value of assets
Inflation	3.0%
Healthcare cost trend rates	Medical Pre-Medicare: 5.75% initially, reduced by decrements to a rate of 5.00% after seven years Medical Post-Medicare: 5.00% consistent for next six years Pharmacy: 7.00% initially, reduced by decrement to a rate of 5.00% after eight years Dental and Vision: 3.0%
Salary increases	3.0%
Investment rate of return	6.0%
Retirement age	64
Mortality	PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - PENSION
PUBLIC EMPLOYEES RETIREMENT SYSTEM**

For the Last Ten Years (a) Ending June 30,

	Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Annual Money-weighted Rate of Return, Net of Investment Expenses	-2.70%	5.60%	6.50%	10.60%	0.70%	1.70%	17.40%

* Information for prior years not available.

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS - PENSION
 EDUCATIONAL EMPLOYEE RETIREMENT SYSTEM
 For the Last Ten Years (a) Ending June 30, 2020**

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual Money-weighted Rate of Return, Net of Investment Expenses	-0.97%	7.29%	8.38%	11.91%	2.68%	4.06%	14.71%	11.12%	1.87%	19.30%

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS - OPEB
 NEW MEXICO RETIREE HEALTH CARE AUTHORITY
 For the Last Ten Years (a) Ending June 30,**

	Fiscal Year			
	2020	2019	2018	2017
Annual Money-weighted Rate of Return, Net of Investment Expenses	1.43%	6.53%	9.06%	13.98%

* Information for prior years not available.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - OPEB THE UNIVERSITY OF NEW MEXICO For the Last Ten Years (a) Ending June 30,

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	4.55%	6.18%	6.77%	11.26%

* Information for prior years not available.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - OPEB NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY For the Last Ten Years (a) Ending June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	3.70%	7.10%	9.40%	11.30%

* Information for prior years not available.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS ALL RETIREMENT SYSTEMS Fiscal Year Ending June 30, 2020 (In Thousands)

	PERS	JRS	MRS	VERS	EERS
Valuation date	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Pay	Level Percent of Pay, Open	Level Percent of Payroll, Open	Level Dollar, Open	Closed 30 year period, Amortization, Level percent of Payroll
Amortization period	Solved for Based on Statutory Rates	30 years	30 years	30 years	Closed 30 years
Asset valuation method					5 Year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.25%	SEIR 4.34%	SEIR 7.25%	7.25%	7%
Projected Benefit Payment	100 years	89 years	86 years	100 years	
Payroll Growth	3.00%	3.00%	3.00%	N/A	-
Projected Salary Increases	3.25%-13.50%	4.00%	3.25%	N/A	2.50% Inflation, plus .05% Prod. Inc.
Includes Inflation At	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality Assumption	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	RPH-2014 Blue Collar Mortality Table	2020 GRS Southwest Region Teacher Mortality Table
Discount Rate	7.25%	4.34%	7.25%	7.25%	3.89%
Municipal Bond Rate	3.50%	3.50%	3.50%		3.50%

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

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

NEW MEXICO RETIREE HEALTH CARE AUTHORITY

Fiscal Year Ending June 30, 2020

(In Thousands)

Valuation Date	June 30, 2019
Actuarial cost method	Entry age normal, level of percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
<u>Actuarial Assumptions:</u>	
Inflation	2.50% for ERB; 2.50% for PERA
Projected payroll increases:	3.25% to 13.50% based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate:	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

The Following Presents Required Supplementary Information for the Employer Reporting of
Pension and OPEB Amounts

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30,
(In Thousands)

PERA - State-Funded Divisions	Measurement Date				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2014
State proportion of the net pension liability	51.29%	52.74%	52.52	51.25%	54.10%
State proportionate share of the net pension liability	\$ 3,324,673	\$ 3,255,419	\$ 2,767,431	\$ 3,156,785	\$ 1,795,898
State covered payroll (b)	\$ 1,024,186	\$ 987,851	\$ 1,030,651	\$ 1,192,558	\$ 1,137,325
State proportionate share of the net pension liability as a percentage of its covered payroll	324.62%	329.55%	268.51%	264.71%	157.91%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%	73.74%	69.18%	81.29%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

PERA - Judicial Fund	Measurement Date					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
State proportionate share of the net pension liability	\$ 113,675	\$ 84,479	\$ 86,675	\$ 106,623	\$ 48,050	\$ 41,311
State covered payroll (b)	\$ 16,291	\$ 15,126	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
State proportionate share of the net pension liability as a percentage of its covered payroll	697.78%	558.50%	559.45%	682.95%	318.54%	313.83%
Plan fiduciary net position as a percentage of the total pension liability	44.67%	51.95%	50.83%	44.34%	64.94%	68.81%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Measurement Date					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
PERA - Magistrate Fund						
State proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
State proportionate share of the net pension liability	\$ 45,634	\$ 36,998	\$ 33,403	\$ 43,481	\$ 30,349	\$ 21,216
State covered payroll (b)	\$ 6,025	\$ 5,638	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
State proportionate share of the net pension liability as a percentage of its covered payroll	757.41%	656.23%	592.99%	829.29%	599.09%	603.49%
Plan fiduciary net position as a percentage of the total pension liability	41.07%	46.45%	49.10%	41.65%	52.23%	62.38%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Measurement Date									
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014				
PERA - Volunteer Firefighters Fund										
State proportion of the net pension liability (asset)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%				
State proportionate share of the net pension liability	\$ (19,276)	\$ (18,485)	\$ (17,898)	\$ (12,114)	\$ (17,625)	\$ (21,042)				
State covered payroll (b)	*	*	*	*	*	*				
State proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A	N/A				
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A	N/A				

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

* There is no covered payroll. The State Legislature provides a contribution of \$750 thousand per year.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

ERB - State Agencies	Measurement Date					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State proportion of the net pension liability	0.29%	0.29%	0.27%	0.30%	0.34%	0.34%
State proportionate share of the net pension liability	\$ 22,005	\$ 34,028	\$ 30,486	\$ 21,580	\$ 22,015	\$ 19,127
State covered payroll (b)	\$ 8,489	\$ 8,000	\$ 8,561	\$ 9,662	\$ 9,240	\$ 9,242
State proportionate share of the net pension liability as a percentage of its covered payroll	259.22%	425.35%	356.10%	223.35%	238.26%	206.96%
Plan fiduciary net position as a percentage of the total pension liability	64.13%	52.17%	52.95%	61.58%	63.97%	66.54%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Measurement Date					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
ERB - Educational Institutions						
State proportion of the net pension liability	27.87%	28.73%	28.80%	28.65%	28.85%	29.19%
State proportionate share of the net pension liability	\$ 2,111,751	\$ 3,416,362	\$ 3,200,504	\$ 2,061,616	\$ 1,868,432	\$ 1,665,276
State covered payroll (b)	\$ 814,496	\$ 802,777	\$ 818,187	\$ 819,993	\$ 804,471	\$ 930,167
State proportionate share of the net pension liability as a percentage of its covered payroll	259.27%	425.57%	391.17%	251.42%	232.26%	179.03%
Plan fiduciary net position as a percentage of the total pension liability	64.13%	52.17%	52.95%	61.58%	63.97%	66.54%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

For the Last Ten Years (a) Ending June 30,
(In Thousands)

<u>Retiree Health Care - State-Funded Divisions</u>	<u>Measurement Date</u>		
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
State proportion of the net OPEB liability	24.22%	24.13%	24.12%
State proportionate share of the net OPEB liability	\$ 785,609	\$ 1,049,291	\$ 1,093,162
State covered payroll (b)	\$ 1,035,350	\$ 1,030,100	\$ 1,035,550
State proportionate share of the net OPEB liability as a percentage of its covered payroll	75.88%	101.86%	105.56%
Plan fiduciary net position as a percentage of the total OPEB liability	18.92%	13.14%	11.34%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

Retiree Health Care - Educational Institutions	Measurement Date		
	June 30, 2019	June 30, 2018	June 30, 2017
State proportion of the net OPEB liability	2.73%	2.86%	\$ 2.89
State proportionate share of the net OPEB liability	\$ 88,554	\$ 124,460	\$ 130,892
State covered payroll (b)	\$ 122,700	\$ 128,727	\$ 123,997
State proportionate share of the net OPEB liability as a percentage of its covered payroll	72.17%	96.69%	105.56%
Plan fiduciary net position as a percentage of the total OPEB liability	18.92%	13.14%	11.34%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

The Following Presents Required Supplementary Information for the State as Employer

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS

For the Last Ten Years (a) Ending June 30,
(In Thousands)

PERA - State-Funded Divisions	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
Contractually Required contribution	\$ 200,231	\$ 181,674	\$ 174,957	\$ 184,801	\$ 171,144	\$ 176,397
Contributions in relation to contractually required contributions	200,231	181,674	174,957	184,801	171,144	176,397
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State covered payroll	\$ 1,111,517	\$ 1,024,186	\$ 987,851	\$ 1,030,651	\$ 1,192,558	\$ 1,184,830
Contributions as a percentage of covered payroll	18.01%	17.74%	17.71%	17.93%	14.35%	14.89%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

PERA - Judicial Fund	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Contractually Required contribution	\$ 6,045	\$ 5,881	\$ 4,908	\$ 4,975	\$ 4,816	\$ 4,919	\$ 6,413
Contributions in relation to contractually required contributions	4,683	4,731	4,723	4,524	4,237	4,196	3,741
Contribution deficiency	\$ 1,362	\$ 1,150	\$ 185	\$ 451	\$ 579	\$ 723	\$ 2,672
State covered payroll	\$ 16,090	\$ 16,292	\$ 15,126	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
Contributions as a percentage of covered payroll	29.11%	29.04%	31.23%	29.20%	27.14%	27.82%	28.42%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

PERA - Magistrate Fund	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Contractually Required contribution	\$ 1,923	\$ 1,862	\$ 1,588	\$ 1,576	\$ 1,463	\$ 1,967	\$ 1,992
Contributions in relation to contractually required contributions	1,293	1,236	1,232	1,282	1,280	937	793
Contribution deficiency	\$ 630	\$ 626	\$ 356	\$ 294	\$ 183	\$ 1,030	\$ 1,199
State covered payroll	\$ 6,025	\$ 6,025	\$ 5,638	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
Contributions as a percentage of covered payroll	21.45%	20.51%	21.85%	22.76%	24.42%	18.49%	22.56%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

PERA - Volunteer Firefighters Fund	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Statutorily determined contribution*	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Contributions in relation to statutorily determined contributions	750	750	750	750	750	750	750
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State covered payroll	*	*	*	*	*	*	*
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

* There is no covered payroll. The State Legislature provides a contribution of \$750 thousand per year.

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

ERB - State Agencies	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
Contractually Required contribution	\$ 1,217	\$ 1,180	\$ 1,112	\$ 1,190	\$ 1,343	\$ 1,215
Contributions in relation to contractually required contributions	1,217	1,180	1,112	1,190	1,343	1,215
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State covered payroll	8,601	8,489	8,000	8,561	9,662	9,240
Contributions as a percentage of covered payroll	14.15%	13.90%	13.90%	13.90%	13.90%	13.15%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)**

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
ERB - Educational Institutions						
Contractually Required contribution	\$ 121,126	\$ 113,215	\$ 111,586	\$ 113,728	\$ 113,979	\$ 105,788
Contributions in relation to contractually required contributions	121,126	113,215	111,586	113,728	113,979	105,788
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Educational Institutions' covered payroll	856,014	814,496	802,777	818,187	819,993	804,471
Contributions as a percentage of covered payroll	14.15%	13.90%	13.90%	13.90%	13.90%	13.15%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)**

For the Last Ten Years (a) Ending June 30,
 (In Thousands)

Retiree Health Care - State-Funded Divisions	FY2020	FY2019	FY2018
Contractually Required contribution	\$ 22,981	\$ 20,707	\$ 20,602
Contributions in relation to contractually required contribution	22,981	20,707	20,602
Contribution deficiency	\$ -	\$ -	\$ -
State covered payroll	\$ 1,149,050	\$ 1,035,350	\$ 1,030,100
Contributions as a percentage of covered payroll	2.00%	2.00%	2.00%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

**REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE STATE'S CONTRIBUTIONS (CONTINUED)**

For the Last Ten Years (a) Ending June 30,
 (In Thousands)

Retiree Health Care - Educational Institutions	FY2020	FY2019	FY2018
Contractually Required contribution	\$ 2,554	\$ 2,454	\$ 2,575
Contributions in relation to contractually required contribution	2,554	2,454	2,575
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State covered payroll	\$ 127,700	\$ 122,700	\$ 128,727
Contributions as a percentage of covered payroll	2.00%	2.00%	2.00%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION



ICE CAVE AND BANDERA VOLCANO
SOURCE - WWW.NEWMEXICO.ORG

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR PROPRIETARY FUNDS COMBINING FINANCIAL STATEMENTS

Enterprise Funds

Enterprise funds report the activities for which fees are charged to external users for goods and services. Enterprise Funds are presented beginning on page 270.

Internal Service Funds

Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public. Internal Service Funds are presented beginning on page 282.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR ENTERPRISE FUNDS COMBINING FINANCIAL STATEMENTS

Industries for the Blind – The New Mexico Commission for the Blind’s mission is to encourage and enable the State’s blind citizens to achieve vocational, economic, and social equality. This proprietary fund is used to provide career training and other assistance for New Mexico’s blind citizens and entails the operations of the Albuquerque Training Center.

Corrections Industries Revolving Fund – This fund is used to account for certain activities of the Corrections Industries Division of the Department of Corrections. These activities include the manufacture of furniture and textiles, production of agricultural crops, and data entry services.

Environment Department – This fund is used to account for revolving loans for wastewater and drinking water facilities.

New Mexico Magazine – New Mexico Magazine is a program of the Department of Tourism. The fund accounts for the publishing and distribution of the monthly New Mexico Magazine.

New Mexico Public Schools Insurance Authority (NMPSIA) – NMPSIA is a self-insurance pool that provides various benefits and risk coverage to participating public schools, school board members and public school employees, plus retired board members and employees. Coverage provided includes property, casualty, workers’ compensation, health, life, and disability.

State Infrastructure Bank – The State Infrastructure Bank is a proprietary fund administered by the Department of Transportation. The fund is used to account for loans made for road projects.

Miners’ Colfax Medical Center – Miners’ Colfax Medical Center is a State owned medical facility in Raton, New Mexico. The current organization is a result of a merger between the Miners’ Hospital and Northern Colfax County Hospital. Miners’ Colfax operates a 25-bed acute care hospital; a 37 bed extended care facility and various outpatient clinics in Raton, New Mexico. Miners’ Colfax has programs that serve both miners and non-miners.

State Fair Commission – This fund administers the operations of the annual New Mexico State Fair and the use of the Fairgrounds facilities during the year

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

Education Trust Board – The Education Trust Board of New Mexico operates as a self-sustaining entity which is administratively connected to the NM Department of Higher Education. This fund administers New Mexico’s Section 529 College Savings Plans under rules promulgated by the Board. The financial statements of the two savings plans are presented as a private purpose fiduciary trust fund.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

June 30, 2020
(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ -	\$ 2	\$ -	\$ -	\$ 19,812	\$ -
Investment in the State General Fund						
Investment Pool	168	1,617	176,965	1,699	747	10,655
Investment in the Local Government						
Investment Pool	-	-	-	-	94,660	-
Prepaid Expenses and Other Assets	-	-	-	75	256	-
Receivables, Net	17	1,455	12,490	73	9,952	89
Inventories	-	717	-	-	-	-
Total Current Assets	185	3,791	189,455	1,847	125,427	10,744
Noncurrent Assets:						
Loans Receivable	-	-	185,612	-	-	11,264
Investments	-	-	-	-	29,875	-
Nondepreciable Capital Assets	-	-	-	-	237	-
Capital Assets, Net	6	424	-	-	26	-
Total Noncurrent Assets	6	424	185,612	-	30,138	11,264
Total Assets	191	4,215	375,067	1,847	155,565	22,008
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - OPEB	2	30	-	13	17	-
Deferred Outflows - Pension	40	545	-	222	284	-
Total Deferred Outflows	42	575	-	235	301	-

STATE OF NEW MEXICO

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

June 30, 2020
(In Thousands)

	Miners' Colfax Medical Center	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 967	\$ 1,100	\$ -	\$ -	\$ 21,881
Investment in the State General Fund					
Investment Pool	10,952	-	946	676	204,425
Investment in the Local Government					
Investment Pool	-	-	-	10,277	104,937
Prepaid Expenses and Other Assets	-	-	-	-	331
Receivables, Net	3,122	573	-	144	27,915
Inventories	856	-	-	-	1,573
Total Current Assets	15,897	1,673	946	11,097	361,062
Noncurrent Assets:					
Loans Receivable	-	-	-	-	196,876
Investments	1,002	-	-	-	30,877
Nondepreciable Capital Assets	905	1,485	-	-	2,627
Capital Assets, Net	21,755	38,244	531	-	60,986
Total Noncurrent Assets	23,662	39,729	531	-	291,366
Total Assets	39,559	41,402	1,477	11,097	652,428
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows - OPEB	291	41	-	5	399
Deferred Outflows - Pension	4,846	681	-	89	6,707
Total Deferred Outflows	5,137	722	-	94	7,106

STATE OF NEW MEXICO

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

June 30, 2020
(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
LIABILITIES						
Current Liabilities:						
Deficiency in SGFIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	4	795	-	116	219	-
Accrued Liabilities	4	62	-	35	48	-
Unearned Revenue	-	10	-	44	149	-
Due to Other Funds	-	-	-	-	2,000	-
Due to Higher Education	-	-	-	-	-	-
Funds Held for Others	-	-	-	-	-	-
Bonds Payable - Current Portion	-	-	-	-	-	-
Other Liabilities - Current Portion	-	83	-	807	31,348	-
Total Current Liabilities	8	950	-	1,002	33,764	-
Noncurrent Liabilities:						
Bonds Payable	-	-	-	-	-	-
Net Pension Liability	283	3,849	-	1,568	2,008	-
Net OPEB Liability	68	837	-	378	484	-
Other Liabilities	-	-	-	75	82,364	-
Total Noncurrent Liabilities	351	4,686	-	2,021	84,856	-
Total Liabilities	359	5,636	-	3,023	118,620	-
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - OPEB	40	489	-	220	282	-
Deferred Inflows - Pension	15	202	-	82	105	-
	55	691	-	302	387	-
NET POSITION						
Net Investment in Capital Assets	6	424	-	-	263	-
Restricted for:						
Unemployment and Insurance	-	-	375,067	-	-	-
Loans	-	-	-	-	-	-
Other Purposes	177	2,841	-	-	38,726	22,008
Unrestricted (Deficit)	(364)	(4,802)	-	(1,243)	(2,130)	-
Total Net Position	(181)	(1,537)	375,067	(1,243)	36,859	22,008

STATE OF NEW MEXICO

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

June 30, 2020
(In Thousands)

	Miners' Colfax Medical Center	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
LIABILITIES					
Current Liabilities:					
Deficiency in SGFIP	\$ -	\$ 175	-	\$ -	175
Accounts Payable	1,061	116	103	249	2,663
Accrued Liabilities	869	114	-	18	1,150
Unearned Revenue	4,438	8	-	-	4,649
Due to Other Funds	-	-	-	-	2,000
Due to Higher Education	4	-	-	-	4
Funds Held for Others	40	255	-	-	295
Bonds Payable - Current Portion	1,060	-	-	-	1,060
Other Liabilities - Current Portion	1,983	385	-	24	34,630
Total Current Liabilities	9,455	1,053	103	291	46,626
Noncurrent Liabilities:					
Bonds Payable	6,935	-	-	-	6,935
Net Pension Liability	34,239	4,813	-	626	47,386
Net OPEB Liability	8,243	1,159	-	151	11,320
Other Liabilities	2,050	-	-	-	84,489
Total Noncurrent Liabilities	51,467	5,972	-	777	150,130
Total Liabilities	60,922	7,025	103	1,068	196,756
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - OPEB	4,812	677	-	88	6,608
Deferred Inflows - Pension	1,798	253	-	33	2,488
	6,610	930	-	121	9,096
NET POSITION					
Net Investment in Capital Assets	14,665	39,729	531	-	55,618
Restricted for:					
Unemployment and Insurance	-	-	-	-	-
Loans	-	-	-	-	375,067
Other Purposes	1,858	1,120	-	10,805	77,535
Unrestricted (Deficit)	(39,359)	(6,680)	843	(803)	(54,538)
Total Net Position	\$ (22,836)	\$ 34,169	\$ 1,374	\$ 10,002	\$ 453,682

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2020

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
OPERATING REVENUES						
Charges for Services	\$ 4,813	\$ 8,044	\$ -	\$ 2,653	\$ 393,010	\$ -
Unemployment Insurance	-	-	-	-	-	-
Federal Revenue	-	-	7,720	38	-	-
Loan and Other Income	-	-	-	-	-	353
Other Operating Revenues	56	-	-	-	-	-
Total Operating Revenues	4,869	8,044	7,720	2,691	393,010	353
OPERATING EXPENSES						
Benefits, Claims, and Premiums	-	-	-	-	3,771	-
General and Administrative Expenses	103	2,055	1,387	2,969	393,373	-
Depreciation Expense	10	83	-	-	13	-
Other Operating Expenses	4,710	5,851	-	12	-	-
Total Operating Expenses	4,823	7,989	1,387	2,981	397,157	-
Operating Income (Loss)	46	55	6,333	(290)	(4,147)	353
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Income	-	50	107	-	2,616	-
Government Grants and Contracts	-	-	7,779	-	-	-
Other Revenue (Expenses)	-	67	2,382	-	331	-
Total Nonoperating Revenues (Expenses)	-	117	10,268	-	2,947	-
Income (Loss) Before Transfers	46	172	16,601	(290)	(1,200)	353
TRANSFERS						
Transfers In	-	-	-	-	8,170	-
Transfers Out	-	-	(995)	-	(170)	-
Total Transfers	-	-	(995)	-	8,000	-
Change in Net Position	46	172	15,606	(290)	6,800	353
Net Position - Beginning, as Restated	(227)	(1,709)	359,461	(953)	30,059	21,655
Net Position - Ending	(181)	(1,537)	375,067	(1,243)	36,859	22,008

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, 2020

(In Thousands)

	Miners' Colfax Medical Center	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
OPERATING REVENUES					
Charges for Services	\$ 13,001	\$ 10,241	\$ 17	\$ 3,284	\$ 435,063
Federal Revenue	10,522	-	-	-	10,560
Loan and Other Income	-	-	-	-	8,073
Other Operating Revenues	-	-	-	-	56
Total Operating Revenues	23,523	10,241	17	3,284	453,752
OPERATING EXPENSES					
Benefits, Claims, and Premiums	-	-	-	-	3,771
General and Administrative Expenses	38,155	12,931	377	3,026	453,776
Depreciation Expense	2,106	2,634	48	-	4,894
Other Operating Expenses	229	42	-	-	10,844
Total Operating Expenses	40,490	15,007	425	3,026	473,285
Operating Income (Loss)	(16,967)	(4,766)	(408)	258	(19,533)
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	692	-	-	183	3,648
Government Grants and Contracts	-	-	-	-	7,779
Other Revenue (Expenses)	489	700	-	-	3,969
Total Nonoperating Revenues (Expenses)	1,181	700	-	183	15,396
Income (Loss) Before Transfers	(15,786)	(4,066)	(408)	441	(4,137)
TRANSFERS					
Transfers In	7,803	2,998	-	-	18,971
Transfers Out	-	-	-	-	(1,165)
Total Transfers	7,803	2,998	-	-	17,806
Change in Net Position	(7,983)	(1,068)	(408)	441	13,669
Net Position - Beginning, as Restated	(14,853)	35,237	1,782	9,561	440,013
Net Position - Ending	(22,836)	34,169	1,374	10,002	453,682

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended June 30, 2020 (In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from:						
Fees for Service	\$ 4,866	\$ 7,172	\$ 3,657	\$ 2,684	\$ 394,160	\$ -
Gifts, Grants, and Contracts	-	-	-	-	-	-
Loan and Note Repayments	-	-	11,764	-	-	113
Other Sources	-	129	5,179	-	-	328
Cash Payments to or for:						
Suppliers	(4,751)	(6,042)	(13,415)	(1,888)	(390,265)	-
Employees	(111)	(1,338)	-	(723)	-	-
Unemployment Benefits	-	-	-	-	-	-
Other Payments	-	(159)	(4,658)	-	-	-
Net Cash Provided (Used) by Operating Activities	4	(238)	2,527	73	3,895	441
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	-	-	8,000	-
Transfers Out	-	-	(995)	-	-	-
Gifts for Other Than Capital Purposes	-	-	-	-	-	-
Intergovernmental Receipts	-	-	7,779	-	-	-
Other Noncapital Financing	-	-	884	-	2,332	-
Net Cash Provided by Noncapital Financing Activities	-	-	7,668	-	10,332	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	-	(81)	-	-	-	-
Capital Debt Service Payments - Principal	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	56	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(25)	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts of Interest and Dividends of Investments	-	50	107	-	1,773	-
Receipts of Rent	-	263	-	-	-	-
Proceeds from Sale and Maturity of Investments	-	-	-	-	-	-
Net Cash Provided (Used) by Investing Activities	-	313	107	-	1,773	-
Net Increase (Decrease) in Cash	4	50	10,302	73	16,000	441
Cash and Cash Equivalents at Beginning of Year	164	1,569	166,663	1,626	99,219	10,214
Cash and Cash Equivalents at End of Year	\$ 168	\$ 1,619	\$ 176,965	\$ 1,699	\$ 115,219	\$ 10,655
Cash and Cash Equivalents						
Unrestricted	\$ -	\$ 2	\$ -	\$ -	\$ 19,812	\$ -
Investment in State Gen. Fund Investment Pool	168	1,617	176,965	1,699	747	10,655
Investment in Local Government Invest Pool	-	-	-	-	94,660	-
Deficiency in SGFIP	-	-	-	-	-	-
Total Cash and Cash Equivalents	\$ 168	\$ 1,619	\$ 176,965	\$ 1,699	\$ 115,219	\$ 10,655

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2020

(In Thousands)

	Miners' Colfax Medical Center	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from:					
Fees for Service	\$ 21,349	\$ 9,131	\$ 17	\$ -	\$ 443,036
Gifts, Grants, and Contracts	-	-	-	3,718	3,718
Loan and Note Repayments	-	-	-	-	11,877
Other Sources	1,673	-	-	-	7,309
Cash Payments to or for:					
Suppliers	(13,195)	(5,852)	(308)	(2,566)	(438,282)
Employees	(19,155)	(5,619)	-	-	(26,946)
Other Payments	-	-	-	-	(4,817)
Net Cash Provided (Used) by Operating Activities	(9,328)	(2,340)	(291)	1,152	(4,105)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	739	-	-	-	8,739
Transfers Out	-	-	-	-	(995)
Gifts for Other Than Capital Purposes	5,722	-	-	-	5,722
Intergovernmental Receipts	-	-	-	-	7,779
Other Noncapital Financing	10,229	700	-	-	14,145
Net Cash Provided by Noncapital Financing Activities	16,690	700	-	-	35,390
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(1,587)	(196)	(365)	-	(2,229)
Capital Debt Service Payments - Principal	(1,030)	-	-	-	(1,030)
Proceeds from Sale of Capital Assets	-	-	-	-	56
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,617)	(196)	(365)	-	(3,203)
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts of Interest and Dividends of Investments	23	-	-	189	2,142
Receipts of Rent	-	-	-	-	263
Proceeds from Sale and Maturity of Investments	-	-	-	(5)	(5)
Net Cash Provided (Used) by Investing Activities	23	-	-	184	2,400
Net Increase (Decrease) in Cash	4,768	(1,836)	(656)	1,336	30,482
Cash and Cash Equivalents at Beginning of Year	7,151	2,761	1,602	9,617	300,586
Cash and Cash Equivalents at End of Year	\$ 11,919	\$ 925	\$ 946	\$ 10,953	\$ 331,068
Cash and Cash Equivalents					
Unrestricted	\$ 967	\$ 1,100	\$ -	\$ -	\$ 21,881
Investment in State Gen. Fund Investment Pool	10,952	-	946	676	204,425
Investment in Local Government Invest Pool	-	-	-	10,277	104,937
Deficiency in SGFIP	-	(175)	-	-	(175)
Total Cash and Cash Equivalents	\$ 11,919	\$ 925	\$ 946	\$ 10,953	\$ 331,068

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2020

(In Thousands)

	Industries for the Blind	Corrections Industries Revolving Fund	Environment Department	New Mexico Magazine	New Mexico Public Schools Insurance Authority	State Infrastructure Bank
RECONCILIATION OF OPERATING INCOME						
TO NET CASH PROVIDED (USED) BY						
OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 46	\$ 55	\$ 6,333	\$ (290)	\$ (4,147)	\$ 353
Adjustments to Reconcile Operating Income						
(Loss) to Net Cash Provided (Used)						
by Operating Activities:						
Depreciation	10	83	-	-	13	-
Realized (Gain) Loss on Disposal of Assets	-	23	-	-	-	-
Change in net pension liability	(22)	249	-	313	20	-
Change in net OPEB liability	(31)	(289)	-	42	(132)	-
Bad Debt Expense	-	-	-	-	-	-
Net Changes in Assets and Liabilities Related						
to Operating Activities:						
Receivables/Due From Other Funds	(4)	(744)	(3)	10	1,151	-
Notes/Loans	-	-	(3,803)	-	-	88
Inventories	-	117	-	-	-	-
Prepaid Items/Other Assets	-	-	-	(23)	-	-
Accounts Payable/Accrued Liabilities/Due						
To Other Funds	5	268	-	28	3,200	-
Loss Adjustments	-	-	-	-	3,771	-
Unearned Revenue	-	-	-	(7)	19	-
Net Cash Provided (Used) by Operating						
Activities	<u>\$ 4</u>	<u>\$ (238)</u>	<u>\$ 2,527</u>	<u>\$ 73</u>	<u>\$ 3,895</u>	<u>\$ 441</u>

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2020

(In Thousands)

	Miners' Colfax Medical Center	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (16,967)	\$ (4,766)	\$ (408)	\$ 258	\$ (19,533)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	2,106	2,634	48	-	4,894
Realized (Gain) Loss on Disposal of Assets	-	-	-	-	23
Change in net pension liability	5,754	491	-	188	6,993
Change in net OPEB liability	387	(100)	-	47	(76)
Bad Debt Expense	1,011	-	-	-	1,011
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	(428)	(522)	-	433	(107)
Notes/Loans	-	-	-	-	(3,715)
Inventories	(63)	-	-	-	54
Prepaid Items/Other Assets	-	124	-	-	101
Accounts Payable/Accrued Liabilities/Due To Other Funds	(1,128)	(153)	69	226	2,515
Loss Adjustments	-	-	-	-	3,771
Unearned Revenue	-	(48)	-	-	(36)
Net Cash Provided (Used) by Operating Activities	<u>\$ (9,328)</u>	<u>\$ (2,340)</u>	<u>\$ (291)</u>	<u>\$ 1,152</u>	<u>\$ (4,105)</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION NONMAJOR INTERNAL SERVICE FUNDS COMBINING FINANCIAL STATEMENTS

June 30, 2020

Fleet Operations – This fund accounts for the operations of the Transportation Motor Pool and the State Aircraft Pool, which provide ground and air transportation services to all state agencies on a fee basis.

Risk Management – This fund provides insurance coverage for all state agencies. Areas covered include public liability, workers compensation, group health and life, unemployment compensation, surety bond, and property insurance. Agencies are charged a premium based on several factors, including history and number of employees.

Printing and Records – This fund accounts for the provision of printing services of all kinds to state agencies according to an approved fee schedule. The fund also includes services for the retention and storage of public records for all state agencies, which pay an assessment based on size and usage.

Communications Services – This fund provides voice and data telecommunications services to all state agencies, which are assessed an annual fee based on size and prior usage.

Information Processing – This fund provides automated data processing services for all state agencies, which are assessed an annual fee based on size and prior usage.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION

NONMAJOR INTERNAL SERVICE FUNDS

June 30, 2020

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Total
ASSETS						
Current Assets:						
Investment in the State General Fund						
Investment Pool	\$ 4,428	\$ 149,111	\$ 2,287	\$ 7,864	\$ 50,795	\$ 214,485
Receivables, Net	2	283	80	6,871	2	7,238
Inventories and Other Assets	-	-	-	-	10	10
Total Current Assets	4,430	149,394	2,367	14,735	50,807	221,733
Noncurrent Assets:						
Nondepreciable Capital Assets	-	-	-	9,738	131	9,869
Capital Assets, Net	8,155	-	650	24,108	23,272	56,185
Total Noncurrent Assets	8,155	-	650	33,846	23,403	66,054
Total Assets	12,585	149,394	3,017	48,581	74,210	287,787
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - OPEB	28	58	100	140	75	401
Deferred Outflows - Pension	474	963	1,662	2,338	1,240	6,677
Total Deferred Outflows	502	1,021	1,762	2,478	1,315	7,078
LIABILITIES						
Current Liabilities:						
Accounts Payable	291	12,643	236	597	1,459	15,226
Accrued Liabilities	80	203	179	464	203	1,129
Unearned Revenue	-	210	1	-	-	211
Due to Other Funds	-	-	-	-	1	1
Other Liabilities	114	85,564	241	583	279	86,781
Total Current Liabilities	485	98,620	657	1,644	1,942	103,348
Noncurrent Liabilities:						
Net Pension Liability	3,350	6,803	11,741	16,521	8,775	47,190
Net OPEB Liability	807	1,638	2,827	3,979	2,113	11,364
Other Liabilities	2	67,187	9	-	-	67,198
Total Noncurrent Liabilities	4,159	75,628	14,577	20,500	10,888	125,752
Total Liabilities	4,644	174,248	15,234	22,144	12,830	229,100
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - OPEB	471	956	1,650	2,322	1,234	6,633
Deferred Inflows - Pension	176	357	616	867	460	2,476
Total Deferred Inflows	647	1,313	2,266	3,189	1,694	9,109
NET POSITION						
Net Investment in Capital Assets	8,155	-	650	33,846	23,402	66,053
Restricted for Other Purposes	-	-	-	13,092	48,869	61,961
Unrestricted (Deficit)	(359)	(25,146)	(13,371)	(21,212)	(11,270)	(71,358)
Total Net Position	\$ 7,796	\$ (25,146)	\$ (12,721)	\$ 25,726	\$ 61,001	\$ 56,656

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, 2020 (In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Total
OPERATING REVENUES						
Charges for Services	\$ 6,928	\$ 448,869	\$ 2,387	\$ 48,483	\$ 10,788	\$ 517,455
Total Operating Revenues	<u>6,928</u>	<u>448,869</u>	<u>2,387</u>	<u>48,483</u>	<u>10,788</u>	<u>517,455</u>
OPERATING EXPENSES						
General and Administrative Expenses	7,473	435,860	7,692	38,298	7,442	496,765
Depreciation Expense	1,822	-	147	5,423	3,099	10,491
Other Operating Expenses	-	2,174	42	-	-	2,216
Total Operating Expenses	<u>9,295</u>	<u>438,034</u>	<u>7,881</u>	<u>43,721</u>	<u>10,541</u>	<u>509,472</u>
Operating Income (Loss)	<u>(2,367)</u>	<u>10,835</u>	<u>(5,494)</u>	<u>4,762</u>	<u>247</u>	<u>7,983</u>
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Income	-	4,838	-	-	902	5,740
Gain (Loss) on Sale of Capital Assets	79	-	164	-	-	243
Nonoperating Revenues (Expenses)	29	9,722	17	30	-	9,798
Total Nonoperating Revenues (Expenses)	<u>108</u>	<u>14,560</u>	<u>181</u>	<u>30</u>	<u>902</u>	<u>15,781</u>
Income (Loss) Before Transfers	<u>(2,259)</u>	<u>25,395</u>	<u>(5,313)</u>	<u>4,792</u>	<u>1,149</u>	<u>23,764</u>
TRANSFERS						
Transfers In	8,695	18,608	5,305	16,222	11,547	60,377
Transfers Out	(3,601)	(17,703)	(617)	(7,978)	(12,564)	(42,463)
Total Transfers	<u>5,094</u>	<u>905</u>	<u>4,688</u>	<u>8,244</u>	<u>(1,017)</u>	<u>17,914</u>
Change in Net Position	<u>2,835</u>	<u>26,300</u>	<u>(625)</u>	<u>13,036</u>	<u>132</u>	<u>41,678</u>
Net Position - Beginning, as Restated	4,961	(51,446)	(12,096)	12,690	60,869	14,978
Net Position - Ending	<u>\$ 7,796</u>	<u>\$ (25,146)</u>	<u>\$ (12,721)</u>	<u>\$ 25,726</u>	<u>\$ 61,001</u>	<u>\$ 56,656</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR INTERNAL SERVICE FUNDS

June 30, 2020

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from:						
Fees for Service	\$ 6,940	\$ 449,394	\$ 2,406	\$ 48,374	\$ 10,967	\$ 518,081
Other Sources	133	21,830	156	-	-	22,119
Cash Payments to or for:						
Suppliers	(5,185)	(470,712)	(2,687)	(32,131)	(4,584)	(515,299)
Employees	(1,992)	(4,390)	(4,165)	(9,306)	(4,330)	(24,183)
Net Cash Provided (Used) by Operating Activities	(104)	(3,878)	(4,290)	6,937	2,053	718
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	3,538	18,608	4,280	1,630	23,124	51,180
Transfers Out	(289)	(17,338)	(89)	(16,456)	(7,464)	(41,636)
Other Noncapital Financing	(3,160)	16,748	122	(4,710)	(1,095)	7,905
Net Cash Provided (Used) by Noncapital Financing Activities	89	18,018	4,313	(19,536)	14,565	17,449
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Sale of Capital Assets	79	-	-	164	-	243
Acquisition of Capital Assets	(31)	-	11	-	(2,658)	(2,678)
Net Cash Provided (Used) by Capital and Related Financing Activities	48	-	11	164	(2,658)	(2,435)
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts of Interest and Dividends of Investments	-	-	-	-	902	902
Net Cash Provided (Used) by Investing Activities	-	-	-	-	902	902
Net Increase (Decrease) in Cash and Cash Equivalents at Beginning of Year, as Restated	33	14,140	34	(12,435)	14,862	16,634
Cash and Cash Equivalents at End of Year	\$ 4,395	\$ 134,971	\$ 2,253	\$ 20,299	\$ 35,933	\$ 197,851
Cash and Cash Equivalents at End of Year	\$ 4,428	\$ 149,111	\$ 2,287	\$ 7,864	\$ 50,795	\$ 214,485
Cash and Cash Equivalents						
Investment in the State General Fund Investment Pool	4,428	149,111	2,287	7,864	50,795	214,485
Total Cash and Cash Equivalents	\$ 4,428	\$ 149,111	\$ 2,287	\$ 7,864	\$ 50,795	\$ 214,485
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (2,367)	\$ 10,835	\$ (5,494)	\$ 4,762	\$ 247	\$ 7,983
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	1,822	-	147	5,423	3,099	10,491
Change in net pension liability	462	444	1,208	(537)	(632)	945
Change in net OPEB liability	(11)	(263)	(238)	(1,424)	(927)	(2,863)
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables/Due From Other Funds	13	300	11	(62)	178	440
Prepaid Items/Other Assets	(28)	(396)	(64)	-	1	(487)
Insurance Claims Payable	-	(14,201)	-	-	-	(14,201)
Accounts Payable/Accrued Liabilities/Due To Other Funds	5	(597)	140	(1,225)	87	(1,590)
Net Cash Provided (Used) by Operating Activities	\$ (104)	\$ (3,878)	\$ (4,290)	\$ 6,937	\$ 2,053	\$ 718

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS FINANCIAL STATEMENTS

Public Employees Retirement Association - (PERA) – PERA is a qualified, defined benefit, government retirement plan established by the State of New Mexico to provide pension benefits for all State, County, and Municipal employees, police, firefighters, judges, magistrates and legislators. PERA is comprised of four separate systems which offer an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators.

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

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

Deferred Compensation Plan (IRC 457) – The State of New Mexico offers its employees a deferred compensation plan (Plan) under Chapters 10-7A-1 to 10-7A-12, NMSA 1978, the “Deferred Compensation Act,” is in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their income until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Public Employee’s Retiree Association is the trustee of the Plan; however, the Plan is administered by a third party administrator acting under contract with PERA.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

June 30, 2020

(In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
ASSETS					
Cash and Short-Term Investments	\$ 946,091	\$ 186,404	\$ -	\$ -	\$ 1,132,495
Investment in State General Fund Investment Pool	17,982	8,313	46,961	41	73,297
Investment in Local Government Investment Pool	-	106	-	-	106
Investments:					
U.S. Gov't. and Agency Securities	889,227	334,938	-	-	1,224,165
International Securities	2,359,059	2,907,281	172,875	-	5,439,215
Corporate Equity Securities	2,145,190	2,457,879	216,299	-	4,819,368
Corporate and Municipal Bonds	1,450,866	358,509	174,843	-	1,984,218
Partnerships and Other Investments	7,274,091	6,665,914	224,257	-	14,164,262
Securities Lending Collateral Invest.	296,084	-	-	-	296,084
Deferred Comp. Plan Invest.	-	-	-	649,693	649,693
Receivables:					
Brokers	1,136,799	123,096	-	-	1,259,895
Accrued Interest and Other	-	10,716	-	-	10,716
Accounts Receivable	28,914	93,110	18,123	26	140,173
Component Units	-	-	301	-	301
Participant Loans	-	-	796	12,335	13,131
Capital Assets, Net	10,923	1,497	1,222	-	13,642
Total Assets	16,555,226	13,147,763	855,677	662,095	31,220,761
LIABILITIES					
Accounts Payable	4,609	3,464	4,796	-	12,869
Accrued Liabilities	355	336	90	3	784
Due to Brokers	1,376,320	123,138	-	-	1,499,458
Unearned Revenue	-	-	409	-	409
Deposits Held in Trust	2,738	114	-	-	2,852
Other Liabilities	296,442	1,516	20,710	9	318,677
Total Liabilities	1,680,464	128,568	26,005	12	1,835,049
NET POSITION					
Restricted for:					
Pension Benefits	14,874,762	13,019,195	-	-	27,893,957
Other Employee Benefits	-	-	829,672	-	829,672
Defined Contribution	-	-	-	662,083	662,083
Net Position	\$ 14,874,762	\$ 13,019,195	\$ 829,672	\$ 662,083	\$ 29,385,712

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

For the Year Ended June 30, 2020

(In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Total
ADDITIONS					
Contributions:					
Employee Contributions	\$ 300,486	\$ 327,998	\$ 178,132	\$ 41,705	\$ 848,321
Employer Contributions	371,751	451,556	144,756	-	968,063
Other	8	-	-	-	8
Total Contributions	672,245	779,554	322,888	41,705	1,816,392
Investment Income (Loss):					
Net Increase in Fair Value of Investments	(404,622)	(36,836)	9,623	8,946	(422,889)
Interest and Dividends	243,904	104,357	1,277	15,365	364,903
	(160,718)	67,521	10,900	24,311	(57,986)
Less Investment Expense	65,574	143,400	386	-	209,360
Net Investment Income	(226,292)	(75,879)	10,514	24,311	(267,346)
Other Additions:					
Other Operating Revenues	59,217	1,968	59,759	107	121,051
Total Other Additions	59,217	1,968	59,759	107	121,051
Total Additions	505,170	705,643	393,161	66,123	1,670,097
DEDUCTIONS					
Benefits and Claims	1,273,861	1,169,305	-	47,481	2,490,647
Refunds	44,911	50,956	579	-	96,446
General and Administrative Expenses	13,895	10,600	319,615	1,576	345,686
Other Operating Expenses	680	278	43	-	1,001
Total Deductions	1,333,347	1,231,139	320,237	49,057	2,933,780
Change in Net Position	(828,177)	(525,496)	72,924	17,066	(1,263,683)
Net Position - Beginning, as Restated	15,702,939	13,544,691	756,748	645,017	30,649,395
Net Position - Ending	\$ 14,874,762	\$ 13,019,195	\$ 829,672	\$ 662,083	\$ 29,385,712

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

EXTERNAL INVESTMENT TRUST FUNDS FINANCIAL STATEMENTS

State Investment Council – The State Investment Council (Council) is responsible for the investment activities of certain State of New Mexico Trust Funds. Pursuant to New Mexico law, the Council created the following investment pools: Large Capitalization Active, Large Capitalization Index, Core Bonds, Structured Credit, Mid\Small Capitalization, Non-U.S. Equity Securities, Non-U.S. Emerging Markets, and Absolute Bonds. The investment pools provide long-term investment opportunities for state agencies and designated institutions that have funds available for a long-term investment program that will extend for more than one year. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by State entities are presented in both the Governmental Funds and Proprietary Funds as assets of those respective entities.

State Treasurer – The Office of the State Treasurer holds and invests monies for other state agencies and local governments through the Local Governmental Investment Pool. Only the portion of the fund that is not owned by the State is presented as an External Trust Fund. Other portions of the fund that are owned by the State are presented in both the Governmental Funds and Proprietary Funds as assets of those respective entities.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF FIDUCIARY NET POSITION

EXTERNAL INVESTMENT TRUST FUNDS

June 30, 2020

(In Thousands)

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,954	\$ 92,673	\$ 96,627
Investment in Local Government			
Investments	85,356	699,521	784,877
Receivables	2,392	191	2,583
Total Assets	<u>91,702</u>	<u>792,385</u>	<u>884,087</u>
LIABILITIES			
Other Liabilities	2,072	32,148	34,220
Total Liabilities	<u>2,072</u>	<u>32,148</u>	<u>34,220</u>
NET POSITION			
Held in Trust for			
External Investment Pool Participants	89,630	760,237	849,867
Net Position	<u>\$ 89,630</u>	<u>\$ 760,237</u>	<u>\$ 849,867</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, 2020 (In Thousands)

	State Investment Council	State Treasurer	Total
ADDITIONS			
Pool Participant Deposits	\$ 5,581	\$ 705,612	\$ 711,193
Investment Income (Loss):			
Net Increase (Decrease) in Fair Value of Investments	75	3,849	3,924
Interest and Dividends	3,126	-	3,126
Total Additions	8,782	709,461	718,243
DEDUCTIONS			
General and Administrative Expenses	5,220	-	5,220
Distributions	-	620,626	620,626
Total Deductions	5,220	620,626	625,846
Change in Net Position	3,562	88,835	92,397
Net Position - Beginning, as Restated	86,068	671,402	757,470
Net Position - Ending	\$ 89,630	\$ 760,237	\$ 849,867

* The pool participant deposits reported for the State Treasurer above is net of actual pool participant deposits and withdrawals.

** Includes reduction of interfund investments.

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION FIDUCIARY FUNDS PRIVATE PURPOSE TRUST FUNDS FINANCIAL STATEMENTS

Scholarship Fund – This grouping includes scholarship trust funds administered by the Higher Education Department and the Public Education Department.

Higher Education Savings Fund – The 529 Higher Education Savings Plan is a variable return college savings program that enables individuals to save and invest in order to fund future higher education expenses of a child or beneficiary. The program is designed to be a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and is maintained by the Education Trust Board.

Water Trust Fund – The Water Trust Fund accounts for monies appropriated, donated, or otherwise accrued in the fund for the water project fund, which is administered by the State Investment Council.

Bartlett Trust Fund – The Cultural Affairs Department is the administrator of a trust fund which was privately endowed for the benefit of the Museum of International Folk Art.

Children’s Trust Fund - This fund accounts for a part of marriage license fees as well as private donations for the purpose of advocacy of children and prevention of child abuse and neglect.

Children’s Trust Fund Next Generation – This fund accumulates resources for programs that provide positive child and youth development activities.

Office of Superintendent of Insurance – This fund is comprised to two funds:

- a) Patient’s Compensation Fund – This is a medical malpractice insurance risk – assuming fund mandated by the Medical Malpractice Act.
- b) Trust Fund for Policyholders and Creditors of insurance companies which have entered into receivership.

STATE OF NEW MEXICO

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

June 30, 2020
(In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Rural Libraries Trust	Total
ASSETS									
Cash and Cash Equivalents	\$ 20	\$ 9,220	\$ 1,415	\$ -	\$ -	\$ -	\$ 1,242	\$ 48	\$ 11,945
Investment in State General Fund Investment Pool	15,013	-	-	113	2,172	534	60,526	-	78,358
Investments:									
Investment Pools	2,446	2,412,881	38,868	-	4,563	1,550	629,343	982	3,090,633
Receivables:									
Brokers	-	-	226	-	-	-	-	25	251
Accounts Receivable	-	-	46	-	6	-	127	2	181
Other Receivables	-	-	-	-	-	-	-	2,000	2,000
Total Assets	17,479	2,422,101	40,555	113	6,741	2,084	691,238	3,057	\$ 3,183,368
DEFERRED OUTFLOWS OF RESOURCES									
Deferred Outflows of Resources	-	-	-	-	-	-	467	-	467
Total Deferred Outflows of Resources	-	-	-	-	-	-	467	-	\$ 467
LIABILITIES									
Accounts Payable	-	-	-	-	-	-	663	-	663
Accrued Liabilities	-	1,747	-	-	-	-	9	-	1,756
Other Liabilities	-	-	285	-	-	-	159,929	32	160,246
Total Liabilities	-	1,747	285	-	-	-	160,601	32	\$ 162,665
DEFERRED INFLOWS OF RESOURCES									
Deferred Inflows of Resources	-	-	-	-	-	-	11,565	-	11,565
Total Deferred Inflows of Resources	-	-	-	-	-	-	11,565	-	\$ 11,565
NET POSITION									
Held in Trust for Other Purposes	17,479	2,420,354	40,270	113	6,741	2,084	519,339	3,025	3,009,605
Net Position	\$ 17,479	\$ 2,420,354	\$ 40,270	\$ 113	\$ 6,741	\$ 2,084	\$ 519,339	\$ 3,025	\$ 3,009,605

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, 2020

(In Thousands)

	Scholarship	Higher Education Savings	Water Trust	Bartlett Trust	Children's Trust	Children's Trust Next Gen.	Office of State Insurance	Rural Libraries Trust	Total
ADDITIONS									
Member Contributions	\$ -	\$ 509,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 509,506
Total Contributions	-	509,506	-	-	-	-	-	-	509,506
Investment Income:									
Net Increase (Decrease) in Fair Value of Investments	-	28,352	(1,063)	-	182	70	150,728	4	178,273
Interest and Dividends	149	58,234	913	4	67	17	1,940	22	61,346
Less Investment Expense	149	86,586	(150)	4	249	87	152,668	26	239,619
Net Investment Income	4	3,017	25	-	-	-	-	1	3,047
	145	83,569	(175)	4	249	87	152,668	25	236,572
Other Additions:									
Appropriations	-	-	-	-	-	-	-	3,000	3,000
Other Operating Revenues	-	18	-	-	73	-	30,495	-	30,586
Total Other Additions	-	18	-	-	73	-	30,495	3,000	33,586
Total Additions	145	593,093	(175)	4	322	87	183,163	3,025	779,664
DEDUCTIONS									
Distributions	-	640,312	4,000	-	-	-	-	-	644,312
Payments	3,089	-	-	-	-	-	-	-	3,089
General and Administrative Expenses	2,000	7,287	-	-	-	-	186,838	-	196,125
Total Deductions	5,089	647,599	4,000	-	-	-	186,838	-	843,526
Change in Net Position	(4,944)	(54,506)	(4,175)	4	322	87	(3,675)	3,025	(63,862)
Net Position - Beginning, as Restated	22,423	2,474,860	44,445	109	6,419	1,997	523,214	-	3,073,467
Net Position - Ending	\$ 17,479	\$ 2,420,354	\$ 40,270	\$ 113	\$ 6,741	\$ 2,084	\$ 519,539	\$ 3,025	\$ 3,009,605

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

Year Ended June 30, 2020

(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, 2019 as Restated	Additions	Deletions	Balance June 30, 2020
Assets				
Cash and Cash Equivalents	\$ 22,385	\$ 13,827	\$ 13,822	\$ 22,390
Investment in State General Fund Investment Pool	62,985	17,175,303	17,201,737	36,551
Investment in Local Government Investment Pool	1,905	2,466	43	4,328
Due from Other Parties	-	1,971	1,971	-
Due From Component Units	-	-	-	-
Receivables, Net	354,667	10,726,561	10,740,634	340,594
Other Assets	-	462	-	462
Total Assets	\$ 441,942	\$ 27,920,590	\$ 27,958,207	\$ 404,325
Liabilities				
Accounts Payable	\$ 610	\$ 3,270,138	\$ 3,268,739	\$ 2,009
Accrued Liabilities	94	1,473	1,467	100
Due to Component Units	13,685	16,654	16,338	14,001
Due to Other Parties	62	4,146,972	4,147,034	-
Intergovernmental Payables	396,143	450,207	495,098	351,252
Deposits Held in Trust	26,288	22,104,262	22,096,808	33,742
Other Liabilities	5,060	331,454	333,293	3,221
Total Liabilities	\$ 441,942	\$ 30,321,160	\$ 30,358,777	\$ 404,325

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS June 30, 2020 (In Thousands)

Non-major Component Units

There were seventeen non-major component units at June 30, 2020. They are as follows: UNM Alumni Association; UNM Lobo Club; UNM Anderson School of Management Foundation; New Mexico Tech Foundation; New Mexico Highlands University (NMHU) Foundation; NMHU Stable Isotopes Corporation; Western New Mexico University Foundation; Eastern New Mexico University (ENMU) Foundation; ENMU Roswell Foundation; ENMU Ruidoso Foundation; Northern New Mexico College Foundation; New Mexico Military Institute Foundation; New Mexico School for the Visually Impaired Foundation; Cumbres & Toltec Scenic Railroad Commission; New Mexico Renewable Transmission Authority; the New Mexico Small Business Investment Corporation and State Charter Charter Schools.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS

June 30, 2020
(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM- Anderson Schools of Mgt. Foundation	New Mexico Tech Foundation	New Mexico Highlands University Foundation	NMHU - Stable Isotopes Corporation	Western New Mexico University Foundation	Eastern New Mexico University Foundation	ENMU - Roswell Foundation
ASSETS									
Current Assets:									
Cash and Cash Equivalents	\$ 1,231	\$ 3,688	\$ 1,384	\$ 251	\$ 673	\$ -	\$ 498	\$ 172	\$ 38
Investment in Local Government	-	-	-	-	-	-	-	-	-
Investment Pool	-	-	-	-	-	-	-	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	643	-	-
Investments	8,478	-	2,783	21,848	-	-	-	-	-
Due From Primary Government	-	-	55	-	-	-	-	-	-
Receivables, Net	2	-	382	16	151	-	5	13	-
Prepaid Expenses	28	18	-	-	3	-	-	5	1
Inventories	-	-	-	-	-	-	-	-	-
Total Current Assets	9,739	3,706	4,604	22,115	827	-	1,146	190	39
Noncurrent Assets:									
Restricted Cash and Cash Equivalents	-	-	-	-	1,020	-	184	-	-
Restricted Investments	-	-	-	5,495	-	-	-	-	-
Loans Receivable, Net	-	-	-	31	-	-	-	-	-
Investments	-	-	-	-	8,696	-	9,106	22,121	12,155
Other Noncurrent Assets	-	-	-	-	235	-	926	-	-
Nondepreciable Capital Assets	-	-	-	-	6,483	-	275	148	-
Other Capital Assets, Net	-	-	-	1,389	981	-	17	-	-
Total Noncurrent Assets	-	-	-	6,915	17,415	-	10,508	22,269	12,155
Total Assets	9,739	3,706	4,604	29,030	18,242	-	11,654	22,459	12,194
DEFERRED OUTFLOWS OF RESOURCES									
Deferred Outflows - OPEB	-	-	-	-	-	-	-	-	-
Deferred Outflows - Pension	-	-	-	-	-	-	-	-	-
Total Deferred Outflows	-	-	-	-	-	-	-	-	-

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED)

June 30, 2020
(In Thousands)

ASSETS	ENMU - Euidoso Foundation	Northern New Mexico College Foundation	New Mexico Military Institute Foundation	New Mexico School for Visually Impaired Foundation	Cumbres & Toltec Scenic RR Commission	NM Renewable Transmission Authority	NIM Small Bus Investment Corp.	Charter Schools	Total Nonmajor Component Units
Current Assets:									
Cash and Cash Equivalents	\$ 187	\$ 715	\$ 56	\$ 21	\$ 2,863	\$ 226	\$ 229	\$ 62,615	74,847
Investment in Local Government Investment Pool	-	-	-	-	-	226	10,122	-	10,348
Restricted Cash and Cash Equivalents	-	-	1,537	-	-	-	-	12,067	14,247
Investments	-	-	-	-	-	-	22,826	102	56,037
Due From Primary Government	-	-	-	-	-	-	-	6,159	6,214
Receivables, Net	4	-	62	-	1,054	21	3	801	2,514
Prepaid Expenses	-	-	-	-	33	8	5	623	724
Inventory	-	-	-	-	243	-	-	-	243
Total Current Assets	191	715	1,655	21	4,193	481	33,185	82,367	165,174
Noncurrent Assets:									
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	-	-	1,204
Restricted Investments	-	-	42,777	-	-	-	-	-	48,272
Loans Receivable, Net	-	-	-	-	-	-	62,551	-	62,582
Investments	232	3,959	19,390	154	-	-	2,491	-	78,304
Other Noncurrent Assets	-	-	1,739	-	-	-	-	-	2,900
Nondepreciable Capital Assets	-	-	-	-	1,659	-	-	18,241	26,806
Other Capital Assets, Net	-	-	1	-	14,602	-	-	65,555	82,545
Total Noncurrent Assets	232	3,959	63,907	154	16,261	-	65,042	83,796	302,613
Total Assets	423	4,674	65,562	175	20,454	481	98,227	166,163	467,787
DEFERRED OUTFLOWS OF RESOURCES									
Deferred Outflows - OPEB	-	-	-	-	-	-	-	11,268	11,268
Deferred Outflows - Pension	-	-	-	-	-	-	-	59,315	59,315
Total Deferred Outflows	-	-	-	-	-	-	-	70,583	70,583

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED)

June 30, 2020
(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM- Anderson Schools of Mgt. Foundation	New Mexico Tech Foundation	New Mexico Highlands University Foundation	NMHU - Stable Isotopes Corporation	Western New Mexico University Foundation	Eastern New Mexico University Foundation	ENMU - Roswell Foundation
LIABILITIES									
Current Liabilities:									
Accounts Payable	36	-	4	-	20	-	-	41	22
Accrued Liabilities	-	-	-	29	2	-	-	257	-
Unearned Revenue	-	-	669	-	-	-	-	-	-
Due to Primary Government	-	2,120	306	-	-	-	282	-	-
Funds Held for Others	-	-	-	-	-	-	307	-	-
Other Liabilities	-	-	-	624	220	-	-	-	-
Total Current Liabilities	36	2,120	979	653	242	-	589	298	22
Noncurrent Liabilities:									
Net Pension Liability	-	-	-	-	-	-	-	-	-
Net OPEB Liability	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	6	3,112	-	-	-	-
Total Noncurrent Liabilities	-	-	-	6	3,112	-	-	-	-
Total Liabilities	36	2,120	979	659	3,354	-	589	298	22
DEFERRED INFLOWS OF RESOURCES									
Unearned Revenue	-	303	-	-	-	-	-	-	-
Deferred Inflows - OPEB Liability	-	-	-	-	-	-	-	-	-
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	-	-
Total Deferred Inflows	-	303	-	-	-	-	-	-	-
NET POSITION									
Net Investment in Capital Assets	-	-	-	1,389	6,611	-	292	148	-
Restricted:									
Nonexpendable	-	-	-	5,500	5,246	-	10,216	10,999	1,990
Expendable:									
Other Purposes	-	-	572	2,093	1,698	-	337	10,116	4,986
Unrestricted Net Position (Deficit)	9,703	1,283	3,053	19,389	1,333	-	220	898	5,196
Total Net Position (Deficit)	\$ 9,703	\$ 1,283	\$ 3,625	\$ 28,371	\$ 14,888	\$ -	\$ 11,065	\$ 22,161	\$ 12,172

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS (CONTINUED) (In Thousands)

	ENMU - Ruidoso Foundation	Northern New Mexico College Foundation	New Mexico Military Institute Foundation	New Mexico School for Visually Impaired Foundation	Cumbres & Toltec Scenic RR Commission	NM Renewable Transmission Authority	NM Small Bus Investment Corp.	Charter Schools	Total Nonmajor Component Units
LIABILITIES									
Current Liabilities:									
Accounts Payable	20	-	3	-	336	70	-	2,149	2,701
Accrued Liabilities	-	-	20	-	70	-	-	14,079	14,457
Unearned Revenue	-	184	-	-	711	-	-	175	1,739
Due to Primary Government	-	330	269	-	-	-	-	49	3,356
Funds Held for Others	-	-	-	-	-	-	-	-	307
Other Liabilities	-	60	392	-	570	10	1,710	203	3,789
Total Current Liabilities	20	574	684	-	1,687	80	1,710	16,655	26,349
Noncurrent Liabilities:									
Net Pension Liability	-	-	-	-	-	-	-	172,412	172,412
Net OPEB Liability	-	-	-	-	-	-	-	48,810	48,810
Other Liabilities	-	-	-	-	21	-	-	76,098	79,237
Total Noncurrent Liabilities	-	-	-	-	21	-	-	297,320	300,459
Total Liabilities	20	574	684	-	1,708	80	1,710	313,975	326,808
DEFERRED INFLOWS OF RESOURCES									
Unearned Revenue	-	-	-	-	905	-	-	-	1,208
Deferred Inflows - OPEB Liability	-	-	-	-	-	-	-	32,446	32,446
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	15,320	15,320
Total Deferred Inflows	-	-	-	-	905	-	-	47,766	48,974
NET POSITION									
Net Investment in Capital Assets	-	-	-	-	16,261	-	-	14,894	39,595
Restricted:									
Nonexpendable	212	3,837	27,489	-	-	-	-	30,506	95,995
Expendable:									
Other Purposes	87	-	17,309	154	-	401	96,517	-	134,270
Unrestricted Net Position (Deficit)	104	263	20,080	21	1,580	-	-	(170,395)	(107,272)
Total Net Position (Deficit)	\$ 403	\$ 4,100	\$ 64,878	\$ 175	\$ 17,841	\$ 401	\$ 96,517	\$ (124,995)	\$ 162,588

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS

June 30, 2020
(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM Anderson Schools of Mgt. Foundation	New Mexico Tech Foundation	New Mexico Highlands University Foundation	NM/HU - Stable Isotopes Foundation	Western New Mexico University Foundation	Eastern New Mexico University Foundation	ENMU - Roswell Foundation
Expenses	\$ 764	\$ 5,033	\$ 990	\$ 2,160	\$ 936	\$ 108	\$ 733	\$ 1,266	\$ 291
Program Revenues:									
Charges for Services	3	-	572	-	-	108	-	-	-
Operating Grants and Contributions	723	5,047	318	1,180	2,081	-	453	161	589
Total Program Revenues	726	5,047	890	1,180	2,081	108	453	161	589
Nonoperating Revenues:									
Grant Revenue	-	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	(38)	14	(100)	(980)	1,145	-	(280)	(1,105)	298
Other Revenues & Expenses:									
Payment from State of New Mexico	-	-	-	-	-	-	-	-	-
Payment to State of New Mexico	-	-	-	-	-	-	-	-	-
Other	304	-	-	-	(2)	-	301	1,489	91
Investment Income	(22)	22	76	1,516	(36)	-	434	880	518
Total General Revenues	282	22	76	1,516	(38)	-	735	2,369	609
Change in Net Position	244	36	(24)	536	1,107	-	455	1,264	907
Net Position - Beginning, as Restated	9,459	1,247	3,649	27,835	13,781	-	10,610	20,897	11,265
Net Position - Ending (Deficit)	\$ 9,703	\$ 1,283	\$ 3,625	\$ 28,371	\$ 14,888	\$ -	\$ 11,065	\$ 22,161	\$ 12,172

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS (CONTINUED)

For the Year Ended June 30, 2020

(In Thousands)

	ENMU - Ruidoso Foundation	Northern New Mexico College Foundation	New Mexico Military Institute Foundation	New Mexico School for Visually Impaired Foundation	Cumbres & Toltec Scenic RR Commission	NM Renewable Transmission Authority	NM Small Business Investment Corp.	Charter Schools	Total Nonmajor Component Units
Expenses	\$ 87	\$ 87	\$ 2,025	\$ 12	\$ 6,368	\$ 1,269	\$ 1,204	\$ 113,146	\$ 136,479
Program Revenues:									
Charges for Services	-	-	346	-	4,717	-	-	1,940	7,686
Operating Grants and Contributions	16	179	1,394	20	2,331	885	-	32,862	48,239
Total Program Revenues	16	179	1,740	20	7,048	885	-	34,802	55,925
Net (Expenses) Revenues	(71)	92	(285)	8	680	(384)	(1,204)	(78,344)	(80,554)
Other Revenues & Expenses:									
Payment from State of New Mexico	-	-	-	-	-	675	57,755	146,649	205,079
Other	54	-	-	-	75	-	-	3,027	5,339
Investment Income	-	53	1,661	2	6	4	1,275	-	6,389
Total General Revenues	54	53	1,661	2	81	679	59,030	149,676	216,807
Change in Net Position	(17)	145	1,376	10	761	295	57,826	71,332	136,253
Net Position - Beginning, as Restated	420	3,955	63,502	165	17,080	106	38,691	(196,327)	26,335
Net Position - Ending (Deficit)	\$ 403	\$ 4,100	\$ 64,878	\$ 175	\$ 17,841	\$ 401	\$ 96,517	\$ (124,995)	\$ 162,588

STATE OF NEW MEXICO
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

STATISTICAL SECTION



EAGLE NEST LAKE STATE PARK
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STATE OF NEW MEXICO

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

INDEX TO STATISTICAL SECTION

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

Financial Trends Information

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

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Schedule A-2	Changes in Net Position	313
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Revenue Capacity Information

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Debt Capacity Information

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Operating Information

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STATE OF NEW MEXICO

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Other Information

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

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State of New Mexico Annual Financial Report.

Note: The statements which comprise the Statistical Section have not been audited.

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STATE OF NEW MEXICO

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Governmental Activities					
Net Investment in Capital Assets	\$ 5,971,617	\$ 5,826,283	\$ 5,866,806	\$ 5,904,225	\$ 5,930,820
Restricted	30,024,134	27,579,790	25,740,851	23,268,593	18,311,421
Unrestricted	(4,658,434)	(3,216,115)	(4,690,920)	(3,311,309)	(326,978)
Total Governmental Activities Net Position	<u>\$ 31,337,317</u>	<u>\$ 30,189,958</u>	<u>\$ 26,916,737</u>	<u>\$ 25,861,508</u>	<u>\$ 23,915,263</u>
Business-type Activities					
Net Investment in Capital Assets	\$ 1,808,184	\$ 1,770,690	\$ 1,755,991	\$ 1,742,099	\$ 1,654,692
Restricted	1,113,160	1,386,077	1,319,357	1,251,369	1,317,251
Unrestricted	(970,769)	(1,905,986)	(1,547,653)	(846,457)	(975,829)
Total Business-type Activities Net Position	<u>\$ 1,950,575</u>	<u>\$ 1,250,781</u>	<u>\$ 1,527,697</u>	<u>\$ 2,147,011</u>	<u>\$ 1,996,114</u>
Primary Government					
Net Investment in Capital Assets	\$ 7,779,801	\$ 7,596,973	\$ 7,622,797	\$ 7,646,323	\$ 7,585,511
Restricted	31,137,294	28,965,865	27,060,209	24,519,962	19,628,672
Unrestricted	(5,629,204)	(5,122,101)	(6,238,579)	(4,157,768)	(1,302,806)
Total Primary Government Net Position	<u>\$ 33,287,891</u>	<u>\$ 31,440,739</u>	<u>\$ 28,444,427</u>	<u>\$ 28,008,517</u>	<u>\$ 25,911,377</u>

STATE OF NEW MEXICO

SCHEDULE A-1

(Accrual Basis of Accounting)

	Fiscal Year				
	2015	2014	2013	2012 as Restated	2011 as Restated
Governmental Activities					
Net Investment in Capital Assets	\$ 5,356,468	\$ 5,164,435	\$ 5,552,572	\$ 6,463,198	\$ 6,671,011
Restricted	12,658,737	6,925,810	4,774,368	5,542,541	5,685,913
Unrestricted	7,158,005	1,464,494	2,417,608	450,731	261,333
Total Governmental Activities Net Position	<u>\$ 25,173,210</u>	<u>\$ 13,554,739</u>	<u>\$ 12,744,548</u>	<u>\$ 12,456,470</u>	<u>\$ 12,618,257</u>
Business-type Activities					
Net Investment in Capital Assets	\$ 1,589,677	\$ 1,517,364	\$ 1,507,921	\$ 1,488,738	\$ 1,491,224
Restricted	987,021	2,919,494	2,143,068	1,471,752	1,978,206
Unrestricted	(827,718)	139,334	697,511	1,256,024	767,876
Total Business-type Activities Net Position	<u>\$ 1,748,980</u>	<u>\$ 4,576,192</u>	<u>\$ 4,348,500</u>	<u>\$ 4,216,514</u>	<u>\$ 4,237,306</u>
Primary Government					
Net Investment in Capital Assets	\$ 6,946,145	\$ 6,681,799	\$ 7,060,493	\$ 7,951,936	\$ 8,162,235
Restricted	13,645,758	9,845,304	6,917,436	7,014,293	7,664,119
Unrestricted	6,330,287	1,603,828	3,115,119	1,706,755	1,029,209
Total Primary Government Net Position	<u>\$ 26,922,190</u>	<u>\$ 18,130,931</u>	<u>\$ 17,093,048</u>	<u>\$ 16,672,984</u>	<u>\$ 16,855,563</u>

* Implementation of GASB 68 - Effective FY15

STATE OF NEW MEXICO

CHANGES IN NET POSITION

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Program Expenses					
Governmental Activities:					
General Control	\$ 946,145	\$ 949,925	\$ 1,244,170	\$ 1,722,398	\$ 1,706,181
Culture, Recreation, and Natural Resources	294,254	263,383	247,368	247,510	239,104
Highway and Transportation	952,604	876,159	805,736	824,522	987,512
Judicial	367,458	341,818	306,806	304,097	315,829
Legislative	26,741	28,024	24,068	26,834	23,184
Public Safety	593,994	548,909	534,228	552,421	498,391
Regulation and Licensing	207,749	194,956	175,084	124,269	118,405
Health and Human Services	9,447,582	7,864,173	7,982,533	8,008,413	8,008,413
Education	3,929,465	3,483,071	3,167,364	3,286,148	3,554,909
Unemployment Benefits	-	-	-	-	-
Interest	112,126	130,183	123,439	115,594	123,083
Special Items					
Reduction of Receivable, Internal Service Fund	-	-	-	-	-
Total Governmental Activities Expenses	16,878,118	14,680,602	14,610,795	15,212,206	15,575,011
Business-type Activities:					
Educational Institutions	2,802,997	3,844,396	3,645,245	3,383,288	3,126,892
Public Schools Insurance	397,157	370,389	354,996	383,282	395,579
Environmental Loans	1,387	2,726	1,526	1,949	2,266
Lottery					
Miners' Coffax Medical Center	40,490	37,506	34,807	33,180	31,295
Unemployment Insurance	1,547,564	137,995	166,040	178,334	195,506
State Fair	15,007	15,919	16,357	16,124	14,841
Other Business-type Activities	19,248	22,845	20,536	18,869	16,524
Special Items - Expo	-	-	-	-	866
Total Business-type Activity Expenses	4,823,850	4,431,776	4,239,508	4,015,026	3,783,769
Total Primary Government Expenses	\$ 21,701,968	\$ 19,112,379	\$ 18,850,302	\$ 19,227,232	\$ 19,358,780

In fiscal year 2011, the New Mexico Lottery Authority was determined to be a discrete component unit. Prior to fiscal year 2011, the New Mexico Lottery Authority was considered to be a blended component unit and was presented as a nonmajor proprietary fund.

+In 2010, the President of the United States signed into law the American Recovery and Reinvestment Act (ARRA) of 2010. The State accounts for all ARRA revenue and expenditures under fund 89000, which is classified as a special revenue fund. Under ARRA, the State received federal unemployment monies that were accounted for in fund 89000. The Unemployment expenditures reported in the governmental activities represent funds from ARRA.

*In fiscal year 2006, the Unemployment fund was determined to be a nonmajor proprietary fund.

STATE OF NEW MEXICO

SCHEDULE A-2

(Accrual Basis of Accounting)

	Fiscal Year				
	2015	2014 as Restated	2013 as Restated	2012 as Restated	2011 as Restated
Program Expenses					
Governmental Activities:					
General Control	\$ 993,220	\$ 918,870	\$ 1,254,250	\$ 1,311,355	\$ 1,217,362
Culture, Recreation, and Natural Resources	203,319	228,000	187,209	308,748	226,366
Highway and Transportation	1,051,567	1,230,707	1,023,696	945,406	905,469
Judicial	255,761	242,449	235,363	230,465	237,705
Legislative	29,626	23,751	25,774	24,047	26,147
Public Safety	480,286	457,119	469,359	441,675	449,734
Regulation and Licensing	126,917	112,770	104,919	145,748	105,199
Health and Human Services	7,401,005	6,284,737	5,777,302	5,603,724	5,631,423
Education	4,024,669	3,223,837	3,215,643	3,117,733	3,180,978
Unemployment Benefits	-	-	-	-	15,809
Interest	131,154	127,001	110,413	119,779	154,043
Special Items					
Reduction of Receivable, Internal Service Fund	977	-	-	101,735	-
Total Governmental Activities Expenses	<u>14,698,501</u>	<u>12,849,241</u>	<u>12,403,928</u>	<u>12,350,415</u>	<u>12,150,235</u>
Business-type Activities:					
Educational Institutions	3,041,713	2,901,959	2,845,355	2,768,492	2,761,289
Public Schools Insurance	363,373	349,589	331,783	322,904	320,762
Environmental Loans	441	294	673	874	14,908
Lottery	-	-	-	-	-
Miners' Colfax Medical Center	24,967	29,650	23,229	22,608	24,706
Unemployment Insurance	193,479	261,763	356,558	546,600	742,883
State Fair	15,417	14,671	14,613	16,115	16,031
Other Business-type Activities	18,199	11,409	9,934	10,387	11,988
Special Items - Expo	-	-	-	-	-
Total Business-type Activity Expenses	<u>3,657,589</u>	<u>3,569,335</u>	<u>3,582,145</u>	<u>3,687,980</u>	<u>3,892,567</u>
Total Primary Government Expenses	<u>\$ 18,356,090</u>	<u>\$ 16,418,576</u>	<u>\$ 15,986,073</u>	<u>\$ 16,038,395</u>	<u>\$ 16,042,802</u>

STATE OF NEW MEXICO

CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Program Revenues					
Governmental Activities:					
Charges for Services					
General Control	\$ 2,227,030	\$ 2,795,908	\$ 1,958,862	\$ 1,581,393	\$ 1,457,352
Culture, Recreation, and Natural Resources	66,086	57,330	70,071	64,956	63,474
Highway and Transportation	108,044	115,639	111,792	109,835	110,754
Judicial	15,655	17,873	17,706	17,011	15,620
Legislative	-	-	-	-	-
Public Safety	11,753	44,304	12,641	9,326	9,345
Regulation and Licensing	44,733	41,915	41,178	34,304	35,218
Health and Human Services	199,137	167,077	173,479	159,894	147,373
Education	6,464	6,474	6,862	7,346	7,362
Operating Grants and Contributions	7,750,233	6,453,390	6,850,440	6,595,050	6,855,527
Capital Grants and Contributions	462,264	376,591	-	-	-
Total Governmental Activities					
Program Revenues	<u>10,891,399</u>	<u>10,076,501</u>	<u>9,243,031</u>	<u>8,579,115</u>	<u>8,702,025</u>
Business-type Activities:					
Charges for Services					
Educational Institutions	1,768,685	1,732,441	1,665,364	1,642,869	1,521,460
Public Schools Insurance	393,010	375,555	373,489	378,957	363,949
Lottery	-	-	-	-	-
Environmental Loans	-	-	-	-	-
Miners' Colfax Medical Center	13,001	16,875	22,031	21,396	26,672
Unemployment Insurance	121,004	189	243	235	361
State Fair	10,239	12,182	11,469	11,722	11,928
Other Business-type Activities	18,814	22,099	20,666	17,280	13,954
Nonmajor Enterprise Funds					
Operating Grants and Contributions	1,919,974	663,285	697,032	896,071	595,057
Capital Grants and Contributions	7,751	23,997	12,437	11,607	6,906
Total Business-type Activities					
Program Revenues	<u>4,252,478</u>	<u>2,846,623</u>	<u>2,802,731</u>	<u>2,980,137</u>	<u>2,540,287</u>
Total Primary Government					
Program Revenues	<u>\$ 15,143,877</u>	<u>\$ 12,923,124</u>	<u>\$ 12,045,762</u>	<u>\$ 11,559,252</u>	<u>\$ 11,242,312</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (5,986,719)	\$ (4,693,510)	\$ (5,367,765)	\$ (6,381,223)	\$ (6,872,986)
Business-type Activities	<u>(571,372)</u>	<u>(1,585,154)</u>	<u>(1,436,776)</u>	<u>(1,034,888)</u>	<u>(1,243,482)</u>
Total Primary Government Net Expense	<u>\$ (6,558,090)</u>	<u>\$ (6,278,664)</u>	<u>\$ (6,804,541)</u>	<u>\$ (7,416,111)</u>	<u>\$ (8,116,468)</u>

- Implementation of GASB 68 – Effective FY15

STATE OF NEW MEXICO

SCHEDULE A-2

(Accrual Basis of Accounting)

	Fiscal Year				
	2015	2014 as Restated	2013 as Restated	2012 as Restated	2011 as Restated
Program Revenues					
Governmental Activities:					
Charges for Services					
General Control	\$ 1,880,869	\$ 796,337	\$ 784,337	\$ 305,992	\$ 187,280
Culture, Recreation, and Natural Resources	59,392	94,694	89,063	134,163	125,711
Highway and Transportation	105,215	301,126	185,593	268,612	272,038
Judicial	6,243	5,040	109,660	177,156	151,097
Legislative	-	-	-	-	-
Public Safety	9,162	26,711	263,568	363,078	355,965
Regulation and Licensing	45,558	75,308	65,646	95,278	138,848
Health and Human Services	135,431	365,016	133,060	167,230	275,408
Education	8,726	7,535	5,329	4,899	6,252
Operating Grants and Contributions	6,356,248	4,932,895	4,777,647	4,578,609	5,220,477
Capital Grants and Contributions	-	400,212	210,500	447,962	369,813
Total Governmental Activities					
Program Revenues	<u>8,606,844</u>	<u>7,004,874</u>	<u>6,624,403</u>	<u>6,542,979</u>	<u>7,102,889</u>
Business-type Activities:					
Charges for Services					
Educational Institutions	1,567,129	1,380,232	1,359,675	1,289,871	1,169,885
Public Schools Insurance	351,731	342,725	321,549	322,593	326,622
Lottery	-	-	-	-	-
Environmental Loans	-	3,905	4,423	4,384	4,215
Miners' Colfax Medical Center	17,450	25,025	21,784	23,455	22,442
Unemployment Insurance	-	215,699	223,057	216,824	-
State Fair	11,556	12,142	12,142	13,831	11,983
Other Business-type Activities	16,304	10,523	10,562	10,260	11,218
Nonmajor Enterprise Funds					
Operating Grants and Contributions	627,067	771,706	751,861	1,041,706	1,306,820
Capital Grants and Contributions	12,524	25,541	8,392	16,132	998
Total Business-type Activities					
Program Revenues	<u>2,603,761</u>	<u>2,787,498</u>	<u>2,713,445</u>	<u>2,939,056</u>	<u>2,854,183</u>
Total Primary Government					
Program Revenues	<u>\$ 11,210,605</u>	<u>\$ 9,792,372</u>	<u>\$ 9,337,848</u>	<u>\$ 9,482,035</u>	<u>\$ 9,957,072</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (6,091,657)	\$ (5,844,367)	\$ (5,779,525)	\$ (5,807,436)	\$ (5,047,346)
Business-type Activities	<u>(1,053,828)</u>	<u>(781,837)</u>	<u>(868,700)</u>	<u>(748,924)</u>	<u>(1,038,384)</u>
Total Primary Government Net Expense	<u>\$ (7,145,485)</u>	<u>\$ (6,626,204)</u>	<u>\$ (6,648,225)</u>	<u>\$ (6,556,360)</u>	<u>\$ (6,085,730)</u>

STATE OF NEW MEXICO

CHANGES IN NET POSITION (CONTINUED)

Last Ten Fiscal Years

(In Thousands)

	2020	2019	2018	2017	2016
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,715,499	\$ 1,713,643	\$ 1,581,590	\$ 1,418,070	\$ 1,320,154
Corporate Income Tax	63,000	179,781	(67,093)	76,274	118,502
Gross Receipts Taxes	3,115,214	2,869,466	2,541,586	2,168,168	2,109,889
Business Privilege	2,530,032	2,531,119	2,212,070	1,863,055	1,622,513
Unemployment Insurance	-	18,510	14,529	7,200	18,970
Other Taxes	35,080	4,849	7,154	3,545	7,055
Investment Income	316,768	1,407,042.84	1,949,318.96	2,548,331	909,846
Capital Gain	7,703	7,792	404	-	-
Non Operating Investment Income and Other	-	-	155	68	34
Other Revenue (Expense)	298,789	201,773	234,541	629,959	629,959
Special Item - Potential Loss SGFIP	-	-	-	-	-
Special Item - Indian Water Rights Settlement	(15)	-	-	-	(12,436)
Special Item - AZ Water Settlement	-	-	-	9,040	9,040
Transfers	(940,448)	(843,055)	(727,311)	(1,084,495)	(1,084,495)
Total Governmental Activities	<u>7,141,622</u>	<u>8,090,920</u>	<u>7,746,944</u>	<u>7,639,216</u>	<u>5,649,032</u>
Business-type Activities:					
Taxes					
Other Taxes	-	126,103	167,975	205,143	342,488
Investment Income (Loss)	22,741	23,776	14,276	13,742	9,838
Non Operating Investment Income and Other	34,408	50,207	27,865	47,929	21,465
Other Revenue	275,299	258,532	260,061	123,959	242,772
Transfers	940,448	843,055	727,311	831,243	831,243
Total Business-type Activities	<u>1,272,896</u>	<u>1,301,673</u>	<u>1,197,489</u>	<u>1,222,016</u>	<u>1,447,806</u>
Total Primary Government	<u>\$ 8,414,517</u>	<u>\$ 9,392,593</u>	<u>\$ 8,944,432</u>	<u>\$ 8,861,232</u>	<u>\$ 7,096,838</u>
Change in Net Position					
Governmental Activities	1,154,903	3,397,410	2,379,179	1,257,992	(1,223,955)
Business-type Activities	701,524	(283,481)	(239,287)	187,128	204,324
Total Primary Government	<u>\$ 1,856,427</u>	<u>\$ 3,113,929</u>	<u>\$ 2,139,893</u>	<u>\$ 1,445,122</u>	<u>\$ (1,019,629)</u>

STATE OF NEW MEXICO

SCHEDULE A-2

(Accrual Basis of Accounting)

	Fiscal Year				
	2015	2014 as Restated	2013 as Restated	2012 as Restated	2011 as Restated
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,451,288	\$ 1,236,674	\$ 1,236,015	\$ 1,189,273	\$ 1,088,300
Corporate Income Tax	262,600	196,762	277,029	270,118	238,452
Gross Receipts Taxes	4,238,670	2,133,540	1,985,601	522,847	444,717
Business Privilege					
Unemployment Insurance					
Other Taxes	33,424	2,048,944	1,736,620	3,362,391	3,145,105
Investment Income	1,212,060	1,351,182	1,208,035	708,673	1,618,785
Capital Gain	-	-	-	-	-
Non Operating Investment Income and Other					
Other Revenue (Expense)	129,035	355,202	271,525	304,819	103,917
Special Item - Potential Loss SGFIP	100,000	(30,000)	-	-	-
Special Item - Indian Water Rights Settlement	(15,561)	-	-	(91,400)	-
Special Item - AZ Water Settlement	9,040	-	-	-	-
Transfers	(797,559)	(687,979)	(647,222)	(544,880)	(704,549)
Total Governmental Activities	6,622,997	6,604,325	6,067,603	5,721,841	5,934,727
Business-type Activities:					
Taxes					
Other Taxes	269,593	-	-	-	207,140
Investment Income (Loss)	9,292	220,411	214,413	70,774	261,972
Non Operating Investment Income and Other					
Other Revenue	244,201	140,737	139,051	27,713	75,506
Transfers	797,559	687,979	647,222	629,645	704,549
Total Business-type Activities	1,320,645	1,049,127	1,000,686	728,132	1,249,167
Total Primary Government	\$ 7,943,642	\$ 7,653,452	\$ 7,068,289	\$ 6,449,973	\$ 7,183,894
Change in Net Position					
Governmental Activities	531,340	759,958	288,078	(85,595)	887,381
Business-type Activities	266,817	267,290	131,986	(20,792)	210,783
Total Primary Government	\$ 798,157	\$ 1,027,248	\$ 420,064	\$ (106,387)	\$ 1,098,164

STATE OF NEW MEXICO

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
General Fund					
Nonspendable	\$ 46,026	\$ 47,309	\$ 61,378	\$ 59,626	\$ 64,166
Restricted	3,389,316	1,389,540	1,159,544	835,483	890,206
Committed	45,460	35,352	38,294	388,030	250,021
Assigned	12,923	15,472	11,572	9,088	9,989
Unassigned	532,328	1,607,072	882,313	4,895	(120,451)
Total General Fund	\$ 4,026,053	\$ 3,094,745	\$ 2,153,101	\$ 1,297,122	\$ 1,093,931
All Other Governmental Funds					
Post-GASB 54 Implementation					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	26,933,415	26,689,046	24,609,102	22,503,741	20,783,582
Committed	-	-	514	1,959	11,315
Assigned	41	150	-	-	-
Unassigned (Deficit)	(6,815)	(3)	9,553	(3,329)	(9,342)
Total All Other Governmental Funds	\$ 26,926,641	\$ 26,689,193	\$ 24,619,169	\$ 22,502,371	\$ 20,785,555
All Governmental Funds					
Post-GASB 54 Implementation					
Nonspendable	\$ 46,026	\$ 47,309	\$ 61,378	\$ 59,626	\$ 64,166
Restricted	30,322,731	28,078,586	25,768,646	23,339,224	21,673,788
Committed	45,460	35,352	38,808	389,989	261,336
Assigned	12,964	15,622	11,572	9,088	9,989
Unassigned (Deficit)	525,513	1,607,071	891,866	1,566	(129,793)
Total All Governmental Funds	\$ 30,952,694	\$ 29,783,941	\$ 26,772,270	\$ 23,799,493	\$ 21,879,486

STATE OF NEW MEXICO

SCHEDULE A-3

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2015	2014	2013 as Restated	2012 as Restated	2011
General Fund					
Nonspendable	\$ 52,433	\$ 54,809	\$ 5,968	\$ 6,157	\$ 8,636
Restricted	916,201	864,359	67,315	194,988	237,097
Committed	695,182	220,535	23,159	10,082	56,219
Assigned	16,395	9,881	488	293	7,866
Unassigned	189,932	626,317	769,738	604,813	310,765
Total General Fund	\$ 1,870,143	\$ 1,775,901	\$ 866,668	\$ 816,333	\$ 620,583
All Other Governmental Funds					
Post-GASB 54 Implementation					
Nonspendable	\$ 10,000,000	\$ 5,687,834	\$ 5,006,506	\$ 4,651,829	\$ 4,755,242
Restricted	10,987,671	318,808	540,063	821,792	752,599
Committed	10,758	1,190,318	1,413,633	1,320,787	1,497,949
Assigned	-	-	989	-	3,745
Unassigned (Deficit)	-	-	18,242	(43,407)	(190,255)
Total All Other Governmental Funds	\$ 20,998,429	\$ 7,196,960	\$ 6,979,433	\$ 6,751,001	\$ 6,819,280
All Governmental Funds					
Post-GASB 54 Implementation					
Nonspendable	\$ 10,052,433	\$ 5,742,643	\$ 5,012,474	\$ 4,657,986	\$ 4,763,878
Restricted	11,903,872	1,183,167	607,378	1,016,780	989,696
Committed	705,940	1,410,853	1,436,792	1,330,869	1,554,168
Assigned	16,395	9,881	1,477	293	11,611
Unassigned (Deficit)	189,932	626,317	787,980	561,406	120,510
Total All Governmental Funds	\$ 22,868,572	\$ 8,972,861	\$ 7,846,101	\$ 7,567,334	\$ 7,439,863

STATE OF NEW MEXICO

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017 as Restated	2016
Revenues					
Taxes	\$ 7,402,984	\$ 7,096,166	\$ 6,401,737	\$ 5,472,102	\$ 5,197,084
Federal	8,207,807	6,734,473	6,848,354	6,595,840	6,856,707
Interest and Other Investment Income (Loss)	311,027	1,402,273	1,948,254	2,540,517	912,262
Rentals and Royalties	1,871,338	2,246,843	1,403,151	1,002,692	888,424
Charges for Services	165,893	168,392	173,087	164,565	119,509
Licenses, Fees, and Permits	310,474	318,456	319,293	294,482	307,532
Assessments *	46,289	14,983	12,803	13,820	14,389
Other Revenues	321,663	388,654	257,393	781,248	633,628
Total Revenues	18,637,475	18,370,240	17,364,072	16,865,266	14,929,535
Expenditures					
Current:					
Culture, Recreation, and Natural Resources	271,368	243,938	228,675	230,478	223,328
Education	3,926,195	3,480,930	3,166,486	3,285,298	3,554,249
General Control	414,139	467,422	550,302	981,271	1,600,674
Health and Human Services	9,408,746	7,855,655	7,975,718	7,737,341	7,996,609
Highways and Transportation	556,757	503,931	420,625	448,401	740,977
Judicial	347,330	325,644	300,587	298,224	306,727
Legislative	25,855	27,331	23,992	26,725	23,022
Public Safety	574,944	540,565	515,112	535,834	482,558
Regulation and Licensing	200,198	188,274	169,142	116,252	111,747
Unemployment Benefits	-	-	-	-	-
Land Grant	-	-	-	-	-
Severance Tax	-	-	-	-	-
Capital Outlay	543,938	487,503	405,338	352,204	118,018
Debt Service:					
Principal	892,163	567,644	382,549	298,168	282,120
Interest	114,062	120,424	190,182	123,810	109,886
Bond Issuance Costs	-	-	-	-	-
Provision for Potential Loss in the State General Fund Investment Pool	-	-	-	-	-
Total Expenditures	17,275,695	14,809,261	14,328,708	14,434,007	15,549,915
Excess (Deficiency) of Revenues					
Over Expenditures	1,361,780	3,560,979	3,035,365	2,431,259	(620,380)
Other Financing Sources (Uses)					
Bonds Issued	701,709	310,118	539,370	45,815	474,018
Bond Premium	17,947	7,170	154,128	5,463	82,239
Refunding Bond Issue	-	-	420,096	-	181,395
Proceeds from the Sale of Capital Assets	1,836	1,577	1,751	1,226	1,803
Operating Transfers In	1,502,549	2,172,675	8,604,858	8,030,490	7,182,543
Operating Transfers Out	(2,449,323)	(3,019,190)	(9,336,219)	(8,739,680)	(7,918,883)
Payment to Refunded Bond Escrow Agent	-	-	(450,865)	-	(208,143)
Nonoperating Revenues (Expenditures)	-	-	-	-	-
Note Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	(225,282)	(527,650)	(66,882)	(656,686)	(205,028)
Special Item					
Reduction of Loss Contingency	-	-	-	-	-
Native American Water Rights Settlement	-	-	-	-	(12,436)
Arizona Water Settlement	-	-	-	-	(9,040)
Total Special Items	-	-	-	-	(21,476)
Total Other Financing and Special Items	(225,282)	(527,650)	(66,882)	(656,686)	(226,504)
Net Change in Fund Balances	\$ 1,136,498	\$ 3,033,329	\$ 2,968,483	\$ 1,774,573	\$ (846,884)
Debt Service as a Percentage of Noncapital Expenditures	6.0%	4.8%	4.1%	3.0%	2.5%

STATE OF NEW MEXICO

SCHEDULE A-4

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2015	2014	2013 as Restated	2012 as Restated	2011 as Restated
Revenues					
Taxes	\$ 5,923,849	\$ 5,626,421	\$ 5,235,786	\$ 5,321,538	\$ 4,926,279
Federal	6,363,684	5,338,059	4,981,084	5,035,279	5,558,515
Interest and Other Investment Income (Loss)	1,211,998	1,521,022	1,247,937	708,470	1,618,502
Rentals and Royalties	1,281,002	647,438	568,227	651,576	479,546
Charges for Services	124,674	162,757	160,931	155,089	212,816
Licenses, Fees, and Permits	295,282	364,594	364,371	361,671	356,897
Assessments *	-	-	-	-	-
Other Revenues	202,935	363,411	332,323	212,326	135,360
Total Revenues	<u>15,403,424</u>	<u>14,023,702</u>	<u>12,890,659</u>	<u>12,445,949</u>	<u>13,287,915</u>
Expenditures					
Current:					
Culture, Recreation, and Natural Resources	210,368	185,317	193,639	223,858	211,032
Education	4,025,302	3,220,213	3,214,923	3,117,042	3,180,447
General Control	487,468	403,590	494,668	413,807	376,279
Health and Human Services	7,355,734	6,270,002	5,756,574	5,625,669	5,623,871
Highways and Transportation	462,267	591,824	398,836	330,574	307,454
Judicial	250,360	236,575	229,405	223,942	232,136
Legislative	27,696	21,810	23,954	22,381	24,651
Public Safety	470,406	440,897	454,250	428,331	437,529
Regulation and Licensing	121,567	108,442	101,355	108,457	99,528
Unemployment Benefits	-	-	-	-	15,809
Land Grant	-	-	37,757	45,005	1,132
Severance Tax	-	183,216	176,173	183,423	8,318
Capital Outlay	444,308	507,435	583,782	612,156	721,706
Debt Service:					
Principal	284,766	407,074	317,991	139,847	347,486
Interest	128,197	150,738	130,755	249,345	227,115
Bond Issuance Costs	-	-	-	204	10,225
Provision for Potential Loss in the State General Fund Investment Pool	-	-	-	101,735	-
Total Expenditures	<u>14,268,439</u>	<u>12,727,133</u>	<u>12,114,062</u>	<u>11,825,776</u>	<u>11,824,718</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,134,985</u>	<u>1,296,569</u>	<u>776,597</u>	<u>620,173</u>	<u>1,463,197</u>
Other Financing Sources (Uses)					
Bonds Issued	141,635	371,440	137,220	105,780	39,205
Bond Premium	43,146	50,051	45,400	27,668	129,344
Refunding Bond Issue	79,405	-	220,400	75,715	776,220
Proceeds from the Sale of Capital Assets	1,136	2,053	1,950	5,208	1,420
Operating Transfers In	7,233,253	6,789,132	6,135,227	6,414,978	6,611,286
Operating Transfers Out	(8,035,458)	(7,483,788)	(6,774,851)	(7,033,153)	(7,643,610)
Payment to Refunded Bond Escrow Agent	(96,083)	-	(261,769)	(88,898)	(668,590)
Nonoperating Revenues (Expenditures)	-	-	(5,211)	-	-
Note Proceeds	-	-	-	-	2,025
Total Other Financing Sources (Uses)	<u>(632,966)</u>	<u>(271,112)</u>	<u>(501,634)</u>	<u>(492,702)</u>	<u>(752,700)</u>
Special Item					
Reduction of Loss Contingency	93,479	(30,000)	-	-	-
Native American Water Rights Settlement	-	-	-	-	-
Arizona Water Settlement	-	-	-	-	-
Total Special Items	<u>93,479</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing and Special Item	<u>(539,487)</u>	<u>(301,112)</u>	<u>(501,634)</u>	<u>(492,702)</u>	<u>(752,700)</u>
Net Change in Fund Balances	<u>\$ 595,498</u>	<u>\$ 995,457</u>	<u>\$ 274,963</u>	<u>\$ 127,471</u>	<u>\$ 710,497</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>3.0%</u>	<u>4.6%</u>	<u>3.9%</u>	<u>3.5%</u>	<u>5.2%</u>

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
REVENUES					
Taxes and License Fees					
General and Selective Sales Taxes:					
Gross Receipts	\$ 2,942,129	\$ 2,669,415	\$ 2,381,082	\$ 2,013,548	\$ 1,975,416
Compensating	63,578	78,380	56,102	48,529	46,882
Tobacco (Luxury)	88,809	75,424	78,368	77,887	79,819
Alcoholic Beverage	24,610	25,295	23,811	7,376	6,732
Insurance	262,329	216,347	213,597	227,464	207,904
Fire Protection	-	-	1,020	-	15,069
Racing	-	765	1,084	1,096	1,130
Private Car	552	931	860	663	703
Motor Vehicle and Other Excise Tax	137,769	152,523	154,008	145,238	150,395
Gaming Tax	46,005	64,886	62,054	59,523	63,050
Leased Vehicles Gross Receipts and Surcharge	4,711	5,727	5,528	5,489	5,536
Gasoline Tax	596	971	358	(380)	867
Telecommunications Relay Surcharge	113	66	58	59	69
Boat Excise Tax	290	282	347	325	195
Other Tax	-	-	-	-	-
Total General and Selective Sales Tax	<u>3,571,491</u>	<u>3,291,012</u>	<u>2,978,277</u>	<u>2,586,817</u>	<u>2,553,767</u>
Income Taxes					
Gross Withholding	100,329	166,318	923,665	872,299	1,200,151
Final Settlements	1,577,189	1,500,831	614,620	504,741	508,566
Less:					
Transfer - Retiree Health Care		(26,256)	(26,256)	(28,306)	(29,519)
Transfer - PIT Suspense and Others	(382,946)	(371,724)	(376,467)	(364,244)	(359,043)
Refunds - TAA Suspense	-	-	-	-	-
Net Personal Income Taxes	<u>1,294,572</u>	<u>1,269,169</u>	<u>1,135,562</u>	<u>984,490</u>	<u>1,320,155</u>
Corporate Taxes	63,198	22,808	106,601	70,156	118,502
Less Refunds	-	-	-	-	-
Net Corporate Income Taxes	<u>63,198</u>	<u>22,808</u>	<u>70,156</u>	<u>70,156</u>	<u>118,502</u>
Estate Taxes	-	-	-	-	1
Fiduciary Taxes	14,343	4,865	7,180	3,635	7,053
Total Income Taxes	<u>1,372,113</u>	<u>1,296,842</u>	<u>1,212,898</u>	<u>1,058,281</u>	<u>1,445,711</u>
Severance Taxes					
Oil and Gas School Tax	388,671	555,356	450,787	304,262	236,818
7% Oil Conservation	29,510	28,702	22,885	17,368	11,375
Resources Excise	7,148	7,834	8,569	9,649	11,203
Natural Gas Processors	14,764	15,125	10,841	10,307	20,354
Total Severance Taxes	<u>440,093</u>	<u>607,017</u>	<u>493,082</u>	<u>341,586</u>	<u>279,750</u>
Total Taxes	<u>5,383,697</u>	<u>5,194,871</u>	<u>4,684,257</u>	<u>3,986,684</u>	<u>4,279,228</u>

STATE OF NEW MEXICO

SCHEDULE B-1

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2015	2014	2013	2012	2011
REVENUES					
Taxes and License Fees					
General and Selective Sales Taxes:					
Gross Receipts	\$ 2,095,153	\$ 1,992,035	\$ 1,917,660	\$ 1,928,469	\$ 1,822,457
Compensating	71,840	78,271	50,911	62,066	69,135
Tobacco (Luxury)	82,348	78,479	86,058	85,360	88,158
Alcoholic Beverage	26,263	26,357	26,240	26,129	25,673
Insurance	189,953	115,067	107,520	114,076	132,659
Fire Protection	15,156	16,082	18,316	18,812	17,583
Racing	670	821	942	852	413
Private Car	660	620	563	553	480
Motor Vehicle and Other Excise Tax	138,701	133,275	125,504	114,707	103,653
Gaming Tax	70,409	66,455	63,073	65,527	65,787
Leased Vehicles Gross Receipts and Surcharge	5,236	5,204	5,125	5,366	5,047
Gasoline Tax	(1,152)	1,227	(4,516)	5,539	792
Telecommunications Relay Surcharge	123	86	91	98	121
Boat Excise Tax	184	184	257	453	494
Other Tax	-	99	4	19	73
Total General and Selective Sales Tax	<u>2,695,544</u>	<u>2,514,262</u>	<u>2,397,748</u>	<u>2,428,026</u>	<u>2,332,525</u>
Income Taxes					
Gross Withholding	1,179,123	1,116,249	1,077,952	1,151,866	1,042,323
Final Settlements	535,298	506,245	517,862	355,734	382,690
Less:					
Transfer - Retiree Health Care	(26,678)	(24,141)	(21,876)	(19,853)	(18,047)
Transfer - PIT Suspense and Others	(355,541)	(351,365)	(340,381)	(346,289)	(352,633)
Refunds - TAA Suspense	-	-	-	-	-
Net Personal Income Taxes	<u>1,332,202</u>	<u>1,246,988</u>	<u>1,233,557</u>	<u>1,141,458</u>	<u>1,054,333</u>
Corporate Taxes	254,477	196,762	267,157	281,047	229,818
Less Refunds	-	-	-	-	-
Net Corporate Income Taxes	<u>254,477</u>	<u>196,762</u>	<u>267,157</u>	<u>281,047</u>	<u>229,818</u>
Estate Taxes	1	32	-	-	12
Fiduciary Taxes	7,510	7,951	7,388	9,011	42,589
Total Income Taxes	<u>1,594,190</u>	<u>1,451,733</u>	<u>1,508,102</u>	<u>1,431,516</u>	<u>1,326,752</u>
Severance Taxes					
Oil and Gas School Tax	375,423	500,659	379,899	399,589	376,104
7% Oil Conservation	20,091	27,244	20,775	21,452	19,371
Resources Excise	13,345	13,013	13,486	12,018	10,139
Natural Gas Processors	18,594	16,197	24,197	23,343	18,182
Total Severance Taxes	<u>427,453</u>	<u>557,113</u>	<u>438,357</u>	<u>456,402</u>	<u>423,796</u>
Total Taxes	<u>4,717,187</u>	<u>4,523,108</u>	<u>4,344,207</u>	<u>4,315,944</u>	<u>4,083,073</u>

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND (CONTINUED)

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
REVENUES (CONTINUED)					
Taxes and License Fees (Continued)					
License Fees					
Manufactured Housing	\$ 70	\$ 462	\$ 432	\$ 419	\$ 375
Trade and Professions License	23,457	-	-	-	-
Corporate Filing	4,176	3,881	4,042	3,437	3,327
Alcoholic Beverages and Gaming	-	4,960	4,075	4,186	4,028
Financial Institutions	3,396	3,747	3,564	3,480	3,455
Corporate Special	-	-	-	2,984	2,955
Construction Industries	4,890	4,909	5,543	4,700	6,092
Gaming License and Permit Fees	313	373	6,365	577	353
Securities Receipts	2,531	22,340	22,267	22,399	22,016
Public Utilities	11,464	14,493	14,538	11,021	12,040
Health Facilities Fees	-	-	-	-	-
Pipeline Fees	170	242	207	137	153
Motor Vehicles Miscellaneous Fees	228	596	401	-	20
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
Total License Fees	<u>50,695</u>	<u>56,003</u>	<u>61,434</u>	<u>53,340</u>	<u>54,814</u>
Total Taxes and License Fees	<u>5,434,392</u>	<u>5,250,874</u>	<u>4,745,691</u>	<u>4,040,024</u>	<u>4,334,042</u>
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund Income	-	-	-	-	555,103
Earnings on State Balances	91,751	86,880	5,945	(3,230)	25,224
Severance Tax Permanent Fund Earnings	-	-	-	-	193,510
Total Interest Earnings	<u>91,751</u>	<u>86,880</u>	<u>5,945</u>	<u>(3,230)</u>	<u>773,837</u>
Rents and Royalties					
Federal Mineral Leasing	817,116	1,146,800	564,232	435,692	47,817
Land Office	69,858	132,454	111,845	71,490	390,005
Total Rents and Royalties	<u>886,974</u>	<u>1,279,254</u>	<u>676,077</u>	<u>507,182</u>	<u>437,822</u>

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2015	2014	2013	2012	2011
REVENUES (CONTINUED)					
Taxes and License Fees (Continued)					
License Fees					
Manufactured Housing	\$ 753	\$ 357	\$ 336	\$ 420	\$ 549
Trade and Professions License	-	-	-	-	-
Corporate Filing	4,020	4,262	3,151	2,864	2,850
Alcoholic Beverages and Gaming	3,931	3,770	4,544	3,856	3,840
Financial Institutions	3,556	3,195	3,107	2,917	3,109
Corporate Special	3,308	3,672	3,963	4,096	1,125
Construction Industries	6,199	3,902	4,034	5,052	5,682
Gaming License and Permit Fees	416	373	362	392	262
Securities Receipts	21,267	20,201	19,065	18,765	18,374
Public Utilities	12,129	11,759	11,275	11,056	13,734
Health Facilities Fees	-	-	-	-	-
Pipeline Fees	196	65	50	41	74
Motor Vehicles Miscellaneous Fees	100	111	125	136	150
Drivers Training Fees	-	-	-	-	-
State Engineers Fees	-	-	-	-	-
Total License Fees	<u>55,875</u>	<u>51,667</u>	<u>50,012</u>	<u>49,595</u>	<u>49,749</u>
Total Taxes and License Fees	<u>4,773,062</u>	<u>4,574,775</u>	<u>4,394,219</u>	<u>4,365,539</u>	<u>4,132,822</u>
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund Income	502,757	449,382	440,876	461,737	446,227
Earnings on State Balances	24,160	42,293	35,925	17,618	17,633
Severance Tax Permanent Fund Earnings	182,723	170,473	176,173	183,424	184,571
Total Interest Earnings	<u>709,640</u>	<u>662,148</u>	<u>652,974</u>	<u>662,779</u>	<u>648,431</u>
Rents and Royalties					
Federal Mineral Leasing	42,235	569,860	459,631	502,574	411,819
Land Office	542,184	47,481	44,632	92,508	65,620
Total Rents and Royalties	<u>584,419</u>	<u>617,341</u>	<u>504,263</u>	<u>595,082</u>	<u>477,439</u>

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Miscellaneous Receipts and Fees					
Environment Department Filing Fees	\$ 677	\$ 1,082	\$ 1,260	\$ 747	\$ 1,241
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	51,677	78,430	68,092	62,717	64,413
Media Lease Payments	-	-	-	22	18
MVD Penalty Assessments	3,771	4,484	4,632	4,271	4,009
Fines and Forfeitures	3,107	3,563	3,932	4,241	4,514
Birth and Death Certificates	1,192	1,175	1,260	1,184	1,043
District Judge Receipts	1,010	1,095	1,146	1,096	947
Notary Public Fees	46	683	658	743	984
Court of Appeals	-	-	-	-	-
Legislative Receipts	9	22	13	26	14
Workmen's Compensation Fees	884	699	390	7	3
Health Care Quality SurchARGE	1,096	-	-	-	-
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	-	-	-	-	15,297
Small County Assistance	-	-	-	-	11
Supreme Court Fees	-	1	1	1	1
Unclaimed Property	15,565	28,089	20,113	23,030	19,789
Restitution Payments	204	91	80	176	201
Small Cities Assistance	-	-	-	-	-
Total Miscellaneous Receipts and Fees	79,238	119,413	101,576	98,260	112,485
Other Revenues					
Miscellaneous Nonrecurring	219	138	173	970	39,616
Transfers - Reversions	-	-	-	366,208	56,367
Total Other Revenues	219	138	173	367,178	95,983
Total Other Revenue Sources	1,058,182	1,485,685	783,771	969,390	1,420,127
Total Revenues	\$ 6,492,573	\$ 6,736,559	\$ 5,529,462	\$ 5,009,414	\$ 5,754,169

Source: General Fund Financial Audit (30600) - Schedule of Revenue by Source
Department of Finance and Administration General Fund Report

* Alcohol is down due to sending a portion to the lottery scholarship fund

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

	Fiscal Year				
	2015	2014	2013	2012	2011
Miscellaneous Receipts and Fees					
Environment Department Filing Fees	\$ 4,212	\$ 1,322	\$ 3,350	\$ 2,048	\$ 5,201
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	67,178	67,582	70,709	68,189	65,891
Media Lease Payments	19	18	21	19	17
MVD Penalty Assessments	5,658	5,982	6,018	5,705	5,737
Fines and Forfeitures	5,241	5,567	5,708	6,052	7,104
Birth and Death Certificates	1,019	1,010	1,045	1,075	1,051
District Judge Receipts	925	936	1,051	1,064	1,196
Notary Public Fees	681	628	648	1,386	607
Court of Appeals	-	-	-	-	-
Legislative Receipts	28	18	35	20	46
Workmen's Compensation Fees	5	268	4	4	15
Health Care Quality Surchage	-	-	-	-	-
Payroll Administration Costs	-	-	-	-	-
Law Enforcement Protection	7,641	3,936	4,576	8,291	9,089
Small County Assistance	5,809	3,748	1,537	3,576	3,346
Supreme Court Fees	1	-	-	-	1
Unclaimed Property	24,644	21,516	16,833	15,452	18,352
Restitution Payments	269	354	446	411	414
Small Cities Assistance	-	-	-	-	-
Total Miscellaneous Receipts and Fees	<u>123,330</u>	<u>112,885</u>	<u>111,981</u>	<u>113,292</u>	<u>118,067</u>
Other Revenues					
Miscellaneous Nonrecurring	36,136	29,509	39,921	42,604	55,825
Transfers - Reversions	59,163	101,751	81,167	68,077	73,499
Total Other Revenues	<u>95,299</u>	<u>131,260</u>	<u>121,088</u>	<u>110,681</u>	<u>129,324</u>
Total Other Revenue Sources	<u>1,512,688</u>	<u>1,523,634</u>	<u>1,390,306</u>	<u>1,481,834</u>	<u>1,373,261</u>
Total Revenues	<u>\$ 6,285,750</u>	<u>\$ 6,098,409</u>	<u>\$ 5,784,525</u>	<u>\$ 5,847,373</u>	<u>\$ 5,506,083</u>

STATE OF NEW MEXICO

REVENUE BASE

Last Ten Calendar Years
(In Thousands)

SCHEDULE B-2

	Fiscal Year				
	2020	2019	2018	2017	2016
Taxable Gross Receipts (in thousands)					
Agriculture, Forestry and Fishing	\$ 175,237	\$ 126,252	\$ 126,940	\$ 111,430	\$ 106,156
Mining	7,310,833	6,815,136	4,834,724	2,213,846	2,328,158
Construction	10,989,995	8,027,002	7,428,957	6,312,982	6,537,914
Manufacturing	2,306,998	2,084,012	1,617,171	1,315,416	1,607,798
Transportation	1,187,865	1,175,605	836,920	571,482	668,207
Communications and Utilities	6,120,717	5,384,324	5,161,295	4,673,015	5,281,589
Wholesale Trade	3,648,654	3,529,917	2,698,455	1,786,231	2,030,984
Retail Trade	16,425,084	14,780,421	13,041,456	11,045,865	12,063,308
Finance, Insurance and Real Estate	2,582,843	2,338,187	2,032,733	1,559,574	1,613,419
Services and Other	30,267,240	26,756,441	22,338,845	17,675,223	19,824,081
Public Administration	883,472	901,867	425,736	587,747	665,833
Total Taxable Gross Receipts	\$ 81,898,938	\$ 71,919,164	\$ 60,543,232	\$ 47,852,811	\$ 52,727,447
State Gross Receipts Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%
Personal Income by Industry (in millions)					
Federal Civilian	\$ 3,397	\$ 3,335	\$ 3,373	\$ 3,220	\$ 3,103
Federal Military	1,459	1,398	1,323	1,321	1,265
State and Local Government	10,470	9,976	9,596	9,379	9,836
Farm Earnings	1,036	767	793	889	664
Forestry, Fishing, and Related Activities	170	169	163	170	142
Mining	2,656	3,013	2,638	2,532	2,393
Utilities	522	511	490	490	533
Construction	4,001	3,659	3,474	3,368	3,146
Manufacturing	2,210	1,868	1,717	1,372	1,606
Wholesale Trade	1,569	1,538	1,456	1,517	1,491
Retail	3,669	3,599	3,549	3,667	3,670
Transportation and Warehousing	1,858	1,713	1,578	1,550	1,503
Information	829	914	845	812	859
Financial, Insurance, Real Estate, Rental, and Leasing	3,094	2,855	2,721	2,732	2,652
Services	21,959	21,462	20,359	19,782	19,465
Other ¹	35,532	32,843	30,596	27,992	28,063
Total Personal Income	\$ 94,431	\$ 89,620	\$ 84,671	\$ 80,793	\$ 80,391
Highest Income Tax Rate	4.9%	4.9%	4.9%	4.9%	4.9%

¹Other personal income includes dividends, interest and rent, residence adjustment, personal current transfer receipts and deduction for insurance contributions.

²Data for 2012 is based on fiscal year.

Source: New Mexico Department of Taxation and Revenue Department, RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code.

Department of Commerce Bureau of Economic Analysis, SQ5N - Personal Income by Major Source and Earnings by Major NAICS Industry Report.

STATE OF NEW MEXICO

SCHEDULE B-2 (CONTINUED)

	Fiscal Year				
	2015	2014	2013	2012 as Restated	2011 as Restated
Taxable Gross Receipts (in thousands)					
Agriculture, Forestry and Fishing	\$ 84,720	\$ 54,047	\$ 61,294	\$ 57,791	\$ 59,602
Mining	4,144,544	2,998,455	3,668,701	3,431,242	3,239,185
Construction	6,331,176	4,257,409	5,562,314	5,271,994	5,326,763
Manufacturing	2,238,013	1,607,519	2,015,743	1,833,576	1,643,653
Transportation	867,443	543,996	780,150	686,364	679,289
Communications and Utilities	5,134,386	1,908,054	4,907,802	4,803,345	4,648,079
Wholesale Trade	2,544,689	1,790,115	2,335,113	2,280,235	2,207,054
Retail Trade	12,553,764	9,268,342	12,160,633	12,024,304	11,912,593
Finance, Insurance and Real Estate	1,630,999	1,106,612	1,377,056	1,218,396	1,131,560
Services and Other	19,219,587	15,112,166	17,413,350	17,395,771	17,558,765
Public Administration	673,442	378,243	622,335	597,549	692,754
Total Taxable Gross Receipts	\$ 55,422,763	\$ 39,024,958	\$ 50,904,491	\$ 49,600,567	\$ 49,099,297
State Gross Receipts Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%
Personal Income by Industry (in millions)					
Federal Civilian	\$ 3,110	\$ 2,948	\$ 2,965	\$ 3,351	\$ 3,331
Federal Military	1,215	1,268	1,367	1,632	1,596
State and Local Government	9,860	9,590	9,229	8,934	8,640
Farm Earnings	1,088	1,769	1,472	1,203	1,389
Forestry, Fishing, and Related Activities	145	150	150	132	99
Mining	3,035	3,167	3,151	2,410	2,045
Utilities	503	491	520	522	442
Construction	3,111	3,042	2,978	2,888	2,868
Manufacturing	2,118	2,089	2,178	2,344	2,272
Wholesale Trade	1,442	1,441	1,451	1,444	1,382
Retail	3,546	3,505	3,412	3,417	3,274
Transportation and Warehousing	1,569	1,508	1,464	1,408	1,318
Information	927	790	881	878	832
Financial, Insurance, Real Estate, Rental, and Leasing	2,725	2,448	2,404	2,139	2,361
Services	18,166	17,790	17,652	17,731	17,233
Other ¹	27,490	26,432	24,537	22,791	22,931
Total Personal Income	\$ 80,050	\$ 78,428	\$ 75,811	\$ 73,224	\$ 72,013
Highest Income Tax Rate	4.9%	4.9%	4.9%	4.9%	4.9%

STATE OF NEW MEXICO

REVENUE PAYERS BY INDUSTRY – TAXABLE SALES, SERVICES, AND USE TAX PURCHASES

SCHEDULE B-3

Most Current Calendar Year and Historical Comparison
(In Thousands)

	Fiscal Year 2020			Calendar Year 2011		
	Number of Outlets	Percent of Total	Taxable Gross Receipts	Number of Outlets	Percent of Total	Taxable Gross Receipts
Agriculture, Forestry and Fishing	2,265	0.5%	\$ 175,237	1,361	0.4%	\$ 59,602
Mining	5,333	1.1%	7,310,833	2,917	0.9%	3,239,185
Construction	43,514	9.2%	10,989,995	34,274	10.7%	5,326,763
Manufacturing	27,620	5.8%	2,306,998	13,112	4.1%	1,643,653
Transportation	7,946	1.7%	1,187,865	5,079	1.6%	679,289
Communications and Utilities	35,353	7.5%	6,120,717	21,112	6.6%	4,648,079
Wholesale Trade	29,115	6.1%	3,648,654	18,019	5.6%	2,207,054
Retail Trade	99,206	21.0%	16,425,084	62,713	19.6%	11,912,593
Finance, Insurance and Real Estate	25,787	5.4%	2,582,843	14,887	4.7%	1,131,560
Services and Other	196,339	41.5%	30,267,240	145,408	45.6%	17,558,765
Public Administration	956	0.2%	883,472	726	0.2%	692,754
Total Number of Outlets and Total Taxable Gross Revenues	473,434	100.0%	\$ 81,898,938	319,608	100.0%	\$ 49,099,297
State Gross Receipts Tax Rate	5.1%			5.1%		

¹Data for 2020 is based on fiscal year.

Source: New Mexico Department of Taxation and Revenue, Monthly RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code
Source: New Mexico Department of Taxation and Revenue, Quarterly RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

STATE OF NEW MEXICO

REVENUE PAYERS – PERSONAL INCOME TAX

Most Current Calendar Year and Historical Comparison
(Dollars, Except for Income Level, in Thousands)

SCHEDULE B-4

Income Level	2009			2018*		
	Number of Returns	Percent of Total	Personal Income Tax	Number of Returns	Percent of Total	Personal Income Tax
\$200,000 and higher	14,804	1.6%	\$ 1,867,483	29,750	3.2%	\$ 2,606,690
\$100,000 - \$199,999	68,576	7.5%	1,162,986	102,740	11.1%	1,615,467
\$75,000 - \$99,999	63,674	7.0%	515,691	75,330	8.1%	565,550
\$50,000 - \$74,999	111,100	12.2%	536,639	120,750	13.0%	530,356
\$49,999 and lower	654,162	71.7%	488,835	600,540	64.6%	513,250
Total	912,316	100.0%	\$ 4,571,634	929,110	100.0%	\$ 5,831,313
						100.0%

* At the time of the preparation of the 2020 New Mexico State Annual Financial Report, the 2020 and 2019 information were not available.

Source: United States Department of the Treasury, Internal Revenue Service, Tax Year 2018: Historical Table 2 and Tax Year 2009: Historical Table 2 New Mexico (SOI Bulletin)

STATE OF NEW MEXICO

PERSONAL INCOME TAX RATES

Last Ten Fiscal Years

SCHEDULE B-5

Year	Top Tax Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of			Average Effective Rate, As Restated
		Single	Married Filing Jointly	Head of Household	
2020	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
2019	4.9%	16,000	24,000	24,000	N/A
2018	4.9%	16,000	24,000	24,000	N/A
2017	4.9%	16,000	24,000	24,000	N/A
2016	4.9%	16,000	24,000	24,000	N/A
2015	4.9%	16,000	24,000	24,000	N/A
2014	4.9%	16,000	24,000	24,000	N/A
2013	4.9%	16,000	24,000	24,000	N/A
2012	4.9%	16,000	24,000	24,000	N/A
2011	4.9%	16,000	24,000	24,000	N/A

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STATE OF NEW MEXICO

RATIOS OF OUTSTANDING DEBT BY TYPE

SCHEDULE C-1

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2020	2019	2018 as Restated	2017 as Restated	2016 as Restated
Governmental Activities					
General Obligation	\$ 421,700	\$ 350,925	\$ 411,525	\$ 260,760	\$ 389,270
Enhanced E-911 Revenue Bonds	-	-	-	-	-
Severance Tax Bonds	680,245	814,370	943,670	876,115	641,415
Revenue Bonds	1,094,669	1,221,323	1,276,703	1,367,542	1,558,689
Bond Premium, Discount, Net *	223,794	200,994	304,223	237,638	257,935
Total Government	2,420,408	2,587,612	2,936,121	2,742,055	2,847,309
Business-type Activities*					
Revenue Bonds	823,419	899,736	909,046	869,404	763,824
Capital Leases	546	938	690	1,054	1,502
Total Primary Government	823,965	900,674	909,736	870,458	765,326
Total Debt	\$ 3,244,373	\$ 3,488,286	\$ 3,845,857	\$ 3,612,513	\$ 3,612,635
New Mexico Personal Income	\$ 101,386,400	\$ 86,328,400	\$ 86,328,400	\$ 81,483,543	\$ 79,104,093
Debt as a Percentage of Personal Income	3.2%	4.0%	4.5%	4.4%	4.6%
New Mexico Population	2,101	2,095	2,095	2,088	2,080
General Obligation Debt Per Capita	\$ 201	\$ 167	\$ 196	\$ 125	\$ 187
Total Long-Term Debt Per Capita	\$ 1,545	\$ 1,665	\$ 1,835	\$ 1,730	\$ 1,737

Source State of New Mexico Annual Financial Report for outstanding bonded and non-bonded debt.

See Schedule for Demographics and Economic Statistics for personal income and population data. Ratios are calculated based upon personal income and population which are reported for the prior calendar year.

Note: In the past, total debt was used to calculate the above ratios. Beginning with fiscal year 2009, outstanding debt is used in the ratio calculation; therefore, all prior year balances were restated to reflect the change.

STATE OF NEW MEXICO

SCHEDULE C-1

	Fiscal Year				
	2015 as Restated	2014	2013	2012	2011 as Restated
Governmental Activities					
General Obligation	\$ 311,270	\$ 372,700	\$ 296,890	\$ 379,228	\$ 423,854
Enhanced E-911 Revenue Bonds	-	-	-	-	-
Severance Tax Bonds	760,080	683,275	798,740	884,320	1,020,550
Revenue Bonds	1,520,839	1,562,240	1,723,061	1,859,403	1,703,481
Bond Premium, Discount, Net *	-	-	-	-	-
Total Government	<u>2,592,189</u>	<u>2,618,215</u>	<u>2,818,691</u>	<u>3,122,951</u>	<u>3,147,885</u>
Business-type Activities*					
Revenue Bonds	808,463	827,812	840,831	832,306	866,692
Capital Leases	1,919	1,060	1,292	919	248
Total Primary Government	<u>810,382</u>	<u>828,872</u>	<u>842,123</u>	<u>833,225</u>	<u>866,940</u>
Total Debt	<u>\$ 3,402,571</u>	<u>\$ 3,447,087</u>	<u>\$ 3,660,814</u>	<u>\$ 3,956,176</u>	<u>\$ 4,014,825</u>
New Mexico Personal Income	\$ 76,449,091	\$ 72,465,608	\$ 73,822,778	\$ 72,175,501	\$ 68,361,950
Debt as a Percentage of Personal Income	4.5%	4.8%	5.0%	5.5%	5.9%
New Mexico Population	2,083	2,085	2,084	2,078	2,065
General Obligation Debt Per Capita	\$ 149	\$ 179	\$ 142	\$ 182	\$ 205
Total Long-Term Debt Per Capita	\$ 1,633	\$ 1,653	\$ 1,757	\$ 1,904	\$ 1,944

STATE OF NEW MEXICO

LONG-TERM LIABILITIES

SCHEDULE C-2

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2020	2019	2018 As Restated	2017	2016
Governmental Activities					
General Obligation Bonds	\$ 421,700	\$ 350,925	\$ 260,760	\$ 326,755	\$ 429,764
Severance Tax Bonds	680,245	814,370	876,115	955,045	641,415
Revenue Bonds	1,094,669	1,221,323	1,367,542	1,281,950	1,423,069
Bond Premium, Discount, Net *	223,794	257,988	200,994	279,305	217,441
Notes Payable	-	1,250	-	14,000	5,755
Deferred Loss on Refunding, Net *	-	-	-	-	100,167
Claims and Judgments	152,392	166,593	180,149	195,471	100,461
Hedging Derivatives - Interest Rate Swaps	-	-	84,090	119,015	100,167
Native American Water Settlement Liability **	91,543	69,706	60,850	62,100	287,910
Contingent Liabilities	22	29,516	3,678	20,051	-
Compensated Absences	83,605	68,795	63,982	64,051	58,112
Pollution Remediation Obligation	41,666	27,457	42,651	44,278	287,910
Net Pension Liability	3,429,456	3,341,570	3,264,743	2,299,659	1,843,467
Net OPEB Liability	774,289	1,035,068	-	-	-
Capital Leases	-	-	51,690	53,045	53,199
Reserve for Losses	-	-	-	-	-
Other Liabilities	629,536	451,647	-	-	52,307
Total Governmental Activities	7,622,917	7,836,208	6,457,243	5,714,725	5,601,144
Business-type Activities					
Revenue Bonds	\$ 823,419	\$ 865,272	\$ 899,736	\$ 653,372	\$ 695,552
Bond Premium, Discount, Net *	39,279	41,791	43,960	42,649	31,519
Compensated Absences	99,083	87,588	86,356	84,906	20,853
Reserve for Losses	101,940	98,169	89,501	87,453	-
Notes Payable	13,506	11,285	12,985	14,051	-
Insurance Claims Payable	9,953	-	-	-	-
Capital Leases	546	938	1,054	1,308	1,023
Net OPEB Obligation	385,030	432,298	67,969	61,333	-
Derivative Instruments - Interest Rate Swaps	8,375	7,186	8,604	13,350	-
Student Loans	12,069	15,060	15,726	18,592	-
Environmental Cleanup	5,434	5,434	5,434	5,434	-
Net Pension Liability	2,188,285	3,485,718	2,125,341	1,913,152	-
Other Liabilities	174,049	56,714	11,076	-	56,579
Total Business-type Activities	3,860,968	5,107,453	3,367,742	2,895,600	805,526
Total Primary Government Long-term Liabilities	\$ 11,483,885	\$ 12,943,661	\$ 9,824,984	\$ 8,610,325	\$ 6,406,670

Note: Details regarding the liabilities listed above can be found in Note 8, Changes in Long-term Liabilities in the financial statements.

* In prior years, bond premium, discount, and loss on refunding was not stated separately.

STATE OF NEW MEXICO

SCHEDULE C-2

	Fiscal Year				
	2015 As Restated	2014	2013 As Restated	2012 As Restated	2011 As Restated
Governmental Activities					
General Obligation Bonds	\$ 311,270	\$ 372,700	\$ 296,890	\$ 379,288	\$ 423,854
Severance Tax Bonds	760,080	683,275	798,740	884,320	1,020,550
Revenue Bonds	1,520,839	1,562,240	1,723,061	1,859,403	1,703,481
Bond Premium, Discount, Net *	252,771	234,954	236,190	-	-
Notes Payable	1,581	1,598	2,454	3,715	124,205
Deferred Loss on Refunding, Net *	96,042	(91,257)	(81,982)	-	-
Claims and Judgments	259,855	348,753	433,547	225,248	222,821
Hedging Derivatives - Interest Rate Swaps	96,042	(91,257)	(81,982)	-	-
Native American Water Settlement Liability **	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-
Compensated Absences	62,339	61,201	60,946	63,934	73,483
Pollution Remediation Obligation	47,129	53,373	55,694	86,741	86,289
Net Pension Liability	-	-	-	-	-
Net OPEB Liability	-	-	-	-	-
Capital Leases	-	-	-	-	-
Reserve for Losses	100,000	-	-	-	-
Other Liabilities	212,200	252,003	330,217	-	501
Total Governmental Activities	3,720,148	3,387,583	3,773,775	3,502,649	3,655,184
Business-type Activities					
Revenue Bonds	\$ 808,463	\$ 827,812	\$ 840,831	\$ 832,306	\$ 866,692
Bond Premium, Discount, Net *	15,429	17,010	8,831	-	-
Compensated Absences	80,180	77,777	96,219	99,689	93,997
Reserve for Losses	69,988	65,471	65,472	63,406	63,901
Notes Payable	-	-	-	-	-
Insurance Claims Payable	-	-	-	-	-
Capital Leases	1,919	1,060	1,292	919	238
Net OPEB Obligation	-	-	-	-	-
Derivative Instruments - Interest Rate Swaps	-	-	-	-	-
Student Loans	-	-	-	-	-
Environmental Cleanup	-	-	-	-	-
Net Pension Liability	-	-	-	-	-
Other Liabilities	184,094	79,083	56,173	52,750	45,126
Total Business-type Activities	1,160,073	1,068,213	1,068,818	1,049,070	1,069,954
Total Primary Government Long-term Liabilities	\$ 4,880,221	\$ 4,455,796	\$ 4,842,593	\$ 4,551,719	\$ 4,725,138

STATE OF NEW MEXICO

LEGAL DEBT MARGIN

Last Ten Fiscal Years
(In Thousands)

SCHEDULE C-3

	Fiscal Year				
	2020	2019	2018	2017 As Restated	2016
Net Taxable Value of Property					
Subject to Taxation	\$ 70,648,048	\$ 66,919,238	\$ 60,698,949	\$ 57,451,756	\$ 56,625,171
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	706,480	669,192	606,989	574,518	566,252
General Obligation Bonds	421,700	260,760	326,755	389,270	311,270
Total General Debt Outstanding	421,700	260,760	326,755	389,270	311,270
Legal Debt Margin	\$ 284,780	\$ 408,432	\$ 280,234	\$ 185,248	\$ 254,982
Legal Debt Margin as a Percentage of the Debt Limit	40.3%	61.0%	46.2%	32.2%	45.0%

Note: The *Constitution of the State of New Mexico*, Article IX, Section 8, limits the State's outstanding general debt to a maximum of one percent of the net taxable value of all property subject to taxation within the State. The legal debt margin is the remaining borrowing authority available and is calculated by subtracting the bonded debt outstanding from the legal debt limit as calculated per Constitutional requirements.

Source: Note information regarding general bonded debt outstanding can be located within the State of New Mexico's annual financial report per fiscal year. Property value data was provided by the Department of Finance and Administration, Local Government Division, Financial and Property Tax Data by County and Municipality. Per capita information is based upon population data located in the Demographics and Economic Statistics schedule.

STATE OF NEW MEXICO

SCHEDULE C-3

	Fiscal Year				
	2015	2014	2013	2012 As Restated	2011
Net Taxable Value of Property					
Subject to Taxation	\$ 58,412,965	\$ 56,473,465	\$ 54,236,936	\$ 54,129,671	\$ 51,040,955
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	584,130	564,735	542,369	541,297	510,410
General Obligation Bonds	372,700	296,890	355,500	398,580	453,730
Total General Debt Outstanding	372,700	296,890	355,500	398,580	453,730
Legal Debt Margin	\$ 211,430	\$ 267,845	\$ 186,869	\$ 142,717	\$ 56,680
Legal Debt Margin as a Percentage of the Debt Limit	36.2%	47.4%	34.5%	26.4%	11.1%

STATE OF NEW MEXICO

STATUTORY DEBT LIMIT SEVERANCE TAX BONDS

SCHEDULE C-4

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Annual Deposits into Severance Tax Bonding Fund	\$ 646,300	\$ 672,441	\$ 511,115	\$ 342,317	\$ 254,966
50.0% of Annual Deposits	323,150	336,221	255,558	171,159	127,483
Statutory Debt Limit Amount	323,150	336,221	255,558	171,159	127,483
Senior Bond Servicing Amount *	146,965	129,737	142,160	144,766	16,489
Statutory Debt Margin Amount	\$ 176,185	\$ 206,484	\$ 113,398	\$ 26,393	\$ 110,994
Statutory Debt Margin as a Percentage of Debt Limit	54.5%	61.4%	44.4%	15.4%	87.1%

Note: The State Board of Finance is prohibited by the Severance Tax Bonding Act from issuing Senior Severance Tax Bonds unless the aggregate amount of total Senior Severance Tax Bonds outstanding, including the bonds to be issued, can be serviced with not more than 50 percent of the annual deposits into the Bonding Fund, as determined by the deposits during the fiscal year preceding the issuance of the bonds.

* Does not include payment on refunded bonds, which are paid from escrowed securities, payments on short-term debt issued by the State Treasurer and paid in the same year issued, or payments on Supplemental Bond Series.

Sources New Mexico Office of the State Treasurer audited financial statements.

New Mexico Board of Finance, Severance Tax Bonds, Bond Series 2012A Official Statement.

STATE OF NEW MEXICO

SCHEDULE C-4

	Fiscal Year				
	2015	2014	2013	2012	2011
Annual Deposits into Severance Tax Bonding Fund	\$ 426,331	\$ 414,956	\$ 426,821	\$ 504,734	\$ 398,576
50.0% of Annual Deposits	<u>213,166</u>	<u>207,478</u>	<u>213,411</u>	<u>252,367</u>	<u>199,288</u>
Statutory Debt Limit Amount	<u>213,166</u>	<u>207,478</u>	<u>213,411</u>	<u>252,367</u>	<u>199,288</u>
Senior Bond Servicing Amount *	<u>129,042</u>	<u>125,597</u>	<u>127,951</u>	<u>121,367</u>	<u>103,867</u>
Statutory Debt Margin Amount	<u>\$ 84,124</u>	<u>\$ 81,881</u>	<u>\$ 85,460</u>	<u>\$ 131,000</u>	<u>\$ 95,421</u>
Statutory Debt Margin as a Percentage of Debt Limit	<u>39.5%</u>	<u>39.5%</u>	<u>40.0%</u>	<u>51.9%</u>	<u>47.9%</u>

STATE OF NEW MEXICO

PLEGGED REVENUE BOND COVERAGE

SCHEDULE C-5

Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
Severance Tax Bonds (Including Supplemental Subordinate Liens)				
2020	\$ 646,300	\$ 134,125	\$ 34,255	3.8
2019	672,441	129,300	37,224	4.0
2018	511,115	124,745	36,780	3.2
2017	342,317	124,745	39,485	2.1
2016	254,966	118,345	15,257	1.9
2015	426,331	-	18,301	23.3
2014	414,956	224,525	55,539	1.5
2013	426,821	115,465	33,969	2.9
2012	504,734	128,013	24,304	3.3
2011	398,576	145,546	28,497	2.3
Highway Infrastructure Bonds				
2020	\$ 923,500	\$ 107,110	\$ 48,116	5.9
2019	837,915	103,290	51,541	5.4
2018	914,621	96,925	52,907	6.1
2017	848,903	93,655	63,798	5.4
2016	791,378	68,640	64,753	5.9
2015	385,211	84,080	68,080	2.5
2014	385,116	106,610	71,053	2.2
2013	411,003	138,848	76,561	1.9
2012	785,000	243,060	220,698	1.7
2011	719,811	71,450	79,742	4.8
Energy and Minerals Bonds				
2020	\$ 6,200	\$ 457	\$ 80	11.5
2019	1,077	439	96	2.0
2018	10,136	422	120	18.7
2017	9,462	2,819	198	3.1
2016	8,970	2,008	347	3.8
2015	8,763	1,967	439	3.6
2014	13,652	2,863	645	3.9
2013	8,826	1,819	604	3.6
2012	4,900	1,738	647	2.1
2011	2,578	1,546	395	1.3

N/A Data not available.

Sources: NM Department of Transportation audited financial statements
 NM Office of the State Treasurer audited financial statements
 NM State Fair Commission (Expo) audited financial statements
 NM Energy, Minerals and Natural Resources audited financial statements
 NM Miner's Colfax Medical Center audited financial statements
 NM Spaceport Authority audited financial statements
 NM Department of Cultural Affairs audited financial statements
 UNM - Health Science is included in Educational in 2020.

UNM audited financial statements
 NMSU audited financial statements
 ENMU audited financial statements
 WNMU audited financial statements
 NMMI audited financial statements
 NMHU audited financial statements
 NMTU audited financial statements

STATE OF NEW MEXICO

SCHEDULE C-5

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage
		Principal	Interest	
Cultural Affairs Bonds and Loan				
2020	\$ 868	\$ 581	\$ 50	1.4
2019	916	568	60	1.5
2018	892	558	65	1.4
2017	1,010	699	70	1.3
2016	821	331	128	1.8
2015	835	320	139	1.8
2014	455	459	224	0.7
2013	1,100	1,432	256	0.7
2012	805	396	170	1.4
2011	795	385	178	1.4
Miners' Colfax Medical Center Bonds				
2020	\$ 1,500	\$ 1,030	\$ 229	1.2
2019	2,954	1,008	252	2.3
2018	6,722	980	282	5.3
2017	6,317	955	315	5.0
2016	6,651	935	337	5.2
2015	5,759	910	277	4.9
2014	5,752	835	423	4.6
2013	6,386	770	509	5.0
2012	6,302	744	535	4.9
2011	6,291	718	559	4.9
State Fair (EXPO) Bonds				
2020	\$ -	\$ -	\$ -	0.0
2019	-	-	-	0.0
2018	-	-	-	0.0
2017	-	-	-	0.0
2016	-	-	-	0.0
2015	448	689	12	0.6
2014	1,070	687	36	1.5
2013	1,070	628	70	1.5
2012	1,100	607	79	1.6
2011	1,000	587	98	1.5
Spaceport Authority Bonds				
2020	\$ 5,000	\$ 3,425	\$ 2,224	0.9
2019	4,216	3,280	2,367	0.7
2018	7,053	3,145	2,502	1.2
2017	6,763	3,020	2,629	1.2
2016	6,551	2,900	2,746	1.2
Debt not issued in prior years.				
Bernalillo County Metropolitan Court				
2020	\$ 3,922	\$ 2,925	\$ 997	1.0
2019	3,587	2,780	1,159	0.9
2018	3,651	2,600	1,266	0.9
Reported on NMFA in Prior Years				
Educational Insititutions				
2020	\$ 2,907,000	\$ 44,793	\$ 36,528	35.7
2019	1,014,174	862,509	356,788	0.8
2018	867,000	42,764	38,347	10.7
Reported on NMFA in Prior Years				
University of New Mexico Health Sciences				
2020	\$ -	\$ -	\$ -	0.0
2019	3,740	2,763	977	1.0
2018	4,297	3,044	1,253	1.0
Reported on UNM in Prior Years				
General Services Department				
2020	\$ 16,100	\$ 5,019	\$ 7,139	1.3
2019	14,200	10,279	3,921	1.0
2018	5,397	2,140	3,257	1.0
Reported on UNM in Prior Years				

STATE OF NEW MEXICO

DEMOGRAPHIC AND ECONOMIC INDICATORS

SCHEDULE D-1

Last Ten Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Median Age	* Percent High School Grad or Higher (Pop=25 Yrs & >)	Public School Enrollment
2020	2,100,566	\$ 101,386,400,000	\$ 48,266	38.1	86.0	333,020
2019	2,095,428	86,328,400,000	41,198	37.3	85.0	335,829
2018	2,095,428	86,328,400,000	41,198	37.3	85.0	335,829
2017	2,088,070	83,127,300,000	39,811	37.2	84.6	338,370
2016	2,081,015	80,758,305,000	38,807	37.4	84.2	339,613
2015	2,080,328	79,104,093,000	38,025	37.2	84.2	340,365
2014	2,083,024	76,449,091,000	36,701	37.2	84.0	339,219
2013	2,085,193	72,465,608,000	34,752	36.9	83.6	338,223
2012	2,083,784	73,822,778,000	35,427	36.8	83.4	337,225
2011	2,077,756	72,175,501,000	34,737	36.6	83.1	328,591

Sources: Population, Per Capita Personal Income - New Mexico Bureau of Business and Economic Research, University of New Mexico School Enrollment - New Mexico Department of Finance and Administration, Office of Education and Accountability Personal Income - Department of Commerce Bureau of Economic Analysis, Education - Census.gov B15002 American Fact Finder, PEPASR6H GeographyNMYR2012Population Estimates, bea.gov. www.ped.state.nm.us

Note: Personal Income, Per capita Personal Income and median Age data are as of 2018 data.
2011-18 population data represents estimates based on the 2010 census.
2017 is Restated

Note: Statistics were revised to indicate the percentage of individuals that have attained educational levels instead of the average educational level as was done in prior years.

* Education level and years of schooling has been replaced with Percent High School Graduate or Higher

STATE OF NEW MEXICO

PRINCIPAL EMPLOYERS

SCHEDULE D-2

Most Current Calendar Year and Historical Comparison

Entity Name	Calendar Year 2020			Calendar Year 2011*		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
State of New Mexico (total offices, departments, etc.)	26,024	1	2.9%	21,832	2	2.5%
Federal Government	24,188	2	2.7%	23,643	1	2.7%
UNM (Campuses, Hospital, Medical Group, Etc.)	20,689	3	2.3%	20,042	3	2.3%
Sandia National Laboratories	14,440	4	1.6%	10,560	6	1.2%
Presbyterian Healthcare	14,000	5	1.5%	9,500	7	1.1%
Albuquerque Public Schools	13,751	6	1.5%	11,500	5	1.3%
Walmart Corporate	13,055	7	1.4%	14,709	4	1.7%
Los Alamos National Laboratories	12,367	8	1.4%	7,949	8	0.9%
City of Albuquerque	6,125	9	0.7%	6,940	9	0.8%
NMSU	3,432	10	0.4%	N/A	NA	N/A
Total Employees of Principal Employers	148,071		16.4%	126,675		14.6%

Sources: New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics

2009 Book of Business List

NMNETLINKS

New Mexico Career Development Association

Albuquerque Public Schools - Human Resources Department

City of Albuquerque One Albuquerque finance.

Governing Magazine 1-25-2019 - Federal Employees by State

State of New Mexico Payroll Control (DFA)

Los Alamos National Laboratory - Facts 3-13-2019, as of 3-2018.

Sandia National Laboratories: Facts & Figures for FY 2018 (9-30-18).

Walmart Corporate - New Mexico, Location Facts

New Mexico State University Quick Facts 2018-2019, on 3-13-19

University of New Mexico - Office of Institutional Analytics - UNM Quick Facts 2015-2018

SEC quarterly reports

Note: Number of employees is based on a calendar year average.

Rankings are based on the employers identified, there may be larger employers not identified from sources available.

Some data sources only included locations that had in excess of 100 employees.

* Used 2012, did not have information for 2011, since 2011 used 2010 data in annual reporting.

STATE OF NEW MEXICO

COMPOSITION OF LABOR FORCE

Last Ten Calendar Years

SCHEDULE D-3

	Calendar Year				
	2020	2019	2018	2017	2016 as Restated
Nonagricultural Jobs					
Government	186,300	190,300	183,600	186,500	188,900
Mining	18,600	26,300	20,300	20,800	19,800
Construction	49,500	52,200	46,900	45,700	43,400
Manufacturing	26,300	27,700	26,900	26,400	26,900
Trade, Transportation and Utilities	135,400	140,900	136,300	136,600	138,700
Information	9,900	11,300	11,100	12,300	13,000
Financial Activity	32,300	36,000	34,700	34,000	33,500
Professional and Business Services	107,800	109,900	103,200	104,300	101,300
Education and Health Services	135,600	144,000	140,200	139,000	138,200
Leisure and Hospitality	67,600	99,800	94,700	96,400	95,500
Other Services	25,900	27,900	27,600	28,600	28,500
Total Nonagricultural Jobs	795,200	866,300	825,500	830,600	827,700
Civilian Labor Force	960,100	966,624	949,047	929,567	928,732
Total Employed	877,700	920,787	904,196	872,382	866,704
Unemployed	82,400	45,837	44,851	57,185	62,028
Unemployment Rate	8.6%	4.7%	4.8%	6.2%	6.7%
Seasonally Adjusted Rate	8.6%	4.7%	4.7%	6.4%	6.7%

Source New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics

STATE OF NEW MEXICO

SCHEDULE D-3 (CONTINUED)

	Calendar Year				
	2015 as Restated	2014 as Restated	2013 as Restated	2012 as Restated	2011 as Restated
Nonagricultural Jobs					
Government	189,300	194,700	188,300	182,297	195,100
Mining	25,600	28,400	26,800	23,959	21,300
Construction	43,500	43,300	40,600	41,116	43,400
Manufacturing	27,800	28,300	27,300	29,672	29,400
Trade, Transportation and Utilities	139,600	142,700	136,800	134,061	133,300
Information	12,700	12,700	12,300	13,523	14,400
Financial Activity	33,300	33,600	34,100	35,547	32,500
Professional and Business Services	99,700	100,300	96,800	92,746	100,500
Education and Health Services	133,300	131,900	123,200	114,233	121,700
Leisure and Hospitality	93,100	89,000	85,000	86,269	86,300
Other Services	28,500	28,300	27,200	20,970	28,600
Total Nonagricultural Jobs	826,400	833,200	798,400	774,393	806,500
Civilian Labor Force	927,999	927,142	923,899	927,795	930,356
Total Employed	867,387	865,229	859,804	861,617	860,305
Unemployed	60,612	61,913	64,095	66,178	70,051
Unemployment Rate	6.5%	6.7%	6.9%	7.1%	7.5%
Seasonally Adjusted Rate	6.6%	6.7%	7.0%	7.1%	7.5%

STATE OF NEW MEXICO

PUBLIC HIGHER EDUCATION ENROLLMENT

SCHEDULE D-4

Last Ten Academic Years

	Academic Year				
	2019-20	2018-19	2017-18	2016-17	2015-16
Eastern New Mexico University	5,519	4,791	5,573	5,891	5,936
New Mexico Highlands University	2,169	2,350	2,348	2,438	2,653
New Mexico Institute of Mining and Technology	1,517	1,614	1,612	1,666	1,817
New Mexico State University	18,458	18,592	18,398	19,324	19,876
Northern New Mexico College	768	804	799	786	707
University of New Mexico	22,568	22,812	23,430	25,483	28,489
Western New Mexico University	1,974	1,990	2,072	2,045	2,169
Total All Four-Year Institutions	52,973	52,953	54,232	57,633	61,647
Central New Mexico Community College ¹	11,612	12,000	12,156	12,716	13,684
Clovis Community College	1,461	1,509	1,477	1,495	1,500
Luna Community College	526	513	505	614	709
Mesalands Community College	346	413	388	404	469
New Mexico Junior College	1,591	1,464	1,696	1,593	1,651
New Mexico Military Institute	459	487	487	492	511
Northern New Mexico College	N/A	N/A	N/A	N/A	N/A
San Juan College	3,914	3,873	3,672	3,538	4,409
Santa Fe Community College	2,175	2,229	2,252	2,391	2,648
Total All Two-Year Institutions	22,084	22,488	22,633	23,243	25,581
Total All Institutions	75,057	75,441	76,865	80,876	87,228

¹ Albuquerque Technical Vocational Institute's name changed to Central New Mexico Community College

Source: Information can be found at <http://hed.state.nm.us/data-reports/data-reports-1/annual-projects>
2019 Annual Report

These numbers are by total FTE not head counts. Branches must be included in totals.

STATE OF NEW MEXICO

SCHEDULE D-4

	Academic Year				
	2014-15	2013-14	2012-13	2011-12	2009-2010
Eastern New Mexico University	6,327	6,489	6,862	6,874	6,587
New Mexico Highlands University	2,626	2,742	2,758	2,778	2,747
New Mexico Institute of Mining and Technology	1,805	1,766	1,694	1,598	1,552
New Mexico State University	20,630	21,752	22,756	23,418	23,632
Northern New Mexico College	870	1,061	1,186	1,254	1,352
University of New Mexico	28,277	28,586	28,557	28,542	28,337
Western New Mexico University	2,222	2,223	2,153	2,180	2,236
Total All Four-Year Institutions	62,757	64,619	65,966	66,644	66,443
Central New Mexico Community College ¹	14,653	15,920	15,818	16,384	16,687
Clovis Community College	1,548	1,589	1,684	1,760	1,828
Luna Community College	757	856	925	1,013	1,048
Mesalands Community College	428	423	652	597	639
New Mexico Junior College	1,698	1,651	1,626	1,966	1,923
New Mexico Military Institute	550	588	613	579	593
Northern New Mexico College	N/A	N/A	N/A	N/A	N/A
San Juan College	4,619	4,901	4,948	5,027	4,799
Santa Fe Community College	2,899	3,003	2,883	2,890	2,847
Total All Two-Year Institutions	27,152	28,931	29,149	30,216	30,364
Total All Institutions	89,909	93,550	95,115	96,860	96,807

STATE OF NEW MEXICO

FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION SCHEDULE E-1 Last Ten Fiscal Years

	Fiscal Year				
	2020	2019	2018 As Restated	2017	2016
General Government					
Government Operations	1,380.0	1,336.5 ¹	1,334.0	1,355.0	1,190.0
Taxation and Revenue	1,072.8	1,066.8	1,078.0	1,088.0	1,096.0
Human Services and Youth Corrections	4,089.8	4,105.8	3,909.0	4,320.0	4,540.0
Adult Corrections	2,621.0	2,453.0	2,443.0	2,409.0	2,447.0
Public Safety	1,607.3	1,547.3	1,535.0	1,545.0	1,499.7
State Courts	3,542.6	3,473.4 ²	3,389.0	3,375.0	3,587.4
Health and Environment					
Department of Health	3,769.5	3,551.5 ⁴	3,536.0	3,792.0	3,780.0
Department of Environment	634.5	635.5	638.0	637.0	660.5
Miners Colfax Community Hospital	258.0	260.0	258.0	224.0	224.0
Employment and Family Services	1,405.8	1,418.3 ⁴	1,643.0	1,435.0	623.5
Natural Resources	1,361.5	1,375.5	1,366.0	1,389.0	1,005.8
Cultural Affairs	509.3	487.9	494.0	509.0	508.8
Business, Labor and Agriculture	878.4	864.4 ³	860.0	900.0	1,809.5
Education	387.2	384.2	378.0	397.0	348.3
Transportation	2,506.5	2,506.5	2,503.0	2,488.0	2,487.5
Total Full-Time Equivalent State Employees	26,024.2	25,466.6	25,364.0	25,863.0	25,808.0
Change	2.1%	0.4%	-2.0%	0.2%	1.2%

Source New Mexico Legislative General Appropriation Act for each fiscal year's annual appropriation. Used FY14 data in FY15 as data was not available.

NMNETLINKS

New Mexico Career Development Association

Report of the Legislative Finance Committee to the 53rd Legislature Second Session, January 2018, Vol. 2, Pg. 1-351

Report of the Legislative Finance Committee to the 54th Legislature First Session, January 2019, Vol. 2, Pg. 1-324

Report to the Legislative Finance Committee to the Fifty-Fourth Legislature, Second Session January 2020 for the 2021 Fiscal Year, Vol. 2, Pg. 1-348

Report to the Legislative Finance Committee to the Fifty-Fifth Legislature, First Session January 2020 for the 2021 Fiscal Year, Vol. 2, Pg. 1-351.

¹ Total FTE Positions for Attorney General included in Government Operations for 2017 is based on 2016 as 2017 was not available

² Total FTE Positions for 4th, 5th, 8th, 9th, and 10th Judicial District Attorneys included in State Courts for 2018 is based on 2017 as 2018 was not available

³ Total FTE Positions for Gaming Control Board included in Business, Labor and Agriculture for 2018 is based on 2017 as 2018 was not available

⁴ Throughout 2018, approximately 222 FTE Positions were transferred from the Department of Health to the Department of Veterans' Services for certain functions including IT Infrastructure, financial oversight and electronic health record.

STATE OF NEW MEXICO

SCHEDULE E-1

	Fiscal Year				
	2015	2014	2013	2012	2011
General Government					
Government Operations	1,203.5	1,203.5	1,228.5	1,215.0	1,255.3
Taxation and Revenue	1,109.0	1,109.0	1,136.0	1,136.0	1,150.5
Human Services and Youth Corrections	4,384.1	4,384.1	4,225.1	4,357.1	4,323.1
Adult Corrections	2,453.0	2,453.0	2,453.5	2,490.5	2,490.5
Public Safety	1,452.7	1,452.7	1,456.7	1,467.7	1,474.5
State Courts	3,471.0	3,471.0	3,497.8	3,490.1	3,503.1
Health and Environment					
Department of Health	3,791.0	3,791.0	3,946.0	3,941.0	4,098.0
Department of Environment	660.5	660.5	671.5	673.0	685.0
Miners Colfax Community Hospital	224.0	224.0	224.0	225.0	225.0
Employment and Family Services	618.5	618.5	626.5	624.5	652.5
Natural Resources	967.8	967.8	1,018.8	1,012.3	962.3
Cultural Affairs	507.8	507.8	505.5	536.7	534.2
Business, Labor and Agriculture	1,813.6	1,813.6	1,734.7	1,799.4	1,845.7
Education	350.3	350.3	364.8	418.8	412.2
Transportation	2,489.5	2,489.5	2,502.5	2,502.2	2,504.5
Total Full-Time Equivalent State Employees	<u>25,496.3</u>	<u>25,496.3</u>	<u>25,591.9</u>	<u>25,889.3</u>	<u>26,116.4</u>
Change	<u>0.0%</u>	<u>-0.4%</u>	<u>-1.2%</u>	<u>-0.9%</u>	<u>-0.8%</u>

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2020,	2019, as Restated	Fiscal Year 2018, as Restated	2017, as Restated	2016, as Restated
General Government					
Operations					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) ^{8 11 24 39 43 50}	40th	39th	39 th	39 th	30 th
Taxation					
% of Electronically Filed Personal Income Tax Returns ^{9 14 15 19 23 37 44, 47}	90%	88%	87%	86%	85%
% of Motor Vehicle Registrations Issued (with Liability Insurance) ^{14 15 19 23 37 44 47}	91%	90%	90%	90%	92%
Amount of Delinquent Property Tax Collected and Distributed to Counties in millions ^{8 10 14 15 19 23 37 44 47}	\$10.4	\$12.9	\$14.6	\$11.5	\$11.6
Regulation					
# of Vehicular Port Traffic at New Mexico Ports ^{10 14 15 18 26 38 45 48}	937,119	1,548,500	1,597,023	1,571,366	1,589,396
Nursing Licenses Issued ^{10 15 18 25, 40 46 49}	18,918	24,711	19,340	16,872	16,251
Tri-Annual Physician Licenses Issued ^{10 14 15 18 27 38 45 48}	4,303	4,086	4,059	4,116	3,744
Biennial Physician Assistant Licenses Issued ^{10 15 18 27 38 45 48}	629	556	487	455	451
Public Safety					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{10 14 15 19 28 41 45 48}	NA	NA	19,500	16,590	10,408
# of Traffic Fatalities ^{9 14 15 18 23 37 44 47}	418	417	369	383	366
# of Driving While Intoxicated Fatalities ^{9 14 15 18 23 37 44 47}	142	157	143	163	149
# of Driving While Intoxicated Arrests ^{9 14 15 18 23 37 44 47}	1,647	2,171	2,574	N/A	N/A
Education					
Public					
# of High School Graduates (4 year) ^{1 29 42}	25,995	26,092	26,288	26,587	25,926
Student Dropout Rate for Grades 9 - 12 ^{2 30 42 52}	NA	NA	NA	3.80%	4.4%
Public School Capital Outlay Allocation (\$ Millions) ⁴	N/A	N/A	N/A	N/A	546
Higher					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) ^{8 10 14 15 38 45 48}	56%	54%	50%	49%	48%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years ^{8 10 14 15 21}	N/A	N/A	N/A	N/A	75%

STATE OF NEW MEXICO

SCHEDULE E-2

	2015, as Restated	2014, as Restated	Fiscal Year 2013, as Restated	2012, as Restated	2011, as Restated
General Government					
Operations					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) ^{8 11 24 39 43 50}	36 th	30 th	30 th	50 th	49 th
Taxation					
% of Electronically Filed Personal Income Tax Returns ^{9 14 15 19 23 37 44, 47}	92%	90%	85%	82%	63%
% of Motor Vehicle Registrations Issued (with Liability Insurance) ^{14 15 19 23 37 44 47}	91%	91%	91%	92%	91%
Amount of Delinquent Property Tax Collected and Distributed to Counties in millions ^{8 10 14 15 19 23 37 44 47}	\$10.4	\$13.1	\$12.4	\$11.0	\$6.5
Regulation					
# of Vehicular Port Traffic at New Mexico Ports ^{10 14 15 18 26 38 45 48}	1,463,046	1,279,179	824,824	766,671	830,000
Nursing Licenses Issued ^{10 15 18 25, 40 46 49}	14,854	14,551	15,081	14,500	13,576
Tri-Annual Physician Licenses Issued ^{10 14 15 18 27 38 45 48}	3,841	3,945	3,661	3,000	2,707
Biennial Physician Assistant Licenses Issued ^{10 15 18 27 38 45 48}	476	436	398	225	262
Public Safety					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{10 14 15 19 28 41 45 48}	14,775	18,202	11,564	37,919	39,334
# of Traffic Fatalities ^{9 14 15 18 23 37 44 47}	347	343	304	395	306
# of Driving While Intoxicated Fatalities ^{9 14 15 18 23 37 44 47}	155	137	120	169	89
# of Driving While Intoxicated Arrests ^{9 14 15 18 23 37 44 47}	N/A	N/A	N/A	2,479	3,309
Education					
Public					
# of High School Graduates (4 year) ^{1 29 42}	25,863	25,170	25,903	26,096	26,191
Student Dropout Rate for Grades 9 - 12 ^{2 30 42 52}	4.4%	4.3%	5.0%	4.4%	4.8%
Public School Capital Outlay Allocation (\$ Millions) ⁴	895	457	483	136	NA
Higher					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) ^{8 10 14 15 38 45 48}	48%	48%	43%	40%	43%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years ^{8 10 14 15 21}	72%	73%	72%	73%	71%

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	2020,	Fiscal Year			
		2019, as Restated	2018, as Restated	2017, as Restated	2016, as Restated
Health and Human Services					
% of Children Receiving Services in Medicaid Managed Care ^{10 14 15 23 38 44 47}	73%	75%	72%	85%	85%
% of Child Support Collected of Support Owed ^{9 14 15 18 23 38 45 48}	59%	58%	57%	56%	56%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) ^{8 10 14 15 21 31}	N/A	N/A	N/A	503	491
% of Children Adopted within 24 Months of Entry into Foster Care ^{8 10 14 15 23 37 44 45 (Split into two time periods for 2020)}	36%	27%	28%	25%	23%
% of Abused Children with Repeat Maltreatment ^{9 14 15 23 38 45 48}	14%	17%	15%	15%	12%
% of Preschoolers Fully Immunized ^{9 14 15 18 45 48}	63%	64%	61%	72%	NA
# of Operating School-Based Health Centers ^{13 14 15 32}	79	73	73	70	72
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{18 21 26 45 48}	4	5	5	5	3
Corrections					
Juvenile					
% Juveniles Earning Education Credits While Incarcerated ⁸	NA	NA	NA	NA	NA
% of Juveniles Who Complete Formal Probation ^{23 37 38 44 47}	94%	86%	86%	83%	85%
% of Juveniles Recommitted to a Youth Detention Facility ^{9 14 15 17 23 37 4}	20%	20%	20%	7%	10%
Adult					
Turnover Rate of Correctional Officers ^{9 14 15 18 23 38 45 48}	2%	25%	28%	2%	10%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) ^{9 14 15 23 37 45 48}	46%	46%	51%	50%	46%
% of Prisoners Reincarcerated within 36 Months After Release ^{10 14 15 17 23 37 44 45 48}	54%	54%	49%	50%	46%
Culture and Recreation					
# of Visits to Visitor Information Centers (Millions) ⁸	N/A	N/A	N/A	N/A	N/A
# of Unique Website Visitor Sessions (Millions) ^{8 23 45 48}	2.4	2.4	0.4	0.4	0.6
Circulation Rate for New Mexico Magazine ^{8 9 14 15 18 33 38 44 47}	70,000	70,000	70,000	70,000	75,000
Attendance to Museum Exhibitions, Performances, Films, Programs ^{8 10 14 15 34 38 45 48}	827,895	826,969	855,789	779,810	745,101
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{8 10 14 15 18 36 38 45 48}	88%	84%	84%	84%	84%
Fish Output from Hatchery System (in Pounds) ^{5 7 8 10 14 15 35 38 45 48}	666,738	670,851	646,175	681,103	638,594
# of Visitors to State Parks (Millions) ^{8 9 14 15 23 44 47}	4	5	5	5	5
Natural Resources, Environment					
# of Inspections of Oil and Gas Wells and Associated Facilities ^{8 14 15 23 37}	36,852	31,043	42,880	37,648	49,624
% of Required Mine Inspection Conducted ^{8 14 15 23 37 45 48}	88%	88%	95%	97%	97%
% of Abandoned Uranium Mines with Current Site Assessments ⁸	N/A	N/A	N/A	N/A	N/A
% of Landfills Meeting Groundwater Monitoring Requirements ^{14 15 23 37 44 47}	97%	99%	96%	97%	100%
# of Wildlife Habitat Acres Conserved or Enhanced ^{8 20 35}	192,000	192,000	192,000	192,000	NA
# of Threatened/Endangered Species Monitored/Involved in Recovery Process changed to % of Endangered Species in 2017 ^{8 10 14 15 38 45 48}	51%	48%	41%	52%	N/A

STATE OF NEW MEXICO

SCHEDULE E-2 (CONTINUED)

	Fiscal Year				
	2015, as Restated	2014, as Restated	2013, as Restated	2012, as Restated	2011, as Restated
Health and Human Services					
% of Children Receiving Services in Medicaid Managed Care ^{10 14 15 23 38 44 47}	86%	80%	70%	70%	60%
% of Child Support Collected of Support Owed ^{9 14 15 18 23 38 45 48}	56%	56%	56%	57%	57%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) ^{8 10 14 15 21 31}	360	360	132	173	300
% of Children Adopted within 24 Months of Entry into Foster Care ^{8 10 14 15 23 37 44 48 (Split into two time periods for 2020)}	32%	32%	31%	35%	28
% of Abused Children with Repeat Maltreatment ^{9 14 15 23 38 45 48}	11%	11%	9%	8%	9%
% of Preschoolers Fully Immunized ^{9 14 15 18 45 48}	76%	72%	72%	76%	65%
# of Operating School-Based Health Centers ^{13 14 15 32}	80	80	80	82	84
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{18 21 26 45 48}	3	3	3	4	4
Corrections					
Juvenile					
% Juveniles Earning Education Credits While Incarcerated ⁸	NA	NA	NA	55%	47%
% of Juveniles Who Complete Formal Probation ^{23 37 38 44 47}	83%	NA	NA	90%	92%
% of Juveniles Recommitted to a Youth Detention Facility ^{9 14 15 17 23 37 4}	8%	10%	9%	12%	11%
Adult					
Turnover Rate of Correctional Officers ^{9 14 15 18 23 38 45 48}	13%	10%	8%	11%	13%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) ^{9 14 15 23 37 45 48}	47%	36%	28%	37%	35%
% of Prisoners Reincarcerated within 36 Months After Release ^{10 14 15 17 23 37 44 45 48}	23%	47%	47%	40%	40%
Culture and Recreation					
# of Visits to Visitor Information Centers (Millions) ⁸	N/A	NA	N/A	1.3	1
# of Unique Website Visitor Sessions (Millions) ^{8 23 45 48}	0.8	NA	NA	2	3
Circulation Rate for New Mexico Magazine ^{8 9 14 15 18 33 38 44 47}	92,148	89,556	91,197	94,221	90,000
Attendance to Museum Exhibitions, Performances, Films, Programs ^{8 10 14 15 34 38 45 48}	823,450	851,101	826,912	830,000	845,000
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{8 10 14 15 18 36 38 45 48}	84%	87%	86%	80%	80%
Fish Output from Hatchery System (in Pounds) ^{5 7 8 10 14 15 35 38 45 48}	637,200	634,779	621,721	592,247	455,000
# of Visitors to State Parks (Millions) ^{8 9 14 15 23 44 47}	4	4	3.8	4	4
Natural Resources, Environment					
# of Inspections of Oil and Gas Wells and Associated Facilities ^{8 14 15 23 37}	47,539	38,920	37,707	35,147	27,816
% of Required Mine Inspection Conducted ^{8 14 15 23 37 45 48}	97%	94%	100%	100%	100%
% of Abandoned Uranium Mines with Current Site Assessments ⁸	N/A	N/A	N/A	50%	50%
% of Landfills Meeting Groundwater Monitoring Requirements ^{14 15 23 37 44 47}	95%	96%	100%	95%	97%
# of Wildlife Habitat Acres Conserved or Enhanced ^{8 20 35}	NA	NA	NA	100,000	180,331
# of Threatened/Endangered Species Monitored/Involved in Recovery Process changed to % of Endangered Species in 2017 ^{8 10 14 15 38 45 48}	35	35	39	35	35

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

		Fiscal Year			
	2020,	2019, as Restated	2018, as Restated	2017, as Restated	2016, as Restated
Business, Labor, and Agriculture					
% of Adults Who Entered Employment in 1 st Quarter of Receiving Training Services (Changed in 2013 to Percent of Individuals Who Have Received Employment Services Retaining Employment After Six Months) ^{9 14 15 17 19 23 37 45 48}	69%	79%	79%	78%	80%
# of Rural Jobs Created ^{9 14 15 23 37 45 48}	460	1,376	2,414	775	641
# of Media Industry Worker Days ^{9 14 15 18 37 45 48}	102,376	319,814	259,961	448,304	260,307
Changed to "Direct Spending by Industry productions (\$ Millions) ^{14 23 37 45 48}	\$257	\$525	\$234	\$505	\$387
Economic Impact of Media Industry Productions (\$ Millions) ^{5 6 9 15 23}	NA	NA	NA	NA	NA
Highways and Transportation					
# of System wide Miles in Deficient Condition ^{9 14 15 23 37 45 48}	4,420	3,783	4,675	4,675	4,515
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{5 7 8 12 31}	1.53	1.30	1.43	1.16	1.18
# of Statewide Improved Pavement Surface Miles ^{5 6 9 14 15 23 37 45 48}	3,970	3,143	2,854	3,668	2,457

		Fiscal Year			
	2015, as Restated	2014, as Restated	2013, as Restated	2012, as Restated	2011, as Restated
Business, Labor, and Agriculture					
% of Adults Who Entered Employment in 1 st Quarter of Receiving Training Services (Changed in 2013 to Percent of Individuals Who Have Received Employment Services Retaining Employment After Six Months) ^{9 14 15 17 19 23 37 45 48}	80%	75%	74%	72%	86%
# of Rural Jobs Created ^{9 14 15 23 37 45 48}	726	1,562	1,440	1,542	958
# of Media Industry Worker Days ^{9 14 15 18 37 45 48}	298,398	189,782	216,461	143,046	181,366
Changed to "Direct Spending by Industry productions (\$ Millions) ^{14 23 37 45 48}	\$286	\$162	\$641	\$674	\$697
Economic Impact of Media Industry Productions (\$ Millions) ^{5 6 9 15 23}	NA	NA	NA	NA	NA
Highways and Transportation					
# of System wide Miles in Deficient Condition ^{9 14 15 23 37 45 48}	4,250	3,896	8,287	3,837	3,407
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{5 7 8 12 31}	1.09	1.51	1.21	1.43	1.38
# of Statewide Improved Pavement Surface Miles ^{5 6 9 14 15 23 37 45 48}	2,611	2,889	3,139	2,750	4,000

Sources: Various departments of the State of New Mexico

- ¹ New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates
- ² [New Mexico Dropout Report published by New Mexico Public Education Department](#)
- ⁴ New Mexico Public Schools Finance Authority
- ⁸ [Report of the Legislative Finance Committee to the 50th Legislature Second Session](#), January 2012, Vol. II, Pg. 92, 93, 95, 99, 100, 101, 102, 103, 104, 105, 106, 108, 112, 113, 114, 122, 123, 172, 178, 187, 188, 194, 262, 287, 291, 303, 322, 323, 336, 338
- ⁹ [Report of the Legislative Finance Committee to the 51th Legislature Second Session](#), January 2014, Vol. I, Pg. 89, 98, 99, 100, 101, 105, 108, 112, 115, 116, 124, 125, 132, 133
- ¹⁰ [Report of the Legislative Finance Committee to the 51th Legislature Second Session](#), January 2014, Vol. II, Pg. 41, 59, 121, 150, 157, 159, 185, 230, 276, 278, 283, 330, 332
- ¹¹ [Pension fund rankings by state-Crain's Chicago Bs](#), <http://www.chicagobusiness.com/article/20130110/NEWS07/130109847/pension-fund-rankings-by-state-were-no-50>
- ¹² [New Mexico Transportation By The Numbers:](#)
- ¹³ [New Mexico Alliance for School-Based Health Care \(NMASBHC\): 'http://www.nmasbhc.org/index.html](#)
- ¹⁴ [Report of the Legislative Finance Committee to the 52th Legislature Second Session](#), January 2015, Vol. I, Pg. 88, 90, 98, 99, 100, 101, 105, 108, 112, 113, 116, 117, 121, 122, 123, 129, 130; Vol II pg. 126, 134, 136, 149, 156, 158, 176, 184, 226, 285, 307, 324, 342, 344
- ¹⁵ [Report of the Legislative Finance Committee to the 52th Legislature Second Session](#), January 2016, Vol. II, Pg. 152, 327, 343, 356, 505
- ¹⁷ [Report of the Legislative Finance Committee to the 53rd Legislature First Session](#), January 2017, Vol. I, Pg. 91, 103, 116
- ¹⁸ [Report of the Legislative Finance Committee to the 53rd Legislature First Session](#), January 2017, Vol. II, Pg. 115, 143, 145, 215, 237, 243, 264, 277, 283,
- ¹⁹ [Report of the Legislative Finance Committee to the 50th Legislature First Session](#), January 2011, Vol. II, Pg. 157, 243
- ²¹ [Report of the Legislative Finance Committee to the 52nd Legislature First Session](#), January 2015, Vol. II, Pg. 261, 285, 343
- ²² [Mercatus Center - George Mason University, www.mercatus.org/statefiscalrankings](#)
- ²³ [Report of the Legislative Finance Committee to the 54rd Legislature First Session](#), January 2018, Vol. I, Pg. 36, 94-98, 100-101, 103-104, 114, 119-120, 122-124, 131-132
- ²⁴ [Pension Fund Programs Worsen in 43 States](#), by Laurie Meisler, www.bloomberg.com/graphics/2017-state-pension-funding
- ²⁵ [New Mexico Board of Nursing - Annual Governor's Report FY 2017, Pg 12](#)
- ²⁶ [Report of the Legislative Finance Committee to the 54rd Legislature First Session](#), January 2018, Vol. II, Pg. 121, 240
- ²⁷ [New Mexico Medical Board - E-mailed](#)
- ²⁸ [New Mexico Public Regulation Commission - Annual Report FY 2017, Pg. 14, 16](#)
- ²⁹ [New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates \\$ Year Graduation Rate Cohort 2017](#)
- ³⁰ [New Mexico Public Education E-Mail - CFO](#)
- ³¹ [New Mexico Veterans' Services Department Performance Measures Summary, Pg. 1](#)
- ³² [New Mexico Alliance for School Based Health Care, www.nmasbhc.org/SBHC_Locator](#)
- ³³ [New Mexico Magazine - E-Mail Circulation Manager](#)
- ³⁴ [New Mexico Department of Cultural Affairs - E-mail](#)
- ³⁵ [New Mexico Department of Game and Fish Annual Report, Pg. 6, 9](#)
- ³⁶ [New Mexico Department of Game & Fish - Website, www.wildlife.state.nm.us/hunting/applications-and-draws-information](#)
- ³⁷ [Report of the Legislative Finance Committee to the 54th Legislature First Session](#), January 2019, Vol. I, Pg. 107, 109-110, 114, 127, 135-136, 145, 147, 155, 156
- ³⁸ [Report of the Legislative Finance Committee to the 54th Legislature First Session](#), January 2019, Vol. II, Pg. 118, 120, 136, 144, 146, 169, 177, 218, 222, 245, 275, 276, 286, 336
- ³⁹ [Pension Fund Outlook Brightens in 41 States](#), by Danielle Moran, www.bloomberg.com/graphics/2018-state-pension-funding
- ⁴⁰ [New Mexico Board of Nursing - Annual Report FY 2018, Pg 4](#)
- ⁴¹ [New Mexico Public Regulation Commission - Annual Report FY 2018, Pg. 22-F45](#)
- ⁴² [New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates \\$ Year Graduation Rate Cohort 2019](#)
- ⁴³ [Money - Is your money safe? These states are getting hit hardest by pension crisis. 10/15/2019.](#)
- ⁴⁴ [Report of the Legislative Finance Committee to the 54th Legislature Second Session](#), January 2020, Vol. I, Pg. 109-110, 121-122, 127, 134, 143, 148-149, 156-158
- ⁴⁵ [Report of the Legislative Finance Committee to the 54th Legislature Second Session](#), January 2020, Vol. II, Pg. 122-123, 125-126, 129-130, 132, 144, 174, 182, 190, 238, 243, 261, 290-291, 302-303, 324-
- ⁴⁶ [New Mexico Board of Nursing - Annual Report FY 2019, Pg 45-](#)
- ⁴⁷ [Report of the Legislative Finance Committee to the 55th Legislature First Session](#), January 2021, Vol. I, Pg. 116, 121, 128, 144, 150-151, 153, 155-158, 166-167
- ⁴⁸ [Report of the Legislative Finance Committee to the 55th Legislature First Session](#), January 2021, Vol. II, Pg. 124, 126, 132, 133, 145, 151, 153, 172, 181, 188, 237, 242, 259, 266, 289, 300, 303, 326, 356
- ⁴⁹ [New Mexico Board of Nursing - Annual Report FY 20120 Pg 29](#)
- ⁵⁰ <https://ipffusa.org/wp-content/uploads/2019/08/Public-Pension-Performance-IPFI-August2019.pdf> pg. 10-12
- ⁵¹ <https://www.ihs.org/topics/fatality-statistics/detail/state-by-state>
- ⁵² <https://datacenter.kidscount.org/data/tables/7958-dropout-rates>

Note: The State of New Mexico passed the Accountability in Government Act, NMSA 6-3A, in 1999. Efforts have been made in identifying and determining performance measurements since that time. Agencies began tracking and calculating these performance measurements beginning in fiscal year 2004. These operating indicators will continue to be tracked in the future in order to reach a ten year historical comparison.

N/A ¹ Measure deleted in FY09 or a latter Fiscal Year and replaced by different criteria.

NA Information not available

STATE OF NEW MEXICO

CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2020	2019	2018	2017	2016
General Government					
Buildings	110	110	110	110	110
Vehicles	40	N/A	N/A	N/A	N/A
Public Safety					
Buildings (not inc. POE'S)	29	29	29	29	29
Vehicles	846	1,275	1,256	900	921
Ports of Entry	8	8	8	8	6
Health and Human Services					
Buildings - General Administrative	302	302	34	34	4
Buildings - Program					
Juvenile Reintegration Center	4	4	4	4	3
Medical Center/Hospital	55	54	57	58	53
Rehabilitation Facility	5	5	5	5	7
Veterans' Center	16	16	16	16	1
Vehicles	511	871	871	400	426
Corrections					
Buildings	406	406	330	330	330
Vehicles	257	439	347	320	355
Culture and Recreation					
Vehicles	60	55	54	40	45
Museums	14	13	9	9	4
Monuments	8	8	7	7	6
Natural Resources, Environment					
Vehicles	196	261	280	340	380
State Parks	35	35	35	35	35
Wildlife Management Areas (Acres)	192,000	192,000	192,000	192,000	171,241
Fish Hatcheries	6	6	6	6	6
Education Vehicles					
Vehicles	5	N/A	N/A	N/A	N/A
Highways and Transportation					
Highway Lane Miles	12,272	12,272	12,272	12,272	26,598
Vehicles/Heavy Equipment	6,500	6,500	6,500	6,500	6,417

Sources: New Mexico General Services Department, Property Control Division and Public Information Office;
 New Mexico Game and Fish Department, Administrative Services
 New Mexico Energy and Minerals Department, Administrative Services Division;
 New Mexico Department of Transportation, ; dot.state.nm.us/content/nmdot/en/Operations.html
 Office of Employee Support and Development
 New Mexico Health and Human Services Department, Administrative Services Division;
 New Mexico Corrections Department, Administrative Services Division;
 New Mexico Children, Youth and Families Department, Administrative Services Division;
 New Mexico Department of Cultural Affairs, Administrative Services Division;
 New Mexico Department of Public Safety, Administrative Services Division;
[State of New Mexico Report of the Legislative Finance Committee to the 54th Legislature Second Session, Vol. I, January 2019.](#)

en.wikipedia.org/wiki/List_of_hospitals_in_New_Mexico
en.wikipedia.org/wiki/List_of_New_Mexico_state_parks
www.newmexicoculture.org/nmdvs.org/field-offices
www.sp.nm.gov/port-of-entry
 Number of Juvenile Centers in New Mexico (Bing)
 Number of rehabilitation facility in New Mexico (Bing)
<http://www.nmhistoricsites.org/>
<http://www.emnrd.state.nm.us/SPD/FindaPark.html>

STATE OF NEW MEXICO

SCHEDULE E-3

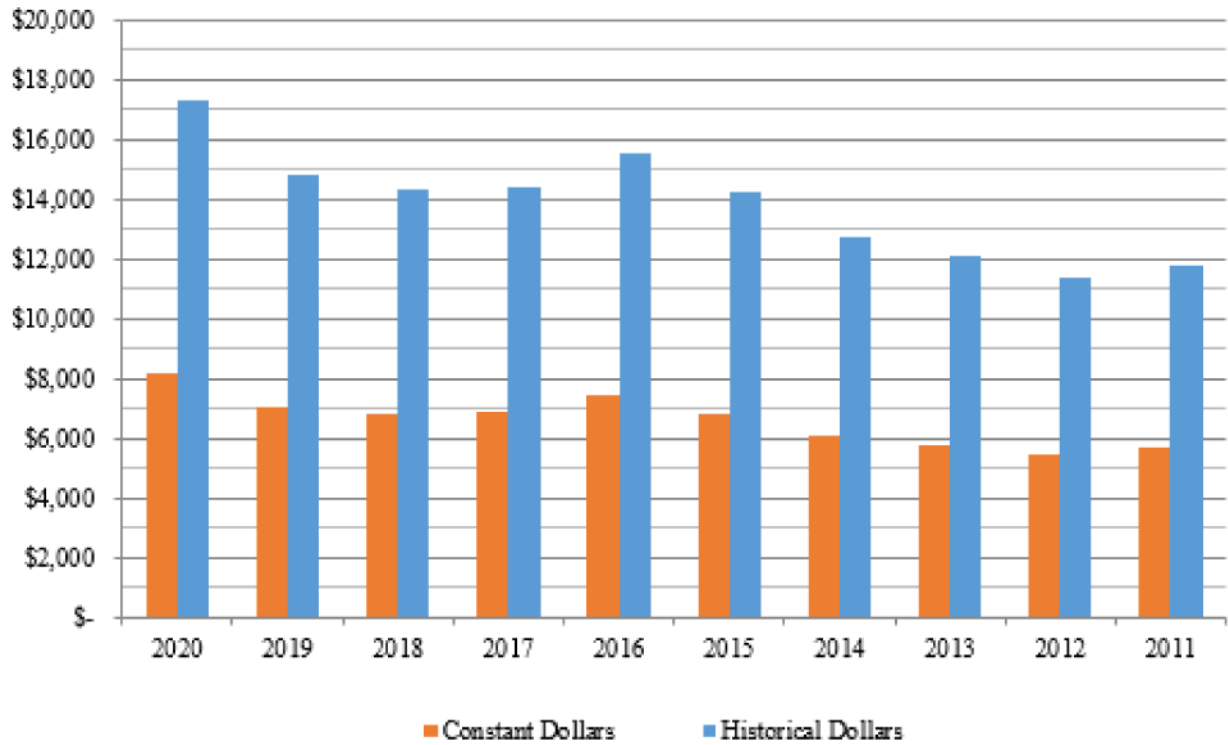
	Fiscal Year				
	2015	2014	2013 as Restated	2012 as Restated	2011 as Restated
General Government					
Buildings	110	110	110	110	110
Vehicles	N/A	N/A	N/A	N/A	N/A
Public Safety					
Buildings (not inc. POE'S)	29	29	29	29	29
Vehicles	921	921	921	921	935
Ports of Entry	6	6	16	16	16
Health and Human Services					
Buildings - General Administrative	4	4	34	34	34
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	53	53	253	253	253
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	1	1	11	11	11
Vehicles	426	426	426	426	440
Corrections					
Buildings	330	330	330	330	330
Vehicles	355	355	355	355	369
Culture and Recreation					
Vehicles	45	45	45	45	48
Museums	4	4	4	4	8
Monuments	6	6	6	6	8
Natural Resources, Environment					
Vehicles	380	380	380	380	383
State Parks	35	35	35	35	35
Wildlife Management Areas (Acres)	171,241	171,241	171,241	171,241	171,241
Fish Hatcheries	6	6	6	6	6
Education Vehicles					
Vehicles	N/A	N/A	N/A	N/A	N/A
Highways and Transportation					
Highway Lane Miles	26,598	26,598	26,598	26,598	26,598
Vehicles/Heavy Equipment	6,417	6,417	6,417	6,417	6,417

STATE OF NEW MEXICO

EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

SCHEDULE F-1

Last Ten Fiscal Years



Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Millions)	Change	(in Millions)	Change
2020	\$ 17,276	16.7%	\$ 8,224	16.4%
2019	14,809	3.3%	7,067	3.3%
2018	14,329	-0.7%	6,838	-1.1%
2017	14,434	-7.2%	6,913	-7.5%
2016	15,550	9.0%	7,472	8.9%
2015	14,268	12.1%	6,859	12.4%
2014	12,727	5.1%	6,102	5.0%
2013	12,114	6.4%	5,809	6.4%
2012	11,390	-3.7%	5,462	-4.6%
2011	11,825	3.3%	5,724	-0.7%

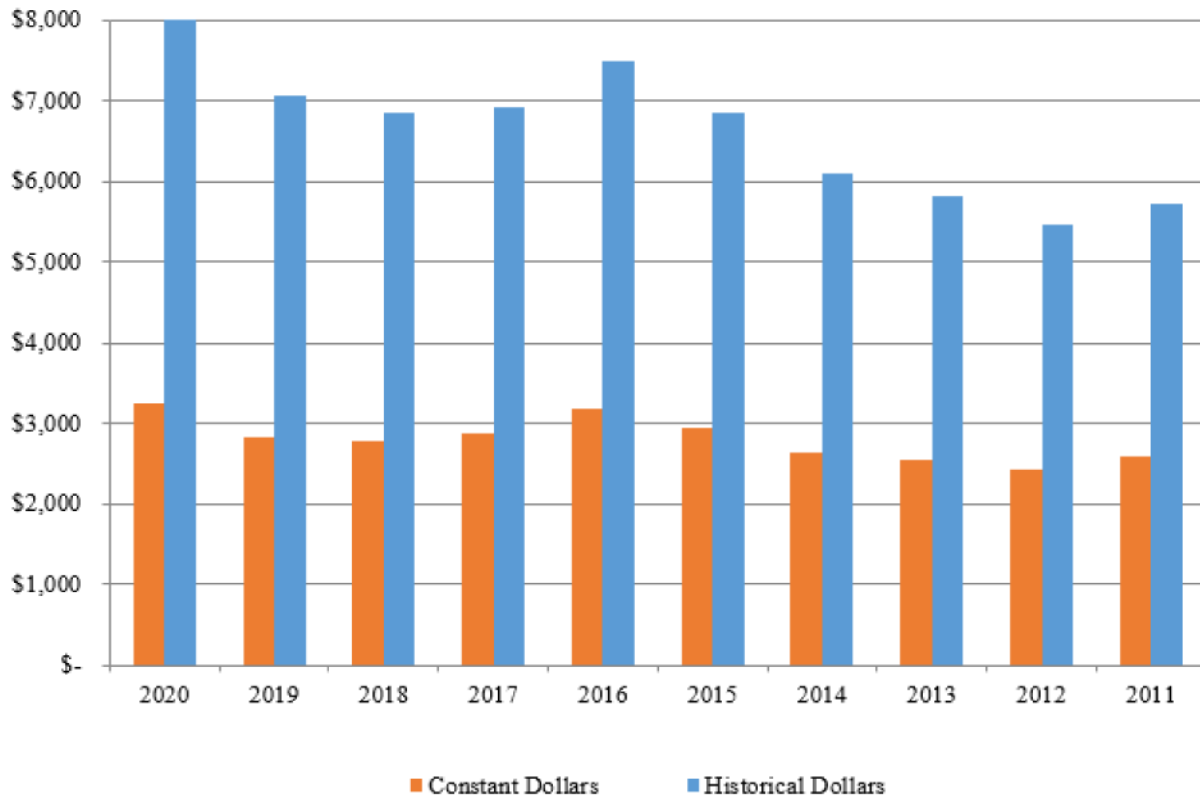
2011 through 2019 are Restated

STATE OF NEW MEXICO

PER CAPITA EXPENDITURES HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES

SCHEDULE F-2

Last Ten Fiscal Years



Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Thousand)	Change	(in Thousands)	Change
2020	\$ 8,224	16.4%	\$ 3,238	15.0%
2019	7,067	3.4%	2,817	1.5%
2018	6,838	-1.1%	2,775	-3.4%
2017	6,913	-7.5%	2,874	-9.4%
2016	7,472	8.9%	3,173	7.6%
2015	6,859	12.4%	2,949	12.3%
2014	6,102	5.0%	2,627	3.4%
2013	5,809	6.4%	2,541	4.8%
2012	5,462	-4.6%	2,424	-6.5%
2011	5,724	9.4%	2,593	7.2%

2011 through 2019 are Restated

OTHER REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Debbie Romero, Secretary of the New Mexico Department of
Finance and Administration,
Ms. Donna M. Trujillo, State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of State of New Mexico, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise State of New Mexico's basic financial statements, and have issued our report thereon dated April 29, 2020. Our report includes reference to other auditors who audited the financial statements of certain components of the State, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report includes a qualified opinion on the governmental activities opinion unit because of the matter described in the "Basis for Qualified Opinion" paragraph in our report starting on page 2.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered State of New Mexico's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of State of New Mexico's internal control. Accordingly, we do not express an opinion on the effectiveness of State of New Mexico's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Michelle Lujan-Grisham, Governor of the State of New Mexico
Ms. Debbie Romero, Secretary of the New Mexico Department of
Finance and Administration,
Ms. Donna M. Trujillo, State Controller of the New Mexico Department
of Finance and Administration, and
Mr. Brian Colón, New Mexico State Auditor

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001, 2020-002, 2020-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether State of New Mexico's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2020-004.

State of New Mexico's Response to Findings

State of New Mexico's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. State of New Mexico's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 29, 2020

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified; Modified Governmental Activities

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported X

Noncompliance material to financial statements noted? Yes No X

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Financial Statement Findings

2020-001 (Original Finding # 2018-002) - Component Financial Reporting (Material Weakness in Internal Control Over Financial Reporting)

Condition: The financial statements of the State are considered “group financial statements” under *AU-C 600, Special Considerations – Audits of Group Financial Statements*. Whereas, “group financial statements are defined as financial statements that include the financial information of more than one component. The “component” is defined as an entity or business activity for which group or component management prepares financial information that is required by the applicable financial reporting framework to be included in the group financial statements.

The State’s financial statements consist of more than 200 components, these components consist of state agencies/entities under each of the three branches of the government (Executive, Judicial, Legislative), various boards and commissions of the State, various educational institutions as established by the State’s constitution, and various other entities that are legally separate from the State that meet the criteria of a component unit of the State under GASB codification. Examples of component units included in the State’s financial statement include the finance authorities, the lottery, foundations of aforementioned educational institutions, and numerous state authorized charter schools and their related foundations. All components of the State are separately audited and issue separate stand-alone financial statements. The following represent some of the more significant issues identified at the component level that have an impact on state-wide reporting:

- As reported in the separate audit of the Office of Superintendent of Insurance, a non-significant component of the State, management of the agency recognizes plan participant surcharges on the cash basis of accounting in the Patient’s Compensation Fund (a component of the private-purpose trust fund of the State).
- As reported in the separate audit of the General Services Department, a significant component of the State, management of the agency has identified the records of land owned by the State are incomplete and don’t agree with the reported amounts in the financial statements. In addition, management of the agency is uncertain as to the accuracy of the dates in service for CIP projects determined to have been completed in prior years.
- As of the date of this audit report, there are three stand-alone audited financial statements that were not completed by the regulatory due date. Of these, one is a component of the General Fund, one is a component of the Educational Institutions proprietary fund, and the other is a non-major component unit. None of these are significant to the Statewide reporting entity.
- During our audit, we observed the following discrepancies and other issues when comparing the component level reporting to the State level reporting:
 - In the statement of activities for a component, approximately \$79M in revenues were classified as general revenues, whereas the State classified this amount as charges for services. This was determined to be fairly presented in the State’s financial statements, no correction required.
 - In the statement of activities for a component, approximately \$166M in revenues were classified as operating grants, whereas the State classified this amount as general revenues. This was determined to be fairly presented in the State’s financial statements, no correction required.
 - In the statement of activities for a component, approximately \$121M in revenues were classified as charges for services, whereas the State classified this amount as general revenues. This was corrected in the State’s financial statements.
 - In the statement of activities for a component, approximately \$423M in revenues were classified as capital grants, whereas the State classified this amount as operating grants. This was corrected in the State’s financial statements.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Financial Statement Findings (Continued)

2020-001 (Original Finding # 2018-002) - Component Financial Reporting (Material Weakness in Internal Control Over Financial Reporting) (Continued)

- In the statement of net position for a component, approximately \$85M was classified as a component of unrestricted net position, whereas the State classified this as a component of restricted net position. This was not corrected in the State's financial statements.
- In the fund statements for a component, approximately \$11M was classified as other financing sources, during the State's transfer reconciliation, management reclassified this to federal revenue, as there no longer was a corresponding transfer out to this component. However, a portion of this should have been accounted for as unearned revenue in the component financial statements and the State's financial statements.
- The State has established various accounts within the State's chart of accounts for those components on the State's ERP system (SHARE) to improve the consistency and accuracy of statewide reporting, however, we have observed inconsistent use of these accounts across these components.
- The State has established the Manual of Model Accounting Practices (MAPs) as the prescribed set of policies and procedures that are required to be followed for stand-alone state agencies. We noted a component of the state is not adhering to the policy to account for inventory, as required by FIN 10.1 of MAPS.

Management's Progress for Repeat Finding: The State has made significant improvement in consolidating the information that rolls into the Annual Report. Agencies are becoming accustomed to the new accounts that must be used for transactions across components. There continued to be a few instances whereby the accounts were not utilized appropriately. We continue ongoing review and training for this process. To understand the progress made for other points of this finding, please note that while agency audits are reviewed prior to utilizing the information to prepare these statements, activity that may be miscoded by agencies are occasionally not identified until the preparation of the consolidated data due to the short timeline required to review over 200 agency audit reports. Efforts to streamline this process continue to move forward.

Criteria: Per Section 6-5-2 NMSA 1978, the Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.

Cause: These issues can be attributed to the complexity of the State's reporting entity combined with the quantity of separate components and their related control environments/processes that comprise the State's financial statements. Additionally, the State may not identify a financial presentation issue at the component level prior to the release of the report. The State lacks a process to communicate with the components and their IPA of observed issues, identified post report release for correction in the subsequent year financial statements. Overall, the State lacks an effective control environment over the financial reporting of the State as a whole to facilitate the production of timely and accurate financial statements of the State.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Effect: The State of New Mexico is unable to properly prepare financial statements in accordance with generally accepted accounting principles in a timely manner. Furthermore, possible opinion modifications on the State's financial statements.

Recommendation: To improve statewide reporting impacted by component level reporting, we recommend the following:

- 1) For issues caused by inconsistent reporting between the components and the State's financial statements, we recommend the State identify those specific issues and provide specific guidance to these entities and their Independent Public Accountants (IPAs) on the required reporting and presentation.
- 2) The State should evaluate any necessary assistance that can be provided to those significant components that have received modified opinions to avoid future impacts on the State's financial statements.
- 3) For those components that report under SHARE, the State should provide additional training to those entities that are not properly using the established accounts for activity among component units and educational institutions, as necessary. The State should evaluate the established accounts and ensure all agencies know which accounts to utilize, depending on the nature of the transaction.

Management's Response: Information that describes the accounts to be used for component transactions is available within the accounting system and has been addressed in agency training, however inconsistencies continue to occur.

The agency modifications are difficult to address prior to year-end including those agencies that experience unresolved issues. Management will engage with those agencies that experience repeating problems in order to assist in ongoing resolution. In addition, any agency audit report that resulted in a reporting deficiency identified in these audit findings will receive a copy of such finding with a request for specific corrective action. Monitoring for fiscal management difficulty that agencies may be experiencing does occur throughout the year so that any reporting problems may be addressed prior to audit.

Training and information-sharing opportunities occur throughout the year. During fiscal year 2020, the Statewide Financial Reporting and Accountability Bureau (SFAR) conducted approximately 90 training sessions that involved all SHARE reporting entities. The Higher Education Entities do not follow MAP's and therefore are not always consistent in reporting categories. Efforts will be made to coordinate training with the Higher Education Institutes and provide information to them outlining the effects of their reporting when not consistent.

The State has made significant improvement in consolidating the information that is aggregated into the Annual Report. Agencies are more accustomed to the new accounts that must be used for transactions across components. Also, note that while agency audits are reviewed prior to utilizing the information to prepare these statements, activity that may be miscoded by agencies are occasionally not identified until the preparation of the consolidated data due to the short timeline required to review 200 agency audit reports. Efforts to streamline the process continue to move forward. The timeline to address this issue is dependent on the support received from agencies regarding their audit process regarding DFA involvement. The State Controller is responsible for resolution.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Financial Statement Findings (Continued)

2020-002 Internal Control over Government-Wide Reporting (Material Weakness in Internal Control Over Financial Reporting)

Condition: During the audit we evaluated the State's internal controls over government-wide financial reporting, which revealed that the State's internal controls over government-wide financial reporting were not adequate to ensure preparation of financial statements for the State in accordance with generally accepted accounting principles. The following detail some of the issues encountered during the audit, which illustrate the need for enhanced controls over government-wide financial reporting for the State in preparing financial statements in accordance with generally accepted accounting principles.

- While the State does review the activity and balances of SHARE components compared to their financial statements, its process excludes the evaluation and comparison of the classification of all key elements on the components' financial statements to the State's financial statements, specifically related to revenues on the statement of activities.
- The State requires the STB/GO bond debt to be recorded on the separate financial statements of Department of Finance and Administration (DFA), however, the debt service fund in which the severance taxes and property tax levies are recognized and accumulated for debt service are reported in the separate financial statements of the State Treasurer's Office (STO). Because of the separate reporting and the State lacking a process to identify and recognize the necessary consolidation/reclassification entries required, an approximate \$325M reclassification between restricted and unrestricted net position was required.
- The State's incorrect mapping of an account was causing approximately \$21M to be incorrectly classified as "Unemployment Taxes" instead of "Other Taxes".
- Due to inconsistent account mapping/grouping, the State reflects approximately \$625M as "Other Obligations" on the balance sheet and then classifies this amount as a component of "Other Liabilities-Current" on the statement of net position for governmental activities. In addition, we observed other inconsistencies in the line item classifications between the fund statements and the government wide statements.
- The reconciliations between the fund statements and the government-wide statements contain unreconciled variances in the amounts approximating \$2M and \$55M which is comprised of challenges reconciling capital asset activity, unavailable revenues, long-term debt activity, and other general matters that could not be attributed to specific items

Criteria: Per Section 6-5-2 NMSA 1978, the Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.

Cause: These issues can be attributed to the complexity of the State's reporting entity and the quantity of separate components and their related control environments/processes that comprise the State's financial statements. Additionally, there is a lack of adequate resources within the State's annual financial report unit to focus on addressing these issues throughout the year and during the financial reporting process. Overall, the State lacks an effective control environment over the financial reporting of the State as a whole to facilitate the production of timely and accurate financial statements of the State.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Financial Statement Findings (Continued)

2020-002 Internal Control over Government-Wide Reporting (Material Weakness in Internal Control Over Financial Reporting) (Continued)

Effect: The State of New Mexico is unable to properly prepare financial statements in accordance with generally accepted accounting principles in a timely manner.

Recommendation: We recommend the State evaluate the entire approach of producing the State's government-wide financial statements and the related processes and methodology to determine which processes could be improved upon to facilitate the State's ability to produce accurate and consistent government wide financial statements. Specifically, the State should evaluate each of the identified errors and issues outlined in the condition of this finding to determine the root of the issue to facilitate an appropriate corrective action. The State should evaluate whether the previous implementation of "Hyperion," the software utilized to prepare the State's financial statements, is a contributing factor to the State's ability to produce a more timely and accurate report. Additionally, further evaluation of the classifications of components of net position on the statement of net position compared to fund balance presented on the balance sheet would improve the government-wide reconciliation process. Furthermore, the State should evaluate if additional resources within the State would improve the timeliness of the annual financial report preparation.

Management's Response: A review of the account mapping within the State's software system, with an emphasis on the liabilities section and on the government-wide Statement of Activities, will be undertaken by the Statewide Financial Accounting and Reporting Bureau. This review will be accompanied by a new diagram of the accounts involved, and will be used as the basis of additional training for all SFAR accountants. The result should be more consistency during the regular review of agency's audit reports versus the SHARE accounts used. This material will also be distributed to state agencies as a guide.

Additional evaluation of the components of net position versus the components of fund balance will be performed during the preparation phase. This will assist staff to develop a more logical progression from the items of fund balance to those of net position.

The reconciliation of total fund balance to total net position has usually been relatively straight-forward, but the reconciliation of the changes in fund balance to the changes in net position has been more error-prone. A comprehensive analysis of the items involved in the changes will be undertaken, with the goal of a cleaner reconciliation. The process outlined will take place in the 2021 fiscal year. The State Controller is responsible for resolution.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Financial Statement Findings (Continued)

2020-003 (Original Finding #2013-005) Internal Control over Financial Reporting (Material Weakness in Internal Control Over Financial Reporting) – Repeated

Condition: During the audit we evaluated the State’s internal controls over financial reporting, which revealed that the State’s internal controls over financial reporting were not adequate to ensure preparation of financial statements for the State in accordance with generally accepted accounting principles. The following detail some of the issues encountered during the audit, which illustrate the need for enhanced controls over financial reporting for the State in preparing financial statements in accordance with generally accepted accounting principles and the New Mexico State Audit Rule.

As a result of our audit procedures we identified the following errors and misstatements reflected in the initial draft of the financial statements of the State as prepared by management. All of these errors **were** subsequently corrected by management in the final version of the financial statements:

- The State reported all non-major enterprise fund balances under the “Restricted-Other” fund balance classification instead of classifying under the specific restricted purpose for those significant balances (i.e., Unemployment, Loans, etc.), which required a reclassification.
- The State incorrectly classified approximately \$85M of investments as cash, which required a reclassification.
- The State did not initially eliminate all interfund activity between the governmental funds and the Educational Institutions fund, which required an additional elimination entry of approximately \$15M, net.
- The State incorrectly entered data from a stand-alone education institutional into the wrong line item for presentation purposes in the statewide report, which required an adjustment of approximately \$52M between restricted and unrestricted cash balances.
- *GASB Statement No. 88, Certain Disclosures Related to Debt, Include Direct Borrowings and Direct Placements*, was effective for FY20 and was observed as being implemented at the component level with the applicable disclosures. However, management of the State initially, lacked a process to capture these disclosures from the component level financial statements for a State level disclosure in accordance with GASB 88.

As a result of our audit procedures we identified the following errors and misstatements reflected in the initial draft of the financial statements of the State as prepared by management. Management opted **not to correct** these items and are reflected as uncorrected errors in the State’s financial statements:

- Amounts reported as due from/to primary government/component units at the government wide statements should net to \$-0-, however, they don’t net to \$-0-.
- The State did not initially eliminate all interfund activity between the governmental funds and the Educational Institutions fund, which required an additional elimination entry of approximately \$15M, net. A trivial residual amount remains in the non-major business type activities in the amount of \$4K, that was not eliminated. Additionally, the State did not include in its interfund transfers reconciliation approximately \$1.2 that was transferred to the General fund from the Educational Institutions fund. This amount resides in the programmatic revenues and expenses of the respective funds.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Financial Statement Findings (Continued)

2020-003 (Original Finding #2013-005) Internal Control over Financial Reporting (Material Weakness in Internal Control Over Financial Reporting) – Repeated (Continued)

- The financial statements reflect a restatement in the amount of \$39M to the beginning net position of the governmental activities, which is identified as an adjustment related to the correction of errors. However, management is unable substantiate the actual errors that relate to this correction, and the entry was necessary to roll the net position from prior year. Overall, the State lacks an effective process around the assessment and identification of appropriate restatements at the State level and those that are a result of component level financial statements which may not be necessary to report as restatements at the State level.
- The budgetary schedule of the general fund reflects a budgeted amount of \$6.9B for operating transfers in, yet actual operating transfers in of \$25M, which is due to the State's elimination process to eliminate interfund transfers within the State's general fund for the modified accrual basis of accounting in the fund statements. However, for the budgetary presentation these eliminations should not be reflected or the budgeted transfers should also be eliminated and the State's tax revenues be reflected as revenues instead of a reconciling item. From a budgetary perspective it is apparent that either the budgeted amount or the actual amount is inaccurate.
- During our review of the State's financial statements, various inconsistencies and/or misclassifications, and rounding issues were identified and remain uncorrected.

Management's Progress for Repeat Finding: The State has made significant improvement in consolidating the information that rolls into the Annual Report. Agencies are becoming accustomed to the new accounts that must be used for transactions across components. There continued to be a few instances whereby the accounts were not utilized appropriately. We continue ongoing review and training for this process. To understand the progress made for other points of this finding, please note that while agency audits are reviewed prior to utilizing the information to prepare these statements, activity that may be miscoded by agencies are occasionally not identified until the preparation of the consolidated data due to the short timeline required to review over 200 agency audit reports. Efforts to streamline the process continue to move forward.

Criteria: Per Section 6-5-2 NMSA 1978, the Division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies ("state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above). The Division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. In addition, Section 6-5-2.1 NMSA 1978 requires the Division to conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements, which should be prepared in accordance with generally accepted accounting principles.

Cause: These issues can be attributed to the complexity of the State's reporting entity and the quantity of separate components and their related control environments/processes that comprise the State's financial statements. Additionally, there is a lack of adequate resources within the State's annual financial report unit to focus on addressing these issues throughout the year and during the financial reporting process. Overall, the State lacks an effective control

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Financial Statement Findings (Continued)

2020-003 (Original Finding #2013-005) Internal Control over Financial Reporting (Material Weakness in Internal Control Over Financial Reporting) – Repeated (Continued)

environment over the financial reporting of the State as a whole to facilitate the production of timely and accurate financial statements of the State.

Effect: The State of New Mexico is unable to properly prepare financial statements in accordance with generally accepted accounting principles in a timely manner.

Recommendation: We recommend the State evaluate the entire approach of producing the State's financial statements and the related processes and methodology to determine which processes could be improved upon to facilitate the State's ability to produce a more timely and accurate report. Specifically, the State should evaluate each of the identified errors and issues outlined in the condition of this finding to determine the root of the issue to facilitate an appropriate corrective action. The State should evaluate whether the previous implementation of "Hyperion," the software utilized to prepare the State's financial statements, is a contributing factor to the State's ability to produce a more timely and accurate report. Furthermore, the State should evaluate if additional resources within the annual financial report unit would improve the timeliness of the annual financial report preparation.

Management's Response: The Department of Finance and Administration has initiated numerous accounting policy and procedural changes. Continuing issues may be attributed to the complexity of the State's reporting entity and the quantity of separate components and their related control environments/processes that comprise the State's financial statements. To mitigate complexity issues, enterprise system upgrades have included enhancements to automated transaction validation as well as adding specific accounts to the structure. These efforts have improved the quality of the Annual Report, however there remains a number of misaligned transactions at the agency level. Ongoing process reengineering, documentation, training and oversight is planned to more fully address these issues. These plans include an evaluation of the effectiveness and efficiency of currently utilized programs and electronic processes to determine the systematic value provided to the overall business process. The process will begin in the 2021 fiscal year to occur through the 2022 fiscal year. The State Controller is responsible for resolution.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2020

Compliance and Other Matters

2020-004 (Original Finding # 2015-001) Late Submission of Audit Report (Compliance and Other Matters)

Condition: The audit report for the annual financial report for the year ended June 30, 2020 was not submitted by Regulatory due date of December 31, 2020.

Management's Progress for Repeat Finding:

The State has made significant improvement in consolidating the information that rolls into the Annual Report. Agencies are becoming accustomed to the new accounts that must be used for transactions across components. There continued to be a few instances whereby the accounts were not utilized appropriately. We continue ongoing review and training for this process.

Criteria: Audit reports not received on or before the due date are considered to be in non-compliance with the requirements of Section 2.2.2.9.A of the State Audit Rule.

Cause: The State lacks an adequate financial reporting process and adequate resources to achieve the established deadline of December 31.

Effect: Non-compliance with the State Audit Rule; and the users of the State's financial statements did not receive the financial information in a timely manner.

Recommendation: We recommend the State evaluate the entire approach of producing the State's financial statements and the related processes and methodology to determine which processes could be improved to facilitate the State's ability produce a more timely and accurate report. Furthermore, the State should evaluate if additional resources within the annual financial report unit would improve the timeliness of the annual financial report preparation.

Management's Response: Under statute (12.6.3 NMSA 1978), every state agency must be audited annually. To avoid duplication of effort, the Comprehensive Annual Financial Report audit relies and builds upon agency audits. The existing group audit process affects timeliness, as the Consolidated Annual Financial Report development may only commence after completion of the underlying agency audits, which are generally not available until the December following fiscal year-end.

Ongoing discussions continue within the Department of Finance and Administration and the State Auditor's Office to identify opportunities to streamline and shorten the overall Report preparation process. Efforts and plans to implement feasible recommendations will occur prior to the next Annual Report submission. In addition, ongoing process reengineering, documentation, training and oversight is planned to more fully address these issues. These plans include an evaluation of the effectiveness and efficiency of currently utilized programs and electronic processes to determine the systematic value provided to the overall business process. This is ongoing and the State Controller is responsible for resolution.

STATE OF NEW MEXICO

STATUS OF PRIOR YEAR AUDIT FINDINGS YEAR ENDED JUNE 30, 2020

Financial Statement Findings

2019-001 (Original Finding #2018-002) – Component Financial Reporting (Material Weakness) – Repeated as finding #2020-001

2019-002 (Original Finding #2013-002) – Interfund, Internal, and Intra-Entity Activity and Balances (Material Weakness) - Resolved

2019-003 (Original Finding #2013-005) Internal Control over Financial Reporting (Material Weakness) – Repeated as finding # 2020-003

2019-004 (Original Finding # 2015-001) Late Submission of Audit Report (Compliance and Other Matters) - Repeated as finding #2020-004

STATE OF NEW MEXICO

EXIT CONFERENCE YEAR ENDED JUNE 30, 2020

An exit conference was held with the State on April 29, 2021, via web-conference. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

STATE OF NEW MEXICO

Debbie Romero, Cabinet Secretary
Donna Trujillo, State Controller
Renaë Herndon-Lopez, SFRAB Unit Supervisor
John Severns, SFRAB Accountant
James Chadburn, SFRAB Accountant
Richard Torrence, SFRAB Accountant
Lisa Jennings, SFRAB Accountant
Debbie O'Dell, SFRAB Accountant
Lori Narvaiz, SFRAB Accountant

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA, Principal
Laura Beltran-Schmitz, CPA, CGFM, CFE, CICA, Director

OFFICE OF THE STATE AUDITOR

Natalie Cordova, CPA, Deputy State Auditor
Lynette Kennard, CPA, CGFM, Financial Audit Director
Kusum Adhikari, CGFM Audit Supervisor

PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by management and they are the responsibility of management, as addressed in the Independent Auditors' Report.



NEW MEXICO FISH - CUTTHROAT TROUT



NEW MEXICO VEGETABLE - CHILE

**NEW MEXICO DEPARTMENT
OF
FINANCE AND ADMINISTRATION**

FINANCIAL CONTROL DIVISION
BATAAN MEMORIAL BUILDING
407 GALISTEO STREET
SANTA FE, NM 87501

NEW MEXICO STATE FLOWER - YUCCA



NEW MEXICO GEM - TURQUOISE



APPENDIX C

FORM OF ATTORNEY GENERAL'S NO LITIGATION LETTER

June 29, 2021

State Board of Finance
State of New Mexico
Bataan Memorial Building, Ste. 181
Santa Fe, NM 87501

Sherman & Howard LLC
500 Marquette Ave. NW #1203
Albuquerque, NM 87102-5340

Rodey, Dickason, Sloan, Akin & Robb, P.A.
201 3rd St. NW, Ste. 2200
Albuquerque, NM 87102

Kutak Rock LLP
1801 California Street, Ste. 3000
Denver, CO 80202

Gilmore & Bell, P.C.
Gateway Towers West
15 West South Temple, Suite 1450
Salt Lake City, UT 84101

Re: State of New Mexico Severance Tax Bonds, Series 2021A (\$317,170,000)

Ladies and Gentlemen:

This letter will serve as our certificate of litigation affecting New Mexico Severance Taxes.

In 2009, the United States District Court for the District of New Mexico held that the State of New Mexico may not impose severance taxes on non-tribal operators extracting oil and natural gas on the tribal lands of the Ute Mountain Ute Tribe located within the state. *Ute Mountain Ute Tribe v. Homans*, 775 F. Supp. 2d 1259 (D.N.M. 2009). The Tenth Circuit Court of Appeals reversed the district court's decision and held that federal law does not preempt the State's assertion of jurisdiction to tax non-Indian operators' severance of oil and gas on the Ute Mountain Reservation because, among other things, the State has asserted sufficient justification for imposing the taxes. *Ute Mountain Ute Tribe v. Rodriguez*, 660 F.3d 1177 (10th Cir. 2011).

The Ute Mountain Ute Tribe petitioned for an *en banc* review, which the court denied on September 12, 2011. The United States Supreme Court denied the Ute Mountain Ute Tribe's petition for a *writ of certiorari* on February 21, 2012. *Ute Mountain Ute Tribe v. Padilla*, 132 S.Ct. 1557 (2012).

We have reviewed the Decision and Order filed on December 29, 2020 in the Eleventh Judicial District Court (McKinley County) in cause No. D-1113-CV-9800014, *The Zuni Pub. School Dist., et al, v. The State of New Mexico, et al.* The December 29, 2020 order is a final, appealable judgment. It provides declaratory relief in the form of a finding that the State's Public School Capital Outlay Act, NMSA 1978, Sections 22-21-1 to -12 (1975, as amended through 2020) and Public School Capital Improvements Act, NMSA 1978, Sections 22-25-1 to -11 (1975, as amended through 2020) are unconstitutional; and enjoins the legislature to create and implement a statutory scheme consistent with Article XII, Section 1 of the New Mexico Constitution. Notably, the decision does not expressly or indirectly reference the State's Severance Tax Bonding Act, NMSA 1978, Sections 7-27-1 to -27 (1961, as amended through 2020). On

January 28, 2021 the State defendants filed a Motion for Post-Judgment Relief to Amend and Reconsider Final Judgment, for Clarification of Order, and for Stay. On February 11, 2021, the State defendants filed an Unopposed Expedited Motion for Limited Stay to be effective until a final order issued. The motion was granted February 12, 2021, when the Court issued an Order Staying Judgment expressly staying the Final Decision and Order for the purpose of permitting bonding activity and the release of proceeds to proceed uninterrupted. On June 18, 2021 the Court issued an Order Denying State Defendant's Post Judgment Motions. The State may seek to extend the limited stay, and/or it may file notice of appeal within thirty (30) days. We express no opinion on the effects of the McKinley County ruling.

In addition, at any given time, a number of protests/refund claims are pending at the administrative level. As of June 15, 2001, payments on severance tax assessments issued by the Taxation and Revenue Department (TRD), including any on undervaluation assessments made after that date, typically are held in a suspense fund until the TRD Secretary determines that there is no substantial risk of protest or other litigation. *See* NMSA 1978, § 7-1-6.20(B) (2001).

While we are unable to predict with reasonable certainty the outcome of pending litigation and administrative proceedings, they would not, in our opinion, except as limited below, reasonably be expected to have a material effect on the owner of the Bonds. This office expresses no opinion on the effects of the McKinley County ruling discussed hereinabove. This office is not aware of any other pending or threatened litigation that would affect the severance tax of the state or the authority of the state to issue the Bonds.

Sincerely,

Marah deMeule
Assistant Attorney General

APPENDIX D

FORM OF OPINION OF CO-BOND COUNSEL

June 29, 2021

State Board of Finance
State of New Mexico

\$317,170,000
State of New Mexico
Severance Tax Bonds
Series 2021A

Ladies and Gentlemen:

We have acted as co-bond counsel to the New Mexico State Board of Finance (the “Board”) in connection with the issuance and sale of the State of New Mexico Severance Tax Bonds, Series 2021A, in the aggregate principal amount of \$317,170,000 (the “Bonds”) on June 29, 2021, being a series of bonds in registered form maturing on July 1, 2022 and serially thereafter on July 1 of each year through 2031.

In such capacity, we have examined the transcript of proceedings (the “Transcript”) relating to the Bonds and have also examined the provisions of the Constitution and laws of the State of New Mexico (the “State”) including the Severance Tax Bonding Act, NMSA 1978, Sections 7-27-1 to -27 (1961, as amended through 2021), pursuant to which the Bonds are issued, the resolutions authorizing the issuance and sale of the Bonds adopted by the Board on May 18, 2021, and June 15, 2021 (collectively, the “Bond Legislation”), and an executed Bond of the first maturity. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them by the Bond Legislation. We have also made such further inquiries and investigations and have examined such law of the United States of America and such further documents and matters as we have considered necessary in rendering this opinion.

Regarding questions of fact material to our opinions, we have relied upon the Board’s certified proceedings relating to the Bonds and upon other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Certain agreements, requirements and procedures contained or referred to in the Bond Legislation and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon with respect to any such change or action taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

Furthermore, we have assumed the continued accuracy of the representations and the continuing compliance with the covenants and agreements contained in the Bond Legislation. We call attention to the fact that the rights and obligations of the State and the Board pursuant to the Bonds and the Bond Legislation and their enforceability may be limited by applicable bankruptcy, insolvency, reorganization, arrangement, receivership, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights generally, by the application of equitable principles, whether considered at law or in equity, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against the State and the Board. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, adequacy, completeness or fairness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds and express herein no opinion relating thereto. We express no opinion upon any State or federal tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds.

Based on our examination, we are of the opinion that, under the law existing on the date hereof:

1. The Bonds constitute valid and binding special limited obligations of the State in accordance with the terms and provisions thereof.

2. The Bonds are payable solely from, and such payment is secured by a pledge (but not an exclusive pledge) of, the money on deposit in the Severance Tax Bonding Fund, consisting of the net receipts from taxes levied upon certain natural resource products severed and saved from the soil of the State and such other moneys as the State Legislature may, in its sole discretion, from time to time determine to deposit in the Severance Tax Bonding Fund, certain interest earnings on moneys on deposit in the bond accounts and such proceeds of the Bonds as may from time to time be deposited in the Severance Tax Bonding Fund as a result of statutorily required reversions or otherwise, all in accordance with the Act, on a parity with any Senior Obligations outstanding or hereafter issued and superior to any Supplemental Obligations outstanding or hereafter issued. Except as described in this paragraph, we express no opinion regarding the priority of the pledge or lien of the Bonds on the moneys on deposit in the Severance Tax Bonding Fund. The owners of the Bonds have no right to have ad valorem taxes levied by the State for the payment of principal of or interest on the Bonds and the Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the State.

3. The Bond Legislation constitutes a valid and binding obligation of the Board and is enforceable in accordance with its terms.

We are opining only upon those matters set forth herein. This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. No attorney-client relationship has existed or exists between us and anyone other than the Board in connection with the issuance of the Bonds by virtue of this opinion letter. This opinion letter is delivered to you solely for your information and benefit in connection with the initial offering and public sale of the Bonds and may not be relied upon by you for any other purpose or relied upon by any other party without the prior written consent of this firm.

Very truly yours,

APPENDIX E

FORM OF OPINION OF TAX COUNSEL

Upon the issuance of the Series 2021A Bonds, Gilmore & Bell, P.C., Tax Counsel to the State, plans to issue its approving opinion in substantially the following form:

We have acted as tax counsel to the State of New Mexico (the "State") in connection with the issuance of its Severance Tax Bonds, Series 2021A in the aggregate principal amount of \$317,170,000 (the "Series 2021A Bonds"). The Series 2021A Bonds are being issued for the purpose of providing funds to finance capital improvements as described in legislation approved by the State Legislature and signed by the Governor of the State.

The Series 2021A Bonds are being issued under authority of the Severance Tax Bonding Act, NMSA 1978, Sections 7-27-1 to -27 (1961, as amended), the Supplemental Public Securities Act, NMSA 1978, Sections 6-14-8 to -11 (1983, as amended) and pursuant to a resolution of the State Board of Finance adopted on May 18, 2021, as amended pursuant to a resolution of the Board adopted on June 15, 2021, including by a Final Terms Certificate approved in accordance with the terms of such resolution (collectively, the "Bond Resolution"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution.

We have reviewed the Bond Resolution, the opinions of Co-Bond Counsel as to the validity of the Series 2021A Bonds, the Tax Certificate, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to the questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion, as of the date hereof and under existing law as follows:

1. The interest on the Series 2021A Bonds (including any original issue discount properly allocable to the owner thereof) (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the State and the Agencies comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series 2021A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The State has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Series 2021A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2021A Bonds.

2. The interest on the Series 2021A Bonds is exempt from income taxation by the State of New Mexico.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2021A Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) we express no opinion herein as to the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Series 2021A Bonds; and

(c) except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021A Bonds.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the State Board of Finance (“Board”) of the State of New Mexico (the “State”) on behalf of the State in connection with the issuance by the State of \$317,170,000 State of New Mexico Severance Tax Bonds, Series 2021A (the “Bonds”). The Bonds are being issued pursuant to an Authorizing and Delegating Resolution adopted by the Board on May 18, 2021 as amended pursuant to a resolution of the Board adopted on June 15, 2021, and a Final Terms Certificate delivered pursuant thereto (collectively, the “Resolution”).

BACKGROUND

1. The Bonds are being issued to finance capital projects approved by the State Legislature and certified by State agencies.
2. In order to allow the underwriter of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), to the date hereof, the State is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds.
3. This Disclosure Undertaking is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

STATE COVENANTS AND AGREEMENTS

Section 1. Definitions.

- (a) “Annual Financial Information” means the financial information or operating data with respect to the State, delivered at least annually pursuant to Section 2(a) and 2(b) hereof, of the type set forth in the sections of the final Official Statement identified on Exhibit A hereto. Annual Financial Information includes Audited Financial Statements.
- (b) “Audited Financial Statements” means the annual State of New Mexico Office of the State Treasurer Financial Statements, prepared in accordance with generally accepted accounting principles, as in effect from time to time, audited by a firm of certified public accountants.
- (c) “Event Information” means the information delivered pursuant to Section 2(d) hereof.
- (d) “MSRB” means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1300 I Street NW, Suite 1000, Washington, DC, 20005, phone (202) 838-1500, fax (202) 898-1500.

(e) “National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following is the only National Repository:

Electronic Municipal Market Access (“EMMA”)
c/o Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005
www.emma.msrb.org
Phone: (202) 838-1500

(f) “Official Statement” means the Official Statement dated June 17, 2021 delivered in connection with the original issue and sale of the Bonds.

(g) “Repository” means (i) EMMA and (ii) any SID.

(h) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as the same may be amended.

(i) “SEC” means the Securities and Exchange Commission.

(j) “SID” means any State Information Depository operated or designated by the State that receives information from all issuers within the State. As of the date of this Disclosure Undertaking, no SID exists for the State.

Section 2. Provision of Annual Information and Reporting of Event Information.

(a) Commencing with the Fiscal Year ending June 30, 2021 and annually while the Bonds remain outstanding, the State agrees to provide or cause to be provided the Annual Financial Information to each Repository annually.

(b) Such Annual Financial Information shall be provided not later than 210 days after the end of each fiscal year for the State (i.e., each June 30). If the Audited Financial Statements are not available by the time the other Annual Financial Information must be provided, unaudited financial statements shall be provided as part of the Annual Financial Information. If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The State may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the State, which have been submitted to each Repository; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) At any time the Bonds are outstanding, the State shall provide, in a timely manner, not in excess of ten business days, to the MSRB and any SID notice of any of the following events with respect to the Bonds (provided that any event under clauses (ii), (vii), (viii), (x), (xiv) and (xv) will be provided only if material):

- i. Principal and interest payment delinquencies;
- ii. Non-payment related defaults;

- iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - v. Substitution of credit or liquidity providers, or their failure to perform;
 - vi. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
 - vii. Modifications to rights of Bondholders;
 - viii. Bond calls, other than mandatory sinking fund redemption;
 - ix. Defeasances;
 - x. Release, substitution or sale of any property securing repayment of the securities;
 - xi. Rating changes;
 - xii. Bankruptcy, insolvency, receivership or similar event of the State*;
 - xiii. The consummation of a merger, consolidation or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - xiv. Appointment of a successor or additional trustee or the change of name of a trustee if material; and
 - xv. Incurrence of a Financial Obligation (as defined in Footnote 1 below) of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material
 - xvi. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the State, any of which reflect financial difficulties.
- (e) At any time the Bonds are outstanding, the State shall provide, in a timely manner, to the MSRB and any SID notice of any failure of the State to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.

¹ “Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into, in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the State shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law.

Section 4. Enforcement. The obligations of the State hereunder shall be for the benefit of the owners (including the beneficial owners) of the Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the State to comply with its obligations under this Disclosure Undertaking, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Bonds. Any such action shall be brought only in a State court of competent jurisdiction in Santa Fe County, New Mexico. Breach of the obligations of the State hereunder shall not constitute an event of default under the Resolution and none of the rights and remedies provided by the Resolution shall be available to the owners (including the beneficial owners) of the Bonds.

Section 5. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not Event Information, in addition to that which is required by this Disclosure Undertaking; provided that the State shall not be required to do so. If the State chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the State shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual filing or Event Information filing.

Section 6. Term. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Bonds shall have been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date that the State shall no longer constitute an “obligated person” with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Amendments and Waivers. Notwithstanding any other provision of this Disclosure Undertaking, the State may amend this Disclosure Undertaking from time to time, and any provision of this Disclosure Undertaking may be waived, without the consent of the owners or beneficial owners of the Bonds upon the State’s receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with the Rule. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The State shall provide notice of any such amendment or waiver to each Repository.

Section 8. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the State and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 9. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State and applicable federal law, including the Rule.

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Undertaking as of November 3, 2020.

STATE BOARD OF FINANCE

By _____
President

EXHIBIT A
TO CONTINUING DISCLOSURE UNDERTAKING

Portions of the Official Statement
Containing the Type of Information
to be Included as Annual Financial Information

1. SEVERANCE TAX BONDING FUND AND DEBT SERVICE REQUIREMENTS
 - Investments
 - Issuance of Severance Tax Bonds
 - State Capital Program
 - Outstanding and Additional Senior Severance Tax Bonds
 - Outstanding and Additional Supplemental Severance Tax Bonds
 - Table entitled "Severance Tax Bonding Fund Receipts, Disbursements and Transfers"
 - Table entitled "State of New Mexico Severance Tax Bonds - Projected Cash Receipts, Debt Service Requirements and Coverage" Fiscal Year and Scheduled Debt Service columns
2. SEVERANCE TAX REVENUE
 - All
3. NATURAL GAS PRODUCTION AND SEVERANCE TAX REVENUE
 - Natural Gas Production (Data for chart entitled: "Natural Gas Subject to Taxation: Production, Revenues and Average Price")
 - Severance Taxes on Natural Gas
 - All
4. OIL PRODUCTION AND SEVERANCE TAX REVENUE
 - Severance Taxes on Oil
 - All
5. COAL PRODUCTION AND SEVERANCE TAX REVENUE
 - Severance Tax and Severance Tax Surtax Revenue on Coal
 - All
6. OTHER MINERAL PRODUCTION AND SEVERANCE TAXES
 - Any statements therein relating to the severance tax collected and tax rates
7. OTHER TAXES OF NATURAL RESOURCES NOT PLEDGED
 - All
8. APPENDIX A - GENERAL INFORMATION CONCERNING THE STATE OF NEW MEXICO
 - All
9. STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER FINANCIAL STATEMENTS, (Audited)