

New Issue

This Official Statement ("Official Statement") has been prepared by the State Board of Finance to provide information on the \$260,900,000 State of New Mexico Severance Tax Bonds, Series 2022A (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.



\$260,900,000
STATE OF NEW MEXICO
SEVERANCE TAX BONDS
SERIES 2022A

Dated: Delivery Date

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

<i>Ratings on Bonds</i>	"Aa2" Moody's Investors Service "AA-" S&P Global Ratings
<i>Tax Exemption</i>	<i>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 "Code"), the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Tax Counsel is also of the opinion that the interest on the Bonds is exempt from income taxation by the State of New Mexico (the "State"). See "TAX MATTERS" in this Official Statement.</i>
<i>Redemption of Bonds</i>	The Bonds will <i>not</i> be subject to optional or mandatory redemption prior to maturity.
<i>Source of Payment</i>	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.
<i>Priority</i>	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.
<i>Purposes</i>	Net proceeds of the Bonds are being used to provide funds to finance capital improvements approved by the State Legislature.
<i>Interest Payment Dates</i>	January 1 and July 1, commencing January 1, 2023.
<i>Public Sale</i>	The Bonds were sold pursuant to a competitive bidding process on June 22, 2022.
<i>Closing/Settlement</i>	On or about June 29, 2022.
<i>Book-Entry System</i>	The Depository Trust Company
<i>Registrar/Paying Agent</i>	State Treasurer of New Mexico
<i>Co-Bond Counsel</i>	Sherman & Howard L.L.C. and Rodey, Dickason, Sloan, Akin & Robb, P.A.
<i>Disclosure Counsel</i>	Kutak Rock LLP
<i>Tax Counsel</i>	Gilmore & Bell, P.C.
<i>Issuer Contact</i>	State Board of Finance: Ashley Leach, Director, 505-629-9745; ashley.leach@state.nm.us
<i>Date of Official Statement:</i>	June 22, 2022.

MATURITY SCHEDULE

STATE OF NEW MEXICO SEVERANCE TAX BONDS, SERIES 2022A

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield at Issuance⁽¹⁾	Price at Issuance⁽¹⁾	CUSIP⁽²⁾
2023	\$20,620,000	5.00%	1.77%	103.205	647310 3W9
2024	21,675,000	5.00	2.11	105.645	647310 3X7
2025	22,790,000	5.00	2.29	107.827	647310 3Y5
2026	23,955,000	5.00	2.38	109.953	647310 3Z2
2027	25,185,000	5.00	2.48	111.793	647310 4A6
2028	26,475,000	5.00	2.63	113.086	647310 4B4
2029	27,835,000	5.00	2.77	114.111	647310 4C2
2030	29,260,000	5.00	2.88	115.060	647310 4D0
2031	30,765,000	5.00	2.97	115.937	647310 4E8
2032	32,340,000	5.00	3.06	116.612	647310 4F5

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

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ELECTED STATE OFFICIALS

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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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District I

JEFFERSON L. BYRD
District II

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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. Morgan Stanley & Co. LLC (the "Underwriter") purchased the Bonds pursuant to a public sale held on June 22, 2022. 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.

Carr, Riggs & Ingram CPA, 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. Carr, Riggs & Ingram CPA also has not performed any procedures relating to this offering document.

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SUMMARY OF INFORMATION

\$260,900,000

**STATE OF NEW MEXICO
SEVERANCE TAX BONDS
SERIES 2022A**

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, 2023.
<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”).

\$260,900,000
THE STATE OF NEW MEXICO
SEVERANCE TAX BONDS
SERIES 2022A

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 \$260,900,000 State of New Mexico Severance Tax Bonds, Series 2022A (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 17, 2022, as amended pursuant to a resolution of the Board to be adopted on June 21, 2022 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)

	2022	2023	2024	2025	2026
Projected Bonding Fund Receipts	\$1,580,287	\$1,432,457	\$1,396,283	\$1,395,240	\$1,398,626
Senior Bond Debt Service ^{(1),(2)}	\$141,446	\$171,506	\$189,264	\$170,245	\$151,772
Senior Bond Debt Service Coverage Ratio	11.17x	8.35x	7.38x	8.20x	9.22
Supplemental Bond Debt Service ⁽²⁾	\$9,121	\$9,123	\$9,125	\$9,122	\$9,123
Supplemental Bond Debt Service Coverage Ratio	10.50x	7.93x	7.04x	7.78x	8.69x
	2017	2018	2019	2020	2021
Bonding Fund Receipts	\$354,884	\$471,047	\$686,924	\$701,721	\$742,096
Senior Bond Debt Service ^{(1),(2)}	141,063	142,160	145,381	146,969	\$136,901
Senior Bond Debt Service Coverage Ratio	2.52x	3.31x	4.72x	4.77x	5.42x
Supplemental Bond Debt Service ⁽²⁾	19,026	20,474	21,142	21,143	\$20,591
Supplemental Bond Debt Service Coverage Ratio	2.22x	2.90x	4.13x	4.17x	4.71x

⁽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

The COVID-19 pandemic altered the behavior of businesses and people in a manner that resulted in significant effects on global, national, state and local economies.

Employment. The State's employment data reflect the impacts of the COVID-19 virus. From February 2020 to April 2020, the State lost more than 103,200 jobs. While the State has regained most of the lost employment (87,400 jobs) from April 2020 to March 2022, the recovery still has a way to go for employment to reach pre-COVID-19 levels. Some of the sectors most severely impacted at the onset of the pandemic such as leisure and hospitality, retail trade, information, and the mining sector have experienced employment recoveries. Of the jobs lost from February 2020 to April 2020, by March 2022 the leisure and hospitality sector has recovered 94.7 percent (or 41,100 jobs) of the lost jobs. The retail trade sector has recovered 128.7 percent (or 14,800) of the lost jobs. The information sector has recovered 68.8 percent (or 1,100) of the jobs lost at the beginning of the pandemic. The mining sector has experienced some gains in employment, but it is still short 2,800 jobs of reaching the pre-pandemic level of 25,200 jobs.

On a year-over-year basis, in March 2022, total New Mexico employment is up 5.9 percent (47,100 jobs) when compared to March 2021. The state unemployment rate peaked at 9.8 percent in May 2020 and has decreased to 5.3 percent in March 2022.

The national unemployment rate peaked at 14.7 percent in April 2020 and has decreased to 3.6 percent in March 2022. Employment recovery in New Mexico to pre-COVID-19 levels is expected to take several years under Moody's Analytics baseline scenario, with New Mexico's employment level expected to not reach pre-COVID-19 levels until the last quarter of the calendar year 2023.

Tax Collections. State collections have been impacted by the COVID-19 pandemic in the Fiscal Years 2020, 2021, and 2022. The following factors have contributed to general fund revenues not declining as severely as earlier forecasts expected. Early in the health crisis, the negative impact of the pandemic was mitigated by federal monetary and fiscal policy responses. Additionally, the impact of COVID-19 has disproportionately impacted low-wage sectors, while high-wage sectors have experienced faster recoveries and faster than average wage growths. Stronger than expected oil price recovery and conducive well economics in New Mexico means the state has experienced continued strong oil production and higher oil prices.

Gross receipts tax revenues have been driven by continued employment recovery and by wage and salary growth. Gross receipts tax revenue in Fiscal Year 2021 did not decline as severely, only declining by 4.3 percent from \$3.1 billion to \$2.97 billion. In the same period, personal income tax revenue increased from \$1.7 billion to \$1.9 billion or 12.5 percent. Severance tax revenue has increased from \$440 million to \$477 million. From Fiscal Year 2020 to Fiscal Year 2021 total recurring revenue increased 2.9 percent from \$7.86 billion to \$8.09 billion.

Financial Support. The State economy was bolstered in 2020 and 2021 by federal funding. This included Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) funding, Coronavirus Relief Fund (“CRF”) monies, and American Rescue Plan Act (“ARPA”) funds. The State distributed checks to individuals who were unemployed and exhausted benefits, grants to businesses, cash assistance for those not receiving federal stimulus payments, emergency housing assistance, and food bank assistance. The State distributed federal funds through targeted grant programs. These included the Governor’s Emergency Education Relief Fund (“GEER”); the Elementary and Secondary School Emergency Relief Fund (“ESSERF”); the Higher Education Emergency Relief Funding (“HEERF”); supplemental funding for the Child Care and Development Block Grant (“CCDBG”); the Emergency Rental Assistance Program (“ERAP”); the Coronavirus Capital Projects Fund; and the Child Care Stabilization grant program, among others. The State also implemented tax rebates for low-income workers and reprieves on gross receipts taxes on sales and business services for operators at restaurants, bars, food trucks, small breweries, wineries, and craft distilleries. The following table provides the total Fiscal Year 2021 federal relief funding received by the State in 2021 and corresponding expenditures.

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Fiscal Year 2021 Federal Assistance and Expenditures

Funding Description	Program	Total Awarded	Expended	Pct Expended
Schools and Roads Cluster – Grants to Counties	Forest Reserve Fund	\$ 8,394,329.12	\$ 8,394,329.12	100.00%
State Administered CDBG ¹	Community Development Block Grant	18,764,621.88	18,764,621.88	100.00
State Administered CDBG ¹	Neighborhood Stabilization Program	2,699,771.45	2,699,771.45	100.00
Distribution of Receipts to State and Local Governments	Federal Grazing-Taylor Act	417,007.62	417,007.62	100.00
Coronavirus Relief Fund	CARES Act Fund	1,067,817,493.70	1,063,609,664.21	99.60
Emergency Rental Assistance	ERAP	161,485,443.00	13,146,181.37	8.10
Homeownership Assistance Fund	HAF	5,772,684.00	1,254,743.00	21.70
State and Local Fiscal Recovery Fund	State Fiscal Recovery Funds	1,751,542,835.00	658,978,132.53	37.60
Governor’s Emergency Education Relief Fund	GEER I	22,262,633.00	11,826,015.56	53.10
Total		\$3,039,156,818.77	\$1,779,090,466.74	58.54%
¹ Represents multiple awards that may also be multi-year.				

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, 2023. 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 86.2 percent 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.

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, maybe 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 (now codified as NMSA 1978 Section 7-27-10.1) 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.

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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	\$260,900,000.00
Net Original Issue Premium	<u>31,096,716.45</u>
TOTAL SOURCES	<u>\$291,996,716.45</u>

USES⁽¹⁾:

Deposit to Capital Project Account	\$291,758,923.00
Underwriter's Discount	235,095.94
Additional Proceeds	<u>2,697.51</u>
TOTAL USES	<u>\$291,996,716.45</u>

⁽¹⁾ Costs of issuance to be paid from available funds in the Severance Tax Bonding Fund

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, and 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 2017 through Fiscal Year 2021.

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

	2017	2018	2019	2020	2021
Proceeds from General Obligation Bonding Program⁽¹⁾					
General Obligation Bonds	\$ 0.0	\$174.3	\$ 0.0	\$157.9	\$199.5
Subtotal	<u>0.0</u>	<u>174.3</u>	<u>0.0</u>	<u>157.9</u>	<u>199.5</u>
Proceeds from Severance Tax Bonding Program⁽¹⁾					
Severance Tax Bonds	51.0	222.5	0.0	0.0	391.7
Severance Tax Funding Notes ⁽²⁾	38.5	28.9	74.8	307.2	163.3
Supplemental Severance Tax Bonds	0.0	0.0	0.0	0.0	0.0
Supplemental Severance Tax Funding Notes ⁽²⁾	<u>120.4</u>	<u>139.2</u>	<u>181.5</u>	<u>254.5</u>	<u>232.9</u>
Subtotal	<u>209.9</u>	<u>390.6</u>	<u>256.3</u>	<u>561.7</u>	<u>787.9</u>
Proceeds From Other Sources					
Transportation Bonds	0.0	0.0	0.0	0.0	303.9
Subtotal	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>303.9</u>
Total⁽³⁾	<u>\$209.9</u>	<u>\$564.9</u>	<u>\$256.3</u>	<u>\$719.6</u>	<u>\$1,291.3</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 2012A	\$ 7,965,000
Severance Tax Bonds, Series 2015A	67,665,000
Severance Tax Bonds, Series 2016A	68,635,000
Severance Tax Bonds, Refunding Series 2016B	95,580,000
Severance Tax Bonds, Series 2016D	26,725,000
Severance Tax Bonds, Series 2017A	50,145,000
Severance Tax Bonds, Series 2018A	93,380,000
Severance Tax Bonds, Series 2020A	89,325,000
Severance Tax Bonds, Series 2021A	317,170,000
Severance Tax Bonds, Series 2022A	<u>260,900,000</u>
Total	<u>\$1,077,490,000</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 2021 and 2022, 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 Fiscal Year 2022, 86.2 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. 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⁽¹⁾

Supplemental Severance Tax Bonds, Series 2015B	<u>\$33,080,000</u>
Total	<u>\$33,080,000</u>

⁽¹⁾ Upon issuance of the Bonds

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)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Beginning Balance	\$160,886	\$195,785	\$218,476	\$236,399	\$175,752
Receipts:					
Taxes:					
Oil and Gas Severance Tax	327,403	447,411	655,934	674,440	725,321
Other Minerals Severance Taxes	8,334	6,926	5,677	5,858	4,501
Total Severance Taxes ⁽³⁾	<u>335,737</u>	<u>454,337</u>	<u>661,611</u>	<u>680,298</u>	<u>729,822</u>
Other Income:					
Interest on Investments	9,716	10,788	21,110	18,011	9,580
Other financing sources	9,432	5,920	4,202	3,412	3
Total Other Income	<u>19,148</u>	<u>16,708</u>	<u>25,313</u>	<u>21,423</u>	<u>9,583</u>
Total Receipts	<u>354,884</u>	<u>471,047</u>	<u>686,924</u>	<u>701,721</u>	<u>739,405</u>
Disbursements:					
Senior Bond Debt Service	141,063	142,160	145,381	146,969	136,901
Senior Short-term Obligations ⁽⁵⁾	38,466	28,891	74,837	307,186	163,294
Supplemental Bond Debt Service	19,026	20,474	21,142	21,413	20,591
Supplemental Short-term Obligations ⁽⁵⁾	120,443	139,224	181,527	254,550	232,936
Costs of Issuance and Other Charges	987	580	659	376	772
Total Disbursements	<u>319,985</u>	<u>331,330</u>	<u>423,545</u>	<u>730,496</u>	<u>554,495</u>
Transfers:					
To Severance Tax Permanent Fund	--	117,027	245,455	31,873	123,804
Total Transfers	<u>--</u>	<u>117,027</u>	<u>245,455</u>	<u>31,873</u>	<u>123,804</u>
Ending Balance, June 30	<u>\$195,785</u>	<u>\$218,476</u>	<u>\$236,399</u>	<u>\$175,752</u>	<u>\$236,857</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 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>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Severance Tax Bonding Fund Receipts					
Taxes: Natural Gas	\$ 344,850	\$ 255,474	\$ 228,926	\$ 223,493	\$ 226,879
Oil	<u>1,217,937</u>	<u>1,159,483</u>	<u>1,149,856</u>	<u>1,154,247</u>	<u>1,154,247</u>
<i>Subtotal-Oil & Gas Severance Tax</i>	<u>1,562,787</u>	<u>1,414,957</u>	<u>1,378,782</u>	<u>1,377,740</u>	<u>1,381,126</u>
Other Severance Taxes					
Coal	4,250	4,250	4,250	4,250	4,250
Other Minerals	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>
<i>Subtotal-Other Severance Tax</i>	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>5,500</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>\$1,580,287</u>	<u>\$1,432,457</u>	<u>\$1,396,282</u>	<u>\$1,395,240</u>	<u>\$1,398,626</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
2022	\$1,580,286,759	\$141,446,152	11.17x	\$9,121,125	10.50x
2023	1,432,456,796	171,506,247	8.35	9,122,500	7.93
2024	1,396,282,576	189,264,175	7.38	9,124,625	7.04
2025	1,395,239,972	170,244,625	8.20	9,121,625	7.78
2026	1,398,626,222	151,772,250	9.22	9,122,500	8.69
2027	1,398,626,222	132,769,000	10.53	--	
2028	1,398,626,222	116,978,875	11.96	--	
2029	1,398,626,222	101,872,625	13.73	--	
2030	1,398,626,222	86,072,625	16.25	--	
2031	1,398,626,222	86,065,250	16.25	--	
2032	1,398,626,222	73,449,000	19.04	--	

⁽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 April 2022.

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 98.1 percent of Fiscal Year 2021 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 (as defined hereinafter) 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 time the report is submitted 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—2021 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.

In Fiscal Year 2019, New Mexico operators resumed regular production and reporting of helium. Prior to 2019, there was sporadic production in 2006 through 2008, and again in 2013 and 2018. Helium is taxed at 3.75 percent per mcf produced under the Oil and Gas Severance Tax Act, at 0.19 percent under the Oil and Gas Conservation Tax Act, at 3.15 percent under the Oil and Gas Emergency School Tax Act, and on the value of assessed products under the Oil and Gas Ad Valorem Production Tax Act whose tax rates vary by tax district. The average Oil and Gas Ad Valorem Production Tax rate in 2021 was 0.98 percent. It is worth pointing out that the vast majority of helium is produced on Native American land in the San Juan basin located in northwestern New Mexico.

Economic Conditions Impacting Severance Tax Collections

Crude oil and natural gas prices have rebounded from the lows initially seen in 2020 during the onset of the COVID-19 pandemic. However, as global economies have opened and eased restrictions, global consumption, and demand for both oil and natural gas have pushed these commodity prices to highs not seen since pre-COVID-19. Due to demand currently exceeding supply, this has resulted in low oil inventories in the U.S. and other major world economies. Additionally, OPEC+ has maintained a continued oil production suppression, with only incremental increases in output. This has resulted in a surge in oil prices only tempered by the threat of COVID-19 variants which could cause oil demand to drop. Natural gas has experienced a similar story. Increased domestic and international demand for natural gas and global supply constraints have driven prices upward.

According to Rystad Energy, New Mexico has some of the most efficient and high-producing wells in the industry with low breakeven prices. Baker-Hughes data reports New Mexico rig counts have gradually recovered since reaching a low of 44 in September 2020 to 95 in March 2022. Both the Energy and Information Administration and Rystad Energy data show the oil production recovery has engaged in New Mexico first. In March 2021, New Mexico surpassed North Dakota as the country's second-largest oil-producing state. Additionally, New Mexico is the only state to not just recover to pre-COVID-19 production levels but exceed them. In November 2021, New Mexico registered its highest oil production in state history, producing 1.45 million barrels per day. In Fiscal Year 2021, New Mexico oil production increased to a high of 408.5 million barrels averaging \$50.57/barrel. Much of the natural gas production in New Mexico is associated gas, which is natural gas that is produced along with oil production. Increased domestic and international demand for natural gas and global supply constraints have driven prices upward. In Fiscal Year 2021, New Mexico produced 2,145 billion cubic feet averaging a price of \$3.41/mcf. Both the price and volumes exceed prior expectations. Due to current market conditions, oil and natural gas prices are expected to remain elevated in Fiscal Year 2022.

In Fiscal Year 2022 and Fiscal Year 2023, New Mexico oil prices are projected to average \$71.50 per barrel and \$64.50 per barrel, respectively. While natural gas prices are projected to average \$5.00 per mcf and \$3.80 per mcf in Fiscal Year 2022 and Fiscal Year 2023, respectively. The DFA February 2022 forecast, on a year-over-year basis, expects oil volumes to increase by 26.9 percent and natural gas volumes to increase 13.4 percent in fiscal year 2022. The latest revenue forecast expects continued strong oil production in the near term amid higher oil prices as production supply increases to meet demand.

These current oil and gas market conditions will drive the growth of severance and federal mineral leasing revenues to the general fund. Additionally, these conditions will also increase the transfers to New Mexico reserve accounts and the Early Childhood Trust Fund. Detailed narrative in Appendix A (see Fiscal Year 2022).

Severance Tax on Indian Land

The State can tax non-Indian oil and natural gas production on tribal land, according to United States Supreme Court precedent in *Cotton Petroleum Company v. State of New Mexico*, 490 U.S. 163, 104 L. Ed. 2d 209, 109 S. Ct. 1968 (1989). The State's authority to impose severance taxes on non-Indian oil and natural gas production on tribal land was upheld by the United States District Court in New Mexico in *Jicarilla Apache Tribe v. New Mexico Taxation and Revenue Department*, No. USDC 87-922. In 2009, the United States District Court for the District of New Mexico held that the State may not impose severance taxes on non-tribal operators extracting oil and natural gas on the tribal land of the Ute Mountain Ute Tribe. *Ute Mountain Ute Tribe v. Homans*, 775 F. Supp. 2d 1259 (D.N.M. 2009) (Parker, J.). The Tenth Circuit Court of Appeals overturned the district court opinion and held that the State severance taxes are not preempted by federal law because, among other things, the State had asserted sufficient justification for

imposing the taxes. *Ute Mountain Ute Tribe v. Rodriguez*, 660 F.3d 1177 (10th Cir. 2011). The Ute Mountain Ute Tribe petitioned for an en banc review, which the court denied on September 12, 2011. The United States Supreme Court denied the Ute Mountain Ute Tribe's petition for a writ of certiorari on February 21, 2012. *Ute Mountain Ute Tribe v. Padilla*, 132 S.Ct. 1557 (2012).

Aggregate data reporting accessible on the TRD's TAP website based on oil and gas tax return data indicates that natural gas production and crude oil production on Indian land was approximately 1.5 percent and 0.5 percent, respectively, of total statewide production in Fiscal Year 2021. The TRD estimates that oil and natural gas production on Indian land generated \$6.0 million in severance tax revenues to the State in the production months corresponding to Fiscal Year 2021. 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 \$1,789,860 in Fiscal Year 2021. About \$388,000 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 2011 to 2020. 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 26,129 billion cubic feet (bcf) at the end of calendar year 2020 (the most recent available), an increase from 23,719 bcf at the beginning of calendar year 2020. 2020 production was estimated to be 1,973 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
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	14,374
2017	14,372	7,805	1,319	20,858
2018	20,858	5,744	1,512	25,090
2019	25,090	387	1,758	23,719
2020	23,719	4,383	1,973	26,129

⁽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.

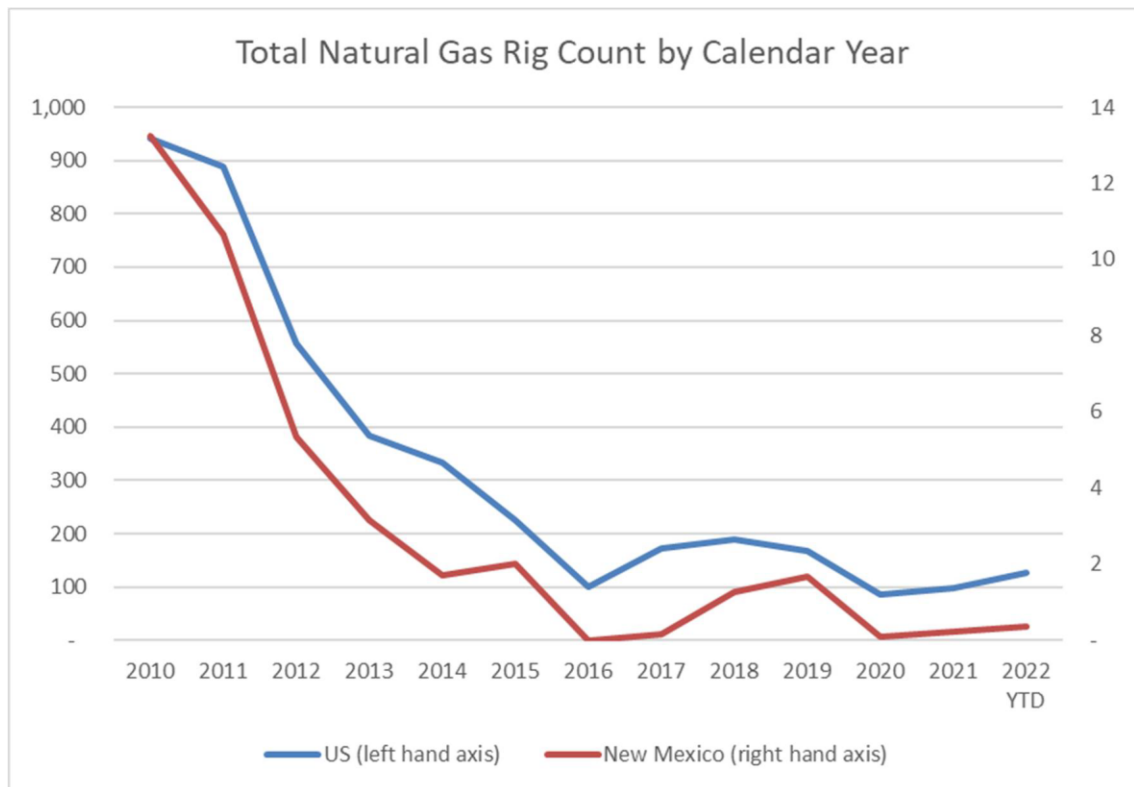
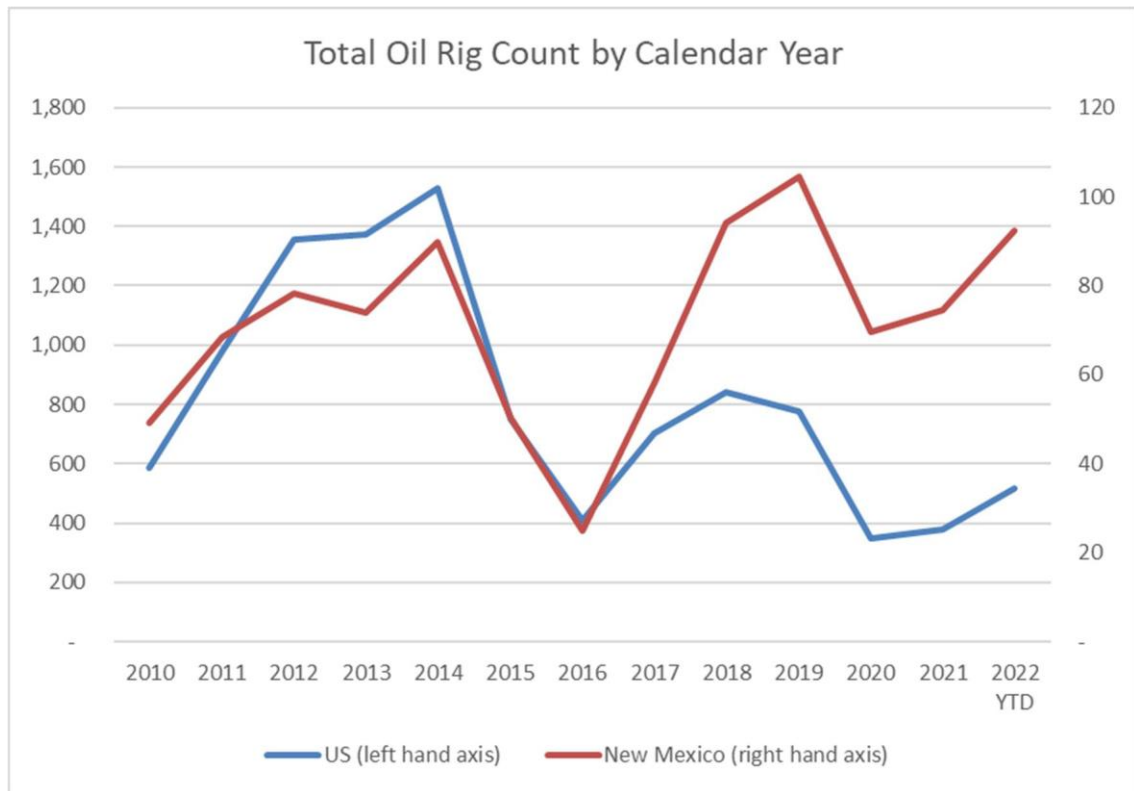
Information on oil and gas drilling activity published by the Baker Hughes Company is presented in the graphs below. The Baker Hughes Company reports the number of drilling rigs actively exploring for oil and gas in the United States. Over the last decade, drilling activity in New Mexico has generally 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 and at the time reaching new record levels near the end of 2014.

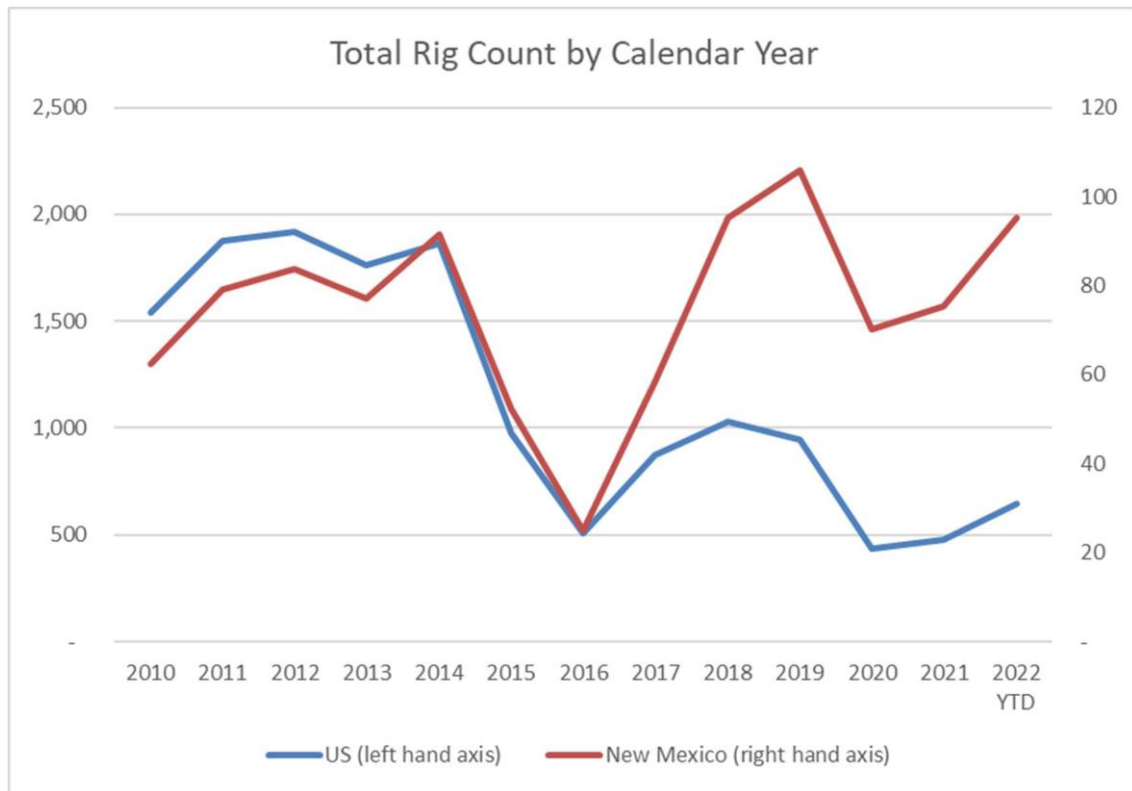
Drilling activity once again decreased sharply with a short lag following the decline in oil prices in 2014. Since 2015, oil prices remained relatively stable until early 2020. This, in combination with horizontal drilling, propelled New Mexico rigs to record highs in 2019. However, oil prices collapsed 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.

However, by 2022 the development of COVID-19 vaccines and the elimination of healthcare measures taken from 2020 through 2021 to mitigate the pandemic have caused oil demand to rebound causing stronger than expected oil price recovery.

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 2010s. The use of horizontal drilling, combined with hydraulic fracturing, has increased production per well dramatically, albeit at a significant additional cost to drill.

The return of strong oil demand coupled with restrained production from OPEC+ and U.S. shale producers limiting supply have caused oil and natural gas prices to return to elevated levels not seen since the early 2010s.





Source: Department of Finance and Administration and Baker Hughes.

In 2020, economic conditions 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.

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Table 9 presents information on the number of natural gas well completions in New Mexico. Natural gas well completions have decreased over the past several years from 370 in 2018 to 176 in 2021. 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
2012	414
2013	254
2014	142
2015	107
2016	76
2017	160
2018	370
2019	353
2020	219
2021	176

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 2021 was 37.0 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 from 2017 to 2020 due to the increased natural gas production associated with the boom in oil production. However, since 2020 the increased domestic and international demand for natural gas and global supply constraints have driven prices upward, reflected in both the price increase of the Henry Hub Spot Price and the New Mexico's producers price in 2021.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Henry Hub Spot Price	\$3.16	\$3.57	\$4.47	\$3.47	\$2.34	\$3.11	\$3.06	\$3.17	\$2.18	\$2.86
New Mexico Producers	5.00	4.37	5.13	3.78	2.42	3.26	3.40	2.94	1.91	3.41
NM as a percentage of Henry Hub	158.2%	122.4%	114.8%	108.9%	103.4%	104.8%	111.3%	92.9%	87.6%	119.2%

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 2021 were \$3.41 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 2021, production totaled 2,146 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 \$7.3 billion in Fiscal Year 2021. Taxable production volume, sales revenue, and average price per thousand cubic feet for Fiscal Years 2012 through 2021 are presented in the following table.

TABLE 11
Natural Gas Subject to Taxation
Production, Revenues and Average Price
Fiscal Years 2012-2021

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Sales Volume (bcf)	1,229	1,173	1,186	1,197	1,182	1,241	1,361	1,562	1,829	2,13
Gross Sales Revenues (millions)	\$6,145	\$5,177	\$6,086	\$4,494	\$2,878	\$3,994	\$4,723	\$4,389	\$3,475	\$7,259
Gross Average Price per mcf	\$5.50	\$4.37	\$5.13	\$3.76	\$2.43	\$3.22	\$3.40	\$2.94	\$1.91	\$3.41
Net Taxable Value ⁽¹⁾ (millions)	\$4,689	\$3,929	\$4,707	\$3,344	\$1,928	\$2,831	\$3,403	\$3,103	\$1,988	\$5,119

⁽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 2021.

TABLE 12
Ten Largest Natural Gas Producers
in New Mexico and Production in 2021

	Thousand Cubic Feet
HILCORP Energy Company	310,139,334
EOG Resources Inc.	268,438,688
Devon Energy Production Company, LP	218,871,915
COG Operating LLC	146,515,629
OXY USA, Inc.	143,783,840
Mewbourne Oil Company	135,957,251
Chevron U.S.A. Inc.	100,347,937
XTO Energy, Inc.	82,990,931
Cimarex Energy Company	68,362,156
XTO Permian Operating, LLC	57,823,712

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 2021. 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 2021, New Mexico producers received an average price of \$3.41 per mcf, higher than the \$1.91 in Fiscal Year 2020. In the December 2021 severance tax revenue forecast, the DFA assumed an average price for Fiscal Year 2022 of \$5.00 per mcf and \$3.80 per mcf for Fiscal Year 2023. 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. Much of the natural gas production in New Mexico is associated gas, which is natural gas that is produced along with oil production. However, in 2021 increased domestic and international demand for natural gas and global supply constraints have also driven prices upward. Due to current market conditions, oil and natural gas prices are expected to remain elevated in Fiscal Year 2022. As supply rises to meet demand prices are expected to level off in 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 2021, oil production’s taxable value grew 4.5 percent from \$13.6 billion to \$14.4 billion. Additionally, oil production constituted an estimated 77.9 percent of total taxable value in Fiscal Year 2021.

The table below sets forth the DFA’s February 2022 five-year projection for natural gas volume, price, and severance tax revenue deposits to the Severance Tax Bonding Fund for Fiscal Years 2022 through 2026. (An updated five-year projection will be delivered in August 2022.)

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

	2022	2023	2024	2025	2026
Natural gas sales (bcf)	2,420	2,490	2,565	2,580	2,580
Average sales price (\$ per mcf)	\$5.00	\$3.80	\$3.40	\$3.30	\$3.35
Severance taxes on natural gas (in thousands)	\$344,850	\$255,474	\$228,926	\$223,493	\$226,879

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 2011 to 2020. 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 332 million barrels in 2019. This represents an increase of 93 percent in oil volume production from 2017 to 2019. From 2019 to 2020 production increased by 11.5 percent up to 370 million barrels. In 2021, New Mexico experienced yet another increase of 24.1 percent with volumes climbing to 459.8 million barrels.

Due to New Mexico having some of the most efficient and high-producing wells in the industry with low breakeven prices, production has continued through 2020, 2021, and into early 2022. In March 2021, New Mexico surpassed North Dakota as the country's second-largest oil-producing state. Additionally, New Mexico is the only state to not just recover to pre-COVID-19 production levels but exceed them.

TABLE 15
New Mexico Oil Reserves
Crude Oil ⁽¹⁾

Year	Beginning Reserves	Additions/ Adjustments	Estimated Production	Ending Reserves
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	201	138	1,549
2017	1,549	1,192	160	2,581
2018	2,581	895	236	3,240
2019	3,240	516	300	3,456
2020	3,456	260	351	3,365

⁽¹⁾ Barrels in millions.

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

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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 2012 through 2021. 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
2012	1,457
2013	1,396
2014	1,348
2015	850
2016	458
2017	622
2018	913
2019	931
2020	614
2021	660

*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 2021.

TABLE 17
Ten Largest Oil Producers in New Mexico and Production in 2021

	Barrels
EOG Resources Inc.	81,869,498
Devon Energy Production Company LP	59,721,564
COG Operating LLC	38,717,970
OXY USA, Inc.	36,999,600
Mewbourne Oil Company	29,369,031
XTO Energy, Inc.	23,687,862
Chevron U.S.A. Inc.	14,907,316
Matador Production Company	13,775,998
XTO Permian Operating LLC	12,186,948
Cimarex Energy Company	11,860,341

*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 2012-2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sales Volume (bbl in millions)	79.7	93.8	113.5	142.4	147.2	156.0	205.3	301.2	367.8	408.5
Gross Sales Revenues (millions)	\$7,144	\$8,047	\$10,795	\$8,631	\$5,589	\$6,988	\$11,307	\$15,513	\$16,193	\$20,658
Gross Average Price per bbl	\$89.64	\$85.82	\$95.13	\$60.64	\$37.96	\$44.81	\$55.08	\$51.62	\$43.75	\$50.58
Net Taxable Value ⁽¹⁾ (millions)	\$6,380	\$7,211	\$9,580	\$7,601	\$4,904	\$6,150	\$9,948	\$13,626	\$14,210	\$18,053

⁽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 April 26, 2022)

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 408.5 million barrels in Fiscal Year 2021. The DFA's February 2022 volume projection includes an increase in annual production of 26.9 percent for Fiscal Year 2022 to 517.4 million barrels. Both the Energy and Information Administration and Rystad Energy data show the oil production recovery has engaged in New Mexico first. New Mexico's robust production allowed it to become the country's second-largest oil-producing state in 2021.

The DFA February 2022 forecast, on a year-over-year basis, expects oil volumes to increase by 26.9 percent up to 517.4 million barrels in Fiscal Year 2022 and increase by 5.5 percent to 546 million barrels in Fiscal Year 2023. Detailed narrative in Appendix A (see Fiscal Year 2022).

Prices: Over the past ten fiscal years, weighted average annual oil prices received by New Mexico producers have ranged from an estimated \$50.57 in Fiscal Year 2021 to a high of \$95.11 in Fiscal Year

2014. The Severance Tax revenue forecast by the DFA in February 2022 assumes a price per barrel of \$71.50 in Fiscal Year 2022, \$64.50 for Fiscal Year 2023, and \$60.50 in Fiscal Year 2024.

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 2022 five-year projection for oil volume, price, and severance tax receipts for Fiscal Years 2022 through 2026. (An updated five-year projection will be delivered in August 2022.) 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

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Oil sales (million barrels)	517	546	577	589	589
Average price (\$/barrel)	\$71.50	\$64.50	\$60.50	\$59.50	\$59.50
Severance Taxes on Oil (in thousands)	\$1,217,937	\$1,159,483	\$1,149,856	\$1,154,247	\$1,154,247

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 2020 (the most recent available): 2,728 million short tons of underground coal and 3,991 million short tons of surface coal, for a total of 6,719 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 2020: 5,997 million short tons of underground coal and 5,708 million short tons of surface coal, for a total of 11,705 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 2021, 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 through Fiscal Year 2021. In Fiscal Year 2021, the El Segundo Coal Company produced an estimated 4.0 million tons of coal, down 22 percent from Fiscal Year 2020. 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. Calendar year 2020 shipments from the El Segundo mine to the Escalante Generating Station were 254 thousand short tons. EIA's most recent data only includes quarters 1, 2 and 4 of 2020. 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. No data was available for Fiscal Year 2021 at the time of writing. 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 rate was \$1.23. These rates have remained unchanged in Fiscal Years 2016 through 2021. 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. Tax revenues were \$5.3 million in Fiscal Year 2018, 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 2017 to 2021⁽¹⁾

	2017	2018	2019	2020	2021
Production:					
Total Sales Volume (tons)	11,454,740	9,503,353	8,196,188	7,855,214	6,556,725
Surface Mined Surtax Exempt	5,256,770	5,241,877	5,433,828	5,121,916	3,988,065
Surface Mined Non-Exempt	--	--	--	--	--
Underground Mined Surtax Exempt	6,197,970	4,261,476	2,762,360	2,733,297	2,568,660
Prices:					
Weighted Average Price per Ton for All Coal	\$28.54	\$35.41	\$35.58	\$34.60	\$35.25
Sales Revenue:					
Total Sales Revenue	\$326,892,275	\$336,486,800	\$291,592,581	\$271,806,783	\$231,150,581
Taxes Collected and Intergovernmental Tax					
Credits (ITC):					
Gross Severance Tax and Severance Surtax Due	\$6,405,242	\$5,331,682	\$4,616,581	\$4,422,805	\$3,685,960
Intergovernmental Tax Credit (ITC)	--	--	--	--	--
Net Severance Tax and Severance Surtax					
Liability (Net of ITC)	\$6,405,242	\$5,331,682	\$4,616,581	\$4,422,805	\$3,685,960
Effective Taxes (Net of ITC):					
Effective Tax Rate	1.96%	1.58%	1.58%	1.63%	1.59%
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 66.6 bcf in Fiscal Year 2021, decreasing from 73.4 bcf in Fiscal Year 2020. The weighted average wellhead price of CO₂ sales for Fiscal Year 2021 was \$0.92 per mcf reported at the production facility, a decrease of \$0.01 from \$0.93 per mcf during Fiscal Year 2020. Severance Taxes on CO₂ are levied at the rate of 3.75 percent of taxable sales value. Weighted average deductions were 43.2 percent in Fiscal Year 2021.

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 14. 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 that 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 that 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 2021⁽¹⁾ Collections	Fiscal Year 2020⁽¹⁾ Collections	Tax Rate	Gross Value as Percent of Full Value
Potash	\$618,767	\$703,809	2.500%	not fixed
Copper	432,437	426,743	0.500	16.67%
Timber, Pumice, Gypsum, Clay, Fluorspar, Other	50,777	58,202	0.125	not fixed
Molybdenum ⁽¹⁾	--	--	0.125	50.00
Lead, Zinc	--	--	0.125	16.67
Gold	3,290	22,078	0.200	50.00
Silver	670	3,359	0.200	30.00
Uranium	--	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 \$432,437 in Fiscal Year 2021, up from \$426,743 in Fiscal Year 2020. The average price of copper was \$3.75 per pound in Fiscal Year 2021. Freeport-McMoRan, which operates the Tyrone mine, the Continental Mine and Mill, and the Chino mine, has lowered output from the larger Chino mine since 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 the 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 2021 and reflect an average sales price of \$50.58 per barrel for oil and \$3.40 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.

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TABLE 22
Tax Rates on Oil and Natural Gas
Effective Tax Rates Applicable for Fiscal Year 2021⁽¹⁾

Type of Tax	Crude Oil		Natural Gas	
	Ad Valorem	Per Barrel	Ad Valorem	Per mcf
Price				
Oil and Gas School Tax	2.75%	\$1.239	2.80%	\$0.10
Oil and Gas Severance Tax	3.28	1.66	2.63	0.09
Oil and Gas Conservation Tax (General Fund only)	0.17	0.08	0.13	0.00
Natural Gas Processors Tax	n/a	n/a	0.20	0.01
Oil and Gas Production ad valorem Tax	1.10	0.55	0.87	0.03
Oil and Gas Production Equipment ad valorem Tax	<u>0.09</u>	<u>0.04</u>	<u>0.11</u>	<u>0.00</u>
Total⁽²⁾	<u>7.37%</u>	<u>\$3.73</u>	<u>6.75%</u>	<u>\$0.23</u>
Subtotal: State Tax Only (excludes ad valorem taxes and Natural Gas Processors Tax) ⁽³⁾	<u>6.19%</u>	<u>\$3.13</u>	<u>5.57%</u>	<u>\$0.19</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 the 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 \$7.8 million in Fiscal Year 2021, a decrease of 19.5 percent from Fiscal Year 2020. Coal production decreased from approximately 7.9 million tons in Fiscal Year 2020 to 6.6 million tons in Fiscal Year 2021. 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 \$231 million in Fiscal Year 2021, 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 2021 is shown in the following table.

TABLE 23
Tax Burden on Coal for Fiscal Year 2021 ⁽¹⁾

Type of Tax	Tax per Ton	Effective Tax Rate	Taxes Collected
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, 2020, 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 2020, the most recent year for which data is available (Source: U.S. Energy Information Administration), 99 percent of all coal produced in the State was supplied to electric power plants in New Mexico. In Fiscal Year 2021, 99.03 percent of all coal produced in New Mexico was subject to gross receipts tax. The combined State and local tax rate for Fiscal Year 2021 was 7.1 percent 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 (defined in the Bond Resolution) 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 (defined in the Bond Resolution) 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 excludability 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 excludable 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 excludability, and the State or persons acting for it, will, if necessary to maintain such excludability, 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 excludability 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 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 excludability 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 excludability 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 excludability from gross income for federal and State 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 by Kutak Rock LLP, Disclosure Counsel. Certain legal matters will be passed upon for the State 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 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, 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 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.

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 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 actually or constructively 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 22, 2022 by Morgan Stanley & Co. LLC. Morgan Stanley & Co. LLC., as underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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 Service 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, 2022, 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 22 cabinet departments, each headed by a cabinet secretary appointed by the Governor and approved by the Senate, and approximately 9 cabinet-level agencies. 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 2021 a 60-day regular session convened on January 19, and in 2022 a 30-day regular session convened on January 18. Special sessions of the Legislature may be convened by the Governor. On March 30, 2021, the Governor convened a first special session, running from March 30 through March 31, for the Legislature to address legislation not taken up in the regular session, citing COVID-19 precautions as one of the reasons the legislature did not complete its work fully by the end of the 60-day session. The first special session focused on cannabis legalization and economic development reform legislation. The Governor convened a second special session on December 6, 2021, to finalize and approve new legislative district maps, as required once each decade by the State constitution. The special session also addressed appropriating outstanding American Rescue Plan Act funds. The Governor

convened a third special session on April 5, 2022, to take up measures of economic relief in the face of rising costs to consumers via tax relief and to pass a revised supplemental spending bill.

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 2018 through 2022

Fiscal Year 2018. In Fiscal Year 2018, recurring revenues were \$6.8 billion, representing an increase of 15.8 percent over 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 Emergency 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 Fund 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 to the Tax Stabilization Reserve Fund was \$182.8 million. The Fiscal Year 2020 distribution was \$166.1 million. In Fiscal Year 2021, the formula for distribution to the Tax Stabilization Reserve Fund became more complex. See the discussion of Fiscal Year 2021 below.

In August of 2017, after issuance of the State of New Mexico Capital Projects General Obligation Bonds, Refunding Series 2017B (the “Series 2017B Bonds”), the State discovered that its State of New Mexico Capital Projects General Obligation Bonds, Series 2015, dated March 25, 2015 (the “Series 2015 Bonds”), which were intended to be refunded with a portion of the proceeds of the Series 2017B Bonds, were not subject to redemption prior to maturity. The State of New Mexico Capital Projects General Obligation Bonds, Series 2013, dated April 23, 2013 (the “Series 2013 Bonds”) were refunded with a portion of the proceeds of the Series 2017B Bonds, were paid in full on September 1, 2017 and are no longer outstanding. On August 25, 2017, the Board passed a resolution directing that a portion of the Series 2017B Bond proceeds, which were initially invested in U.S. Government defeasance securities for the intended legal defeasance of the Series 2015 Bonds, be liquidated and the proceeds thereof be reinvested in municipal securities to be held in escrow to achieve a full or partial economic refunding (but not legal

defeasance) of the Series 2015 Bonds. Such proceeds have since been reinvested by the State in municipal securities. Accordingly, none of the Series 2015 Bonds have been legally defeased.

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

Fiscal Year 2020. The 2020 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 Coronavirus Relief Fund ("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 \$7.86 billion, representing a decline of 1.9 percent over Fiscal Year 2019 levels. Oil- and natural gas-related revenues were projected to decrease by 22.2 percent compared to Fiscal Year 2019 levels. However, after considering an unprecedented federal land lease payment of \$497 million, oil and natural gas revenues increased by 9.9 percent. In Fiscal Year 2020 New Mexico oil prices averaged \$44.02 per barrel, while New Mexico's natural gas prices averaged \$1.91 per mcf. Oil volumes increased by 23.4 percent in Fiscal Year 2020, and natural gas volumes increased by 11.3 percent. Gross receipts tax revenue increased by 11.9 percent over the prior fiscal year. Non-oil- and natural gas-related revenue increased by 3.4 percent.

Fiscal Year 2021. All states across the country were impacted by the COVID-19 pandemic, however, most reported better-than-expected revenue collections and improved forecasts throughout Fiscal Year 2021. The State of New Mexico was no different, and the overall economic impact of the COVID-19 pandemic hindered economic activity and State revenues in Fiscal Year 2021. However, State revenues did not decline as much as expected in early revenue estimates of Fiscal Year 2021 due to several factors. First, the 2020 economic downturn impacted various sectors of the economy differently. Low-wage sectors such as leisure and hospitality bore the brunt of the economic downturn, while high-wage sectors such as professional/business services, healthcare, and finance all but recovered. Second, the negative impacts of the economic downturn were mitigated by unprecedented national fiscal stimulus measures totaling \$5.9 trillion. These fiscal stimulus packages are the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") (\$2.4 trillion), the December 2020 stimulus package (\$900 billion), and, in early 2021, the American Rescue Plan Act ("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. Gross receipts tax revenues did not decline as severely as prior forecasts expected, mainly due to federal fiscal and monetary policy interventions. Personal income tax revenue increased by 12.5 percent when compared to the prior year. Lastly, in New Mexico, the better-than-expected oil price recovery and oil production had a significant impact on overall general fund revenues. According to the December 2021 consensus revenue forecast, Fiscal Year 2021 recurring revenues were \$8 billion, representing an increase of 2.9 percent over the Fiscal Year 2020.

Fiscal Year 2021 felt the impact of the oil price volatility experienced in early 2020 from the Saudi Arabian and Russian oil price war and the impacts of the COVID-19 pandemic. However, the oil markets experienced a better-than-expected oil price recovery. According to the U.S. Energy Information Administration, the 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 by February 2021. In March 2021, WTI prices reached above \$65 per barrel. Gross oil- and natural gas-related revenues increased by 12 percent compared to Fiscal Year 2020. In Fiscal Year 2021, New Mexico oil prices averaged \$50.58 per barrel, while natural gas prices averaged \$3.40 per mcf. Oil volumes increased by 10.8 percent, and natural gas volumes increased by 16.8 percent in Fiscal Year 2021.

In Fiscal Year 2021, the State was also influenced by two federal executive orders impacting the oil and natural gas industry, both issued in the second half of January. The “Executive Order on Tackling the Climate Crisis at Home and Abroad” paused new federal land leases but did not directly impact existing leases nor did it impact existing or pending permits at the time. This executive order did not have an end date. But in June 2021, a federal judge issued a preliminary injunction requiring the Interior Department to resume leasing of federal onshore and offshore properties for oil and gas exploration. 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 federal executive orders had minimal impact on New Mexico oil production.

Legislation passed during the 2020 regular session established the Early Childhood Trust Fund (“ECTF”) and provided that excess Oil and Gas Emergency School Tax is distributed to either the ECTF or the Tax Stabilization Reserve Fund, or a portion to each, depending on the state reserve conditions. If the balance in the state reserves for the current fiscal year, prior to the distribution, is equal to or greater than 25 percent of the aggregate recurring appropriations for the current fiscal year from the general fund, the excess Oil and Gas Emergency School Tax revenue shall be distributed to the ECTF. If the reserve balance is less than 25 percent of the aggregate recurring appropriations for the current fiscal year from the general fund, the excess Oil and Gas Emergency School Tax revenue shall be distributed to the Tax Stabilization Reserve Fund, but limited only to the amount necessary to bring the balance of state reserves equal to 25 percent of recurring appropriations from the general fund. Any remaining excess revenue is distributed to the ECTF. In Fiscal Year 2021, state reserve balances were 35.4 percent of recurring appropriations, and therefore the excess Oil and Gas Emergency School Tax revenue of \$342.7 million was distributed to the ECTF rather than the Tax Stabilization Reserve Fund.

Fiscal Year 2022. According to the DFA February 2022 revenue forecast, in Fiscal Year 2022, estimated recurring revenues are expected to be \$8.165 billion, representing an increase of 1.3 percent over Fiscal Year 2021. Oil- and natural gas-related revenues to the general fund are expected to increase by 5 percent. New Mexico oil prices are expected to average \$71.50 per barrel, while New Mexico's natural gas prices are expected to average \$5.00 per mcf. Oil volumes are anticipated to increase by 26.9 percent in Fiscal Year 2022, and natural gas volumes are expected to increase by 13.6 percent. Non-oil- and natural gas-related revenue is anticipated to increase by a modest 0.6 percent. Total recurring revenue is expected

to increase by 1.3 percent in Fiscal Year 2022 over Fiscal Year 2021. The slower growth in Fiscal Year 2022 is mainly due to legislative adjustments to gross receipts and personal income tax revenue.

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 the Zuni Public School District and Gallup-McKinley County School District No.1.

On December 29, 2020, the trial court filed a Decision and Order ruling in favor of the Plaintiffs. 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. It also enjoins the Legislature to create and implement a statutory scheme consistent with Article XII, Section 1 of the State 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 2021). The matter was appealed to the New Mexico Court of Appeals on July 19, 2021 as cause NO. A-1-CA-39902, where it remains pending.

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 163,314 members as of June 30, 2021, including active, retired, inactive vested and inactive non-vested members. The market value of Educational Retirement Fund (the “Fund”) as of June 30, 2021, was \$16.4 billion. The ERB had a net investment gain for Fiscal Year 2021 of 28.76 percent.

As of June 30, 2021, the unfunded accrued actuarial liability (“UAAL”) had a 42-year amortization period. The calculation of the funding policy contribution has been updated to reflect an open group projection, recognizing new hire benefits as well as anticipated cost-of-living adjustments less than the assumed 1.80 percent while the plan is less than fully funded.

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	07/01/2022–06/30/2023	7.90%	17.15%	25.05%
	2024-Future	07/01/2023–Future	7.90%	18.15%	26.05%
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	07/01/2022–06/30/2023	10.70%	17.15%	27.85%
	2024-Future	07/01/2023–Future	10.70%	18.15%	28.85%

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 2021 legislation amending Section 22-11-21 NMSA 1978 was enacted to increase the employer contribution rate to 15.15 percent beginning July 1, 2021. In 2022, legislation amending Section 22-11-21 NMSA 1978 was enacted to increase the employer contribution rate to 17.15 percent beginning July 1, 2022, and 18.15 percent beginning July 1, 2023.

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. From July 1, 2021, through June 30, 2022, 4.25 percent of the employer statutorily mandated contribution for ARP participants is provided to the defined benefit plan. From July 1, 2021, through June 30, 2022, the employer contribution rate is 15.15 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 4.25 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. The rate increases to 6.25 percent beginning July 1, 2022, and 7.25 percent beginning July 1, 2023. 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 2017 through 2021. 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 increased from 2020 to 2021. The increase was primarily due to the investment gains on the smoothed or actuarial value of the assets and demographic losses, primarily related to salary increase experience. The NPL of \$7,087,469,701, measured as the total pension liability, less the plan's fiduciary net position as of June 30, 2021, was calculated based on an expected rate of return on plan investments of 7.00 percent. The current NPL decreased by 65 percent compared to the Fiscal Year 2020 NPL of \$20,265,889,826. The change for the fiscal year ending June 30, 2021, includes the change in the blended discount rate from 3.89 percent as of June 30, 2020, to the single discount rate of 7.00 percent as of June 30, 2021. 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. The 2021 single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent.

ERB Funded Ratio

Fiscal Year	Net Pension Liability (GASB 67)	Funded Ratio (GASB 67)	Funded Ratio (Actuarial Valuation)
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
2021	7,087,466,701	69.77	62.8

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 cost of living adjustment ("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 47,679 active members as of June 30, 2021. As of June 30, 2021, the total market value of the PERA Fund was \$17.6 billion. The Fiscal Year 2021 PERA total fund investment return was (24.02) percent. (Information as of June 30, 2021, 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, 2021, is shown in the table below.

Summary of State Retirement Funds Managed by PERA As Of June 30, 2021
(Dollars In Thousands)

	<u>PERA⁽¹⁾</u>	<u>Judicial</u>	<u>Magistrate</u>	<u>VFF</u>	<u>Legislative</u>
Membership	115,222	359	193	9,735	338
<u>Actuarial Information</u>					
Accrued Liability ⁽²⁾	23,042,469	176,535	60,355	50,150	32,766
Actuarial Value of Assets ⁽³⁾	16,460,210	94,024	32,644	78,490	46,180
Unfunded (Overfunded) Accrued Liability	6,582,259	82,510	27,710	(28,339)	(13,414)
Present Value of Statutory Obligations	25,957,941	201,742	66,674	61,519	37,626

⁽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, 2021, PERA has an amortization or funding period of 72 years, based on the employer and member contribution rates in effect as of July 1, 2021. 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 71.40 percent as of June 30, 2021, and the UAAL of the PERA Fund decreased \$68 million to approximately \$6.5 billion. The State's portion of the UAAL of the PERA Fund is 60.6 percent, or \$3.9 billion. Prior to 2021 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 71.40 percent as of June 30, 2021. Current 30-year projections indicate the PERA Fund will be 105.6 percent funded in 2044, assuming all economic and demographic assumptions are met.

In 2021, PERA implemented GASB 67 for the eighth year. PERA will also produce an audited Schedule of Employer Allocations and Pension Amounts in early 2022 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 and other pension elements on the face of their financial statements. The total NPL as of June 30, 2021, for the PERA Fund allocated to its nearly 195 cost sharing employers that participate in the Fund is approximately \$5.2 billion.

In 2021, 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, 2021. 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 2017 through 2021.

Funded Ratio of State Retirement Funds Managed by PERA

Fiscal Year	PERA	Judicial	Magistrate	VFF	Legislative
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
2021	71.4	53.3	54.1	156.5	140.9

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.

During the State of New Mexico (55th 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.

During the State of New Mexico (55th Legislature) regular session in 2020, Senate Bill 122 was passed that delayed further distributions to the Legislative Retirement fund until Fiscal Year 2026 and provided a distribution to the magistrate and judicial retirement fund of \$100,000 each month until July 1, 2025.

During the State of New Mexico (56th Legislature) regular session in 2021, Senate Bill 90 was passed that allows overtime pay required for a regular schedule tour of duty in the definition of salary for all municipal fire plans and a 1.5 percent employee contribution increase starting July 1, 2021.

New Mexico Retiree Health Care Authority—Historic Financial Information. NMRHCA provides 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, 2021, there were 53,092 participants, 11,754 vested terminated members and 92,484 active members contributing to the program from 302 participating public entities.

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 by statute as is the amount distributed from the TAA Fund. For most participants, employer contribution rates are 2 percent of the participating employee’s salary and employee contribution rates are 1 percent of the participating employee’s salary. For individuals participating under an enhanced retirement plan (i.e., police officers, firefighters and correctional officers), employers contribute 2.5 percent of the employee’s salary and employees contribute 1.25 percent of their salary.

As of June 30, 2021, NMRHCA reported a projected solvency period beyond 2052, 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, including a series of targeted benefit reductions, increased cost-sharing for plan participants, aggressive procurement practices and value-based purchasing strategies.

In 2021, NMRHCA implemented GASB 74 for the fourth year. This valuation is based on the benefits administered by the Board, characteristics of plan participants, assets as of June 30, 2021, economic assumptions and other actuarial assumptions. In a change from the GASB 43 requirements, monies that are not fully funded on an actuarial basis go through a crossover test to determine the applicable discount rate on the plans assets.

The discount rate used in the valuation for financial disclosure purposes as of June 30, 2021 is a blend of the assumed investment return (7 percent) and the rate for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher (2.16 percent as of June 30, 2021). Although NMRHCA does not fully prefund benefits, projections indicate that plan assets are likely sufficient to fund benefit payments through the 2052/2053 year. Projected benefit payments are discounted by the plan investment return assumption of 7 percent until June 30, 2052. Benefit payments after June 30, 2052 are then discounted by the municipal bond rate of 2.16 percent; 3.62 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, 2021 valuation indicate the Total OPEB Liability (“TOL”) equals \$4.4 billion, offset by the plan’s fiduciary net position of \$1.1 billion, resulting in a Net OPEB Liability (“NOL”) of \$3.3 billion. Projected benefit payments are discounted by the plan investment return assumption of 7 percent until June 30, 2052. Benefit payments after June 30, 2052 are then discounted by the municipal bond rate of 2.16 percent; 3.62 percent is the blended discount rate reflecting benefits discounted by the plan investment return assumption rate and the municipal bond rate.

NMRHCA and its Board of Directors are committed to further strengthening the program’s financial well-being. The five-year strategic plan adopted by the Board of Directors in 2017 raises required contributions and makes targeted benefit reductions to increase revenues while decreasing future liabilities. Additionally the Board of Directors established a minimum age to participate in the program (55 years old) and increased the years-of-service required to receive the maximum subsidy. These changes went into effect for most participants on July 31, 2021 but they do not apply to members who participate in an enhanced retirement plan (i.e., police and corrections officers, firefighters and judges).

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 2021. 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 (3.62 percent).

The following table lists the ARC and percentage of the ARC contributed for Fiscal Years 2017 through 2021 (the most recent available).

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

Fiscal Year	Annual Required Contribution	Percentage Contributed	Actual Amounts Contributed
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
2021	178,635,585 ⁽¹⁾	99.50	177,813,458

⁽¹⁾ The 2018 through 2021 “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, 2021

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 June 30, 2021 was approximately \$6.33 billion, an asset increase of approximately \$1 billion or 19.9 percent from the prior fiscal year closing value. Investment performance for the one-year period ending June 30, 2020 was 22.35 percent net of fees, and -1.45 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 June 30, 2021, the market value of the LGPF was approximately \$23.96 billion, an asset increase of approximately \$4.98 billion, or 26.2 percent over the prior fiscal year. Investment performance for the year ended June 30, 2021 was 25.73 percent, net of fees, and 0.53 percent above the LGPF’s policy index, exceeding 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 2021, the New Mexico Legislature passed House Joint Resolution 1 (“HJR1”), a proposed constitutional amendment to increase distributions from the LGPF to provide additional funding for public education. If approved by voters, and subsequently by the U.S. Congress, the increased distributions will specifically go toward funding state early childhood education and care programs, as well as increasing primary K–12 funding annually. Voters will consider the measure in the November 2022 election. The proposal seeks to increase distributions from the Permanent School Fund—the largest component of the LGPF—to 6.25 percent annually from its current 5.0 percent rate. The additional distributions will depend on the value of the LGPF, but initial estimates are HJR1 could increase distributions from the LGPF by at least \$200 million in year one.

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.

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.

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 State's Annual Comprehensive Financial Report ("ACFR") 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, 2021, resources held in the pool were equivalent to the corresponding business unit claims on those resources.

The State's ACFR for Fiscal Year 2021 was unqualified, a significant improvement over previous years. In addition, the State continues to make steady progress in reducing the amount of time to issue the ACFR. The State will continue to work toward improving the timeliness of the ACFR 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 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 2020 United States Census was 2,106,319. From 2011 to 2020, the State's population grew 1.2 percent, while the national population grew 5.8 percent. The population as of July 1, 2020, was 2,106,319.

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
2011-2020**

Year⁽¹⁾	Population⁽²⁾		Annual Percentage Change	
	New Mexico	United States	New Mexico	United States
2011	2,080,707	311,583,481	--	--
2012	2,087,715	313,877,662	0.3%	0.7%
2013	2,092,833	316,059,947	0.3	0.7
2014	2,090,236	318,386,329	(0.1)	0.7
2015	2,090,071	320,738,994	0.0	0.7
2016	2,092,555	323,071,755	0.1	0.7
2017	2,092,844	325,122,128	0.0	0.6
2018	2,093,754	326,838,199	0.0	0.5
2019	2,099,634	328,329,953	0.3	0.5
2020	2,106,319	329,484,123	0.3	0.4

⁽¹⁾ All estimates are subject to change.

⁽²⁾ As of July 1. Population figures are stated as intercensal estimates.

Source: U.S. Census Bureau, Population Division, 2010-2020, released July 2021 (the most recent information available as of June 9, 2022)

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 2020 (the most recent information available), the largest employment sector in the State was government (comprising approximately 19.1 percent of the State's non-farm workforce), followed, in order, by health care and social assistance; retail trade; professional, scientific and technical services; and accommodation and food services. For the twelve-month period ended December 31, 2020, total average employment in the State decreased by 5.6 percent as compared to the same twelve-month period ending December 31, 2019. The following table sets forth information on employment by industry over the period of 2011 through 2020, the most recent figures available.

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Total New Mexico Full-time and Part-time Employment by North American Industry Classification System 2011-2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Growth 2019-2020	Growth 2011-2020
Total employment	1,064,267	1,067,211	1,075,465	1,083,772	1,092,255	1,092,519	1,095,282	1,110,508	1,116,960	1,054,758	-5.6%	-0.9%
Wage and salary employment	836,180	839,254	846,495	852,638	860,270	861,156	862,577	862,493	890,656	834,033	-6.4	-0.3
Proprietors employment	228,087	227,957	228,970	231,134	231,985	231,363	232,789	234,702	226,304	220,725	-2.5	-3.2
Farm proprietors employment	20,715	21,328	21,547	21,557	21,542	21,476	21,410	21,121	21,206	21,195	-0.1	2.3
Nonfarm proprietors employment	207,372	206,629	207,423	209,577	210,443	209,887	211,379	213,581	205,098	199,530	-2.7	-3.8
Farm employment	27,322	28,262	29,208	28,346	29,003	29,826	28,930	28,565	28,135	28,428	1.0	4.0
Nonfarm employment	1,036,945	1,038,949	1,046,257	1,055,426	1,063,252	1,062,693	1,066,352	1,081,943	1,088,825	1,026,330	-5.7	-1.0
Private employment	823,130	827,038	835,402	845,767	854,472	854,231	860,322	875,752	880,973	824,666	-6.4	0.2
Forestry, fishing and related activities ⁽²⁾	5,221	5,133	5,235	5,674	5,557	5,820	5,990	6,013	5,954	5,618	-5.6	7.6
Mining ⁽³⁾	28,340	34,212	36,857	38,214	36,662	31,814	31,207	31,920	31,994	25,659	-19.8	-9.5
Utilities	4,540	4,570	4,652	4,591	4,683	4,899	5,622	4,573	4,499	4,443	-1.2	-2.1
Construction ⁽⁴⁾	59,142	57,947	59,142	59,584	59,707	60,008	62,068	64,919	67,891	65,623	-3.3	11.0
Manufacturing	35,740	35,749	35,463	34,027	34,157	33,186	32,562	33,358	34,086	32,764	-3.9	-8.3
Durable goods manufacturing ⁽⁵⁾	23,696	23,201	22,549	21,238	21,189	20,016	19,250	19,450	19,538	18,645	-4.6	-21.3
Nondurable goods manufacturing ⁽⁶⁾	12,044	12,548	12,914	12,789	12,968	13,170	13,312	13,908	14,548	14,119	-2.9	17.2
Wholesale trade	26,490	26,475	26,688	28,854	28,503	25,372	24,990	24,887	24,986	23,765	-4.9	-10.3
Retail trade ⁽⁷⁾	111,426	111,840	112,726	113,924	114,887	113,633	111,459	110,697	108,106	104,321	-3.5	-6.4
Transportation and warehousing ⁽⁸⁾	24,330	25,379	25,502	25,905	27,244	26,672	28,059	30,844	32,232	31,282	-2.9	28.6
Information ⁽⁹⁾	16,501	16,473	16,059	15,725	15,587	16,001	15,492	15,096	13,999	11,819	-15.6	-28.4
Finance and insurance ⁽¹⁰⁾	35,798	35,347	35,010	34,781	34,462	35,685	35,674	36,930	35,902	35,822	-0.2	0.1
Real estate and rental and leasing ⁽¹¹⁾	39,637	38,191	38,414	39,111	39,656	39,859	40,496	41,445	39,206	39,031	-0.4	-1.5
Professional, scientific and technical services	77,519	76,128	75,919	76,116	77,542	77,751	79,918	81,686	83,459	83,829	0.4	8.1
Management of companies and enterprises	5,485	5,435	5,502	5,632	5,876	6,336	6,144	6,631	6,711	6,458	-3.8	17.7
Administrative and waste services ⁽¹²⁾	54,698	53,429	54,597	54,370	52,994	53,889	56,398	57,322	59,412	54,993	-7.4	0.5
Educational services	16,277	16,152	16,426	16,709	16,960	17,017	16,807	16,609	17,231	16,168	-6.2	-0.7
Health care and social assistance ⁽¹³⁾	121,582	123,225	123,737	124,796	129,721	134,263	134,788	135,924	136,922	134,208	-2.0	10.4
Arts, entertainment and recreation ⁽¹⁴⁾	23,132	23,714	23,734	24,227	24,245	24,150	25,155	25,482	25,875	19,415	-25.0	-16.1
Accommodation and food services ⁽¹⁵⁾	82,292	83,194	85,494	88,297	90,193	92,523	93,513	94,736	95,992	78,018	-18.7	-5.2
Other services, except public administration ⁽¹⁶⁾	54,980	54,445	54,245	55,230	55,836	55,353	54,980	56,680	56,516	51,430	-9.0	-6.5
Government and government enterprises ⁽¹⁷⁾	213,815	211,911	210,855	209,659	208,780	208,462	206,030	206,191	207,852	201,664	-3.0	-5.7

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

⁽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; water transportation; truck transportation; transit and ground passenger transportation; pipeline transportation; scenic and sightseeing transportation; support activities for transportation; couriers and messengers; and warehousing and storage.

⁽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 23, 2021 (the most recent information available as of June 9, 2022)

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
2012–2022
(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	933	155,628	868	143,330	7.0%	7.9%	88.6%
2013	929	155,182	865	144,778	6.8	6.7	101.5
2014	937	156,332	877	147,615	6.4	5.6	114.3
2015	939	158,035	878	150,128	6.5	5.0	130.0
2016	946	159,678	882	152,157	6.8	4.7	144.7
2017	945	160,535	894	153,904	5.4	4.1	131.7
2018	957	163,146	908	156,767	5.1	3.9	130.8
2019	970	164,633	921	158,772	5.1	3.6	141.7
2020	946	160,671	872	149,883	7.9	6.7	117.9
2021	942	162,294	886	155,975	5.9	3.9	151.3
2022 ²	950	164,046	900	158,105	5.3	3.6	147.2

⁽¹⁾ Figures rounded to nearest thousand.

⁽²⁾ Preliminary through April 2022 as of June 9, 2022.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Last Revised: United States as of June 9, 2022

Personal Income
New Mexico and the United States
2012–2021

Year	Personal Income (Dollars in Millions)		Annual Percentage Change	
	New Mexico	United States	New Mexico	United States
2012	\$ 74,725	\$14,003,346	--	--
2013	73,561	14,189,228	-1.5%	1.3%
2014	77,975	14,969,527	6.0	5.5
2015	79,864	15,681,233	2.4	4.8
2016	81,414	16,092,713	1.9	2.6
2017	82,859	16,845,028	1.8	4.7
2018	86,531	17,681,159	4.4	5.0
2019	90,539	18,402,004	4.6	4.1
2020	97,603	19,607,447	7.8	6.6
2021	104,355	21,056,621	6.9	7.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last Revised: March 23, 2022—preliminary statistics for 2021; revised statistics for 2010-2020 (the most recent information available as of June 9, 2022)

**Per Capita Personal Income
New Mexico and the United States
2012–2021**

Year	Per Capita Income (Dollars)		N.M. as a % of U.S.	Annual Percentage Change	
	New Mexico	United States		N.M.	U.S.
2012	\$35,749	\$44,548	80.2%	--	--
2013	35,088	44,798	78.3	-1.8%	0.6%
2014	37,219	46,887	79.4	6.1	4.7
2015	38,103	48,725	78.2	2.4	3.9
2016	38,775	49,613	78.2	1.8	1.8
2017	39,437	51,573	76.5	1.7	4.0
2018	41,145	53,817	76.5	4.3	4.4
2019	42,907	55,724	77.0	4.3	3.5
2020	46,092	59,147	77.9	7.4	6.1
2021	49,320	63,444	77.7	7.0	7.3

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Data. Last Revised: March 23, 2022—preliminary statistics for 2021; revised statistics for 2010-2020 (the most recent information available as of June 9, 2022)

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Wages and Salaries by Industry Sector 2012–2021

NAICS Earnings by Place of Work ⁽¹⁾ Applicable to 2012-2021	New Mexico (Dollars in Thousands) ⁽²⁾		United States (Dollars in Millions) ⁽²⁾		Cumulative Annual Percent Change 2012 – 2021		Distribution of 2021 Wages & Salaries	
	2021	2012	2021	2012	N.M.	U.S.	N.M.	U.S.
Farm Wage and Salary	\$ 272,389	\$ 243,310	\$ 24,385,006	\$ 23,746,000	12.0%	2.7%	0.6%	0.2%
Non-farm Wage and Salary	45,365,900	34,749,261	10,284,921,415	6,894,420,000	30.6	49.2	99.4	99.8
Private Wage and Salary	33,932,973	25,285,004	8,776,509,889	5,714,065,000	34.2	53.6	74.4	85.1
Forestry, Fishing, and other related activities	133,508	65,316	27,154,505	14,989,000	104.4	81.2	0.3	0.3
Mining	1,672,902	1,764,141	58,104,006	76,937,000	-5.2	-24.5	3.7	0.6
Utilities	395,415	331,080	66,429,507	52,670,000	19.4	26.1	0.9	0.6
Construction	2,883,734	1,795,291	560,500,754	304,568,000	60.6	84.0	6.3	5.4
Manufacturing	1,691,600	1,692,580	973,073,511	733,462,000	-0.1	32.7	3.7	9.4
Wholesale Trade	1,300,610	1,105,697	523,928,759	393,447,000	17.6	33.2	2.8	5.1
Retail Trade	3,251,533	2,475,280	632,148,005	426,512,000	31.4	48.2	7.1	6.1
Transportation and Warehousing	1,290,888	971,149	378,501,013	219,539,000	32.9	72.4	2.8	3.7
Information	819,627	644,654	440,124,508	224,263,000	27.1	96.3	1.8	4.3
Finance and Insurance	1,813,747	1,265,359	853,536,258	536,780,000	43.3	59.0	4.0	8.3
Real Estate and Rental and Leasing	476,342	358,041	162,026,507	98,227,000	33.0	65.0	1.0	1.6
Professional, Scientific, and Technical Services	5,737,222	3,835,836	1,145,831,257	673,165,000	49.6	70.2	12.6	11.1
Management of Companies and Enterprises	490,748	337,150	332,116,013	221,060,000	45.6	50.2	1.1	3.2
Administrative and Waste Services	2,051,295	1,429,968	468,793,009	288,128,000	43.5	62.7	4.5	4.5
Educational Services	404,372	334,137	183,637,007	129,403,000	21.0	41.9	0.90	1.8
Health Care and Social Assistance	5,946,914	4,272,182	1,212,099,005	790,676,000	39.2	53.3	13.0	11.8
Arts, Entertainment, and Recreation	293,601	198,902	104,885,254	73,819,000	47.6	42.1	0.6	1.0
Accommodations and Food Services	1,865,352	1,393,021	344,188,505	241,715,000	33.9	42.4	4.1	3.3
Other Services, Except Public Administration	1,413,563	1,015,220	309,432,506	214,705,000	39.2	44.1	3.1	3.0
Government and Government Enterprises	<u>11,432,927</u>	<u>9,464,257</u>	<u>1,508,411,526</u>	<u>1,180,355,000</u>	20.8	27.8	25.1	14.6
Total	\$45,638,289	\$34,992,571	\$10,309,306,421	\$6,918,166,000				

⁽¹⁾ The estimates of wage and salary disbursements for 2012-2016 are based on the 2012 North American Industry Classification System (NAICS), while estimates for 2017 forward 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 23, 2022 (the most recent information available as of June 9, 2022)

APPENDIX B

**STATE OF NEW MEXICO ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

STATE OF NEW MEXICO

ANNUAL

COMPREHENSIVE

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



DEBBIE ROMERO
CABINET SECRETARY

NM State capitol building

Source – CityofSantaFe tweet
DONNA MONTOYA-TRUJILLO
STATE CONTROLLER

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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STATE OF NEW MEXICO
ANNUAL COMPREHENSIVE FINANCIAL REPORT
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INTRODUCTORY SECTION



WHITE SANDS NATIONAL PARK
SOURCE - [WWW.HIGH](http://WWW.HIGHCOUNTRYNEWS.COM) COUNTRY NEWS



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, 2021.

The Comprehensive Annual Financial Report (ACFR) 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 within 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, 2021 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 state statute (12.6.3 NMSA 1978), each state agency that is reported together in this ACFR must be audited separately each year. To avoid duplication of effort, the ACFR utilizes the Group Audit Standards. The standards provide requirements and guidance for audits of group financial statements, in particular those in which part of the work is performed by auditors other than the auditor who expresses the opinion on the financial statements of the group.

The group audit process affects reporting timeliness, as the ACFR preparation may commence only after completion of the underlying agency audits, which are generally not available until December following the fiscal year-end.

In terms of audit timing, fiscal year 2021 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 2021 and continue to be utilized in the current fiscal year. Guidance related to some funds was not finalized by the federal government until January 2022 which caused audits of significant agencies to be reported late, further 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 July 2020.

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) composed of legislative and executive branch economists to forecast General Fund revenue for the state. 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 Markit in combination with forecasts of New Mexico's 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 Bureau. Historical information on New Mexico's value and volume of crude oil and natural gas produced in the state is derived from the state's GenTax Database reporting system. Product price forecasts are derived from national economic forecasting services and other sources.

Additionally, New Mexico's state revenues are highly sensitive to boom-and-bust cycles in the energy industry; therefore, 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.

The New Mexico economy, on a year-over-year basis, grew slightly in fiscal year 2021, with real gross domestic product expanding by a marginal 0.8 percent. The state's wages and salaries declined by 2.2 percent while total personal income in the state grew by 9.9 percent. During fiscal year 2021, New Mexico's employment declined 5.9 percent, which represents a loss of approximately 49,420 jobs. The state continues to recover from the unprecedented drop in employment during the second half of FY20 due to the pandemic. New Mexico is recovering from two shocks to its economy: an oil price collapse in March 2020 and the COVID-19 health crisis. New Mexico's employment increased by an average of 2,158 jobs each month in FY21.

Major forecasting agencies (Moody's Analytics and IHS Markit) continue to have solid U.S. growth projections for 2022 and 2023, however, more severe COVID-19 strains represent a continued risk to economic recovery. In addition, tightening employment conditions, a tightening monetary policy, and inflation remain significant risks as well and could hamper the economic recovery

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,

A handwritten signature in dark ink, appearing to read "Deborah K. Romero". The signature is fluid and cursive, with the first name "Deborah" being more prominent.

Deborah K. Romero
Cabinet Secretary

STATE OF NEW MEXICO

SELECTED STATE OFFICIALS

June 30, 2021

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

- **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	C. Shannon Bacon Justice of the Supreme Court	David K. Thomson Justice of the Supreme Court	Julie J. Vargas Justice of the Supreme Court	Briana H. Zamora Justice of the Supreme Court

- **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 • **Zachary A. Ives**, Judge of the Court of Appeals • **Shammara H. Henderson**, Judge of the Court of Appeals • **Jane B. Yohalem**, Judge of the Court of Appeals • **Gerald E. Baca**, Judge of the Court of Appeals • **Katherine A. Wray**, 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

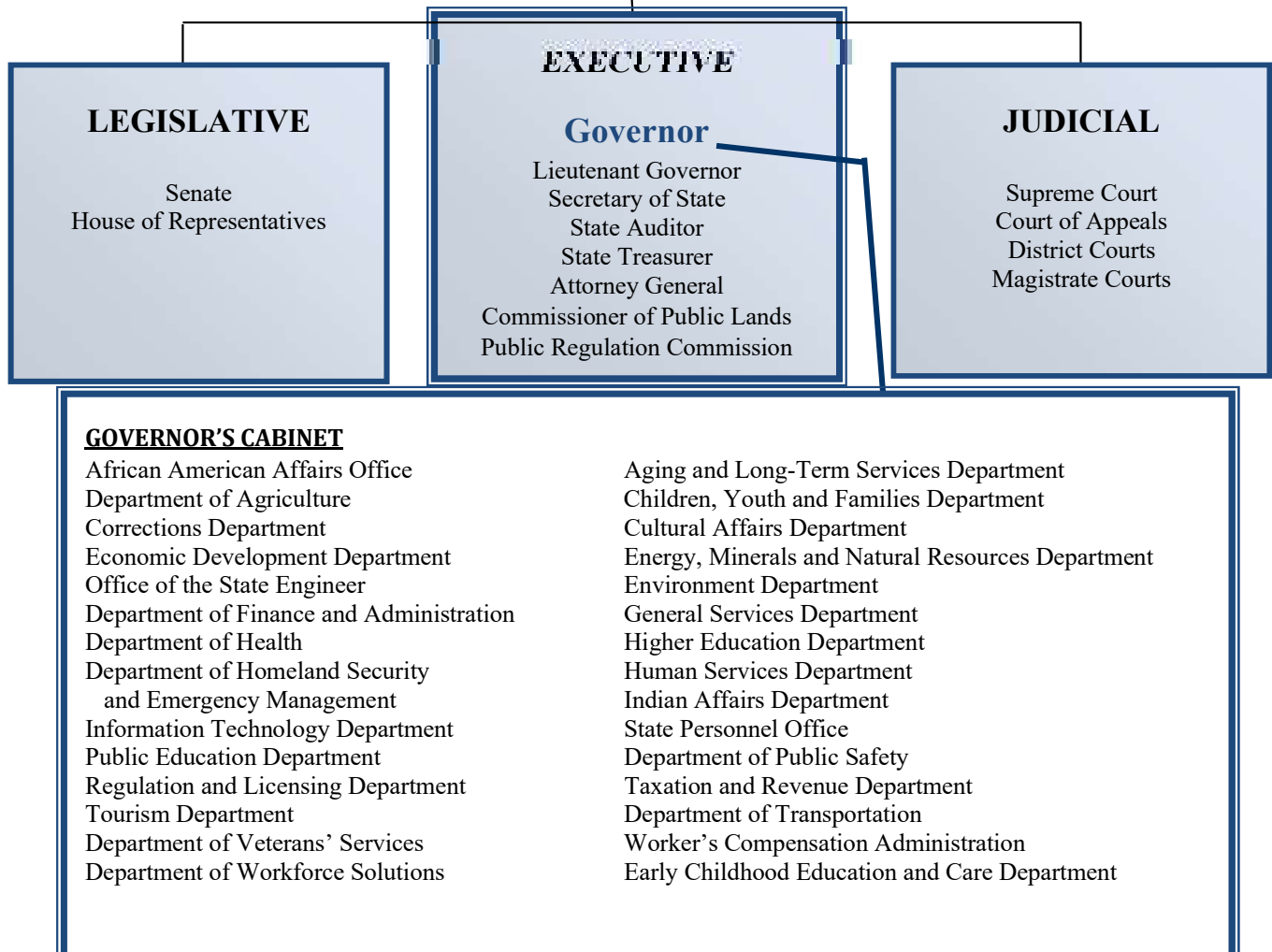
Brian Egolf, Jr. Speaker of the House	Javier Martinez Majority Floor Leader	James G. Townsend Minority Floor Leader	Doreen Y. Gallegos Majority Whip
Rod Montoya Minority Whip			

STATE OF NEW MEXICO

ORGANIZATIONAL CHART

June 30, 2021

Citizens of New Mexico



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STATE OF NEW MEXICO
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS PLUS INDEPENDENT AUDIT REPORT



LAS CRUCES SCENIC VIEW OF ORGAN MOUNTAINS
SOURCE - LAS CRUCES SUN NEWS



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, 2021, 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 opinions, 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	91%	65%
Business-type activities	99%	99%
Aggregate discretely presented component units	76%	69%

Fund Statements

Major governmental fund - General Fund	67%	58%
Major governmental fund - Debt Service Fund	92%	3%
Major governmental fund - Capital Projects Fund	95%	98%
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%	45%

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. The New Mexico Small Business Investment Corporation, a nonmajor component unit was not audited in accordance with Government Auditing Standards. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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

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

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

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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2021, 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 and for the adoption of GASB Statement No 84. Our opinions are not modified with respect to this matter.

Unemployment Insurance Trust Fund

Other auditors of the Unemployment Insurance Fund, a major proprietary fund, identified the following uncertainty:

The Unemployment Insurance Fund (UIF) waived certain requirements for unemployed individuals to expedite payments to claimants issued by the UIF. Additionally, the UIF was required to pay benefits under the Pandemic Unemployment Assistance program where the UIF was unable to confirm all claimants' prior earnings. As a result, the UIF estimated that unemployment benefit payments made to individuals arising from identity theft, imposter fraud claims, or payments made to other ineligible beneficiaries may account for approximately 2% percent of the \$2.7 billion in unemployment insurance benefit payments and related grants made during the year ended June 30, 2021. Our opinions, based on our audit and the report of the other auditors, 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, Budgetary Comparison Schedule – General Fund and Notes to Budgetary Reporting, Schedules of Changes in Net Pension Liability, Schedule of Changes in Net OPEB Liability; Schedules of Net Pension Liability, Schedules of Net OPEB Liability, Schedules of Employer Contributions - Pension, Schedules of Employer Contributions – OPEB, Schedules of Investment Returns - Pension, Schedule of Investment Returns – OPEB, Schedule of Actuarial Methods and Assumptions – All Retirement Systems, Schedule of Actuarial Methods and Assumptions – New Mexico Retiree Health Care Authority, Schedule of the State of New Mexico's Proportionate Share of the Net Pension Liability, Schedule of the State of New Mexico's Proportionate Share of the Net OPEB Liability, and Schedule of the State's Contributions 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

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of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

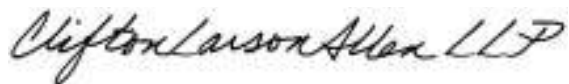
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining statements and individual fund financial statements and schedules, introductory and statistical sections are presented for purposes 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 reports 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 15, 2022 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 15, 2022

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STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

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, 2021. 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 2021 with a net position of \$41.5 billion, an increase of \$8.2 billion, or 24.75 percent, from the previous year.
- The net position is comprised of \$8.1 billion in capital assets, net of related debt, \$39.5 billion in restricted, and a deficit \$6 billion in unrestricted, excluding component units.
- As a result of operating activities, the primary government's total net position increased by \$8.2 billion, or 24.75 percent, in fiscal year 2021 when compared to the previous year's ending net position. The net position of governmental activities increased \$8.7 billion, or 27.81 percent, from previous year's ending net position.
- Program revenues for the primary government increased around 30.28 percent on a year to year basis. Taxes and other general revenues increased by 90.71 percent from previous year. Expenses of \$27.5 billion, increased by \$5.8 billion, with the majority of the increase being in General Control, Unemployment Insurance, Education and Health and Human Services.
- The net position of the business-type activities decreased by \$477 million or 24.47 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 \$2.1 billion and an increase in expenses by \$3.3 billion. Program revenue increased by \$1.5 billion while transfers decreased by \$26 million.

Long-term Debt

- The State's long-term bonded debt increased a net of \$255 million for both governmental and business-type activities, combined, due to higher issuance of new bonds compared to the payment on the prior year bonds. New bond issuance for governmental activities was composed of \$167 million for general obligation bonds, \$412 million for severance tax bonds, and \$99 million for revenue bonds. New bond issuance for business type activities was \$204 million in revenue bonds and \$3 million in general obligation 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, 2021

Fund Level

Governmental Funds

- As of June 30, 2021, the State's combined governmental funds reported an ending fund balance of \$40 billion, an increase of \$8.8 billion, or 28.55 percent, from fiscal year 2020 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 \$10 billion, primarily the result of higher Federal Revenues, Investment Income, and strengthened Selective Tax Revenues. Year to year, expenditures increased by \$2.8 billion. Operationally, expenditure increases in the areas of General Control, Unemployment Insurance, Education and Health and Human Services are the primary drivers.
- The unassigned fund balance as of the end of fiscal year 2021 was \$335 million.

Proprietary Funds

- The proprietary funds reported net position of \$1.5 billion as of June 30, 2021, a decrease of \$477 million, or 24.47 percent, from fiscal year 2020 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, 2021

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, 2021

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, 2021

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, 2021

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, 2021, were \$62.2 billion, an increase of \$13.4 billion or 27.3 percent from prior fiscal year. The majority of the increase is due to increased receivables.
 - For governmental activities, total assets and deferred outflows were \$52.6 billion, an increase of \$10.4 billion, or 24.60 percent.
 - For business-type activities, total assets and deferred outflows were \$9.6 billion, an increase of \$3 billion or 44.8 percent.
- Total Liabilities and Deferred Inflows as of June 30, 2021 were \$20.6 billion, an increase of \$5.1 billion or 32.88 percent from prior fiscal year.
 - Total liabilities and deferred inflows for governmental activities were \$12.6 billion, an increase of \$1.7 billion, or 15.35 percent.
 - For business-type activities, total liabilities and deferred inflows were \$8.1 billion, an increase of \$3.4 billion or 73.64 percent.
- The State's total net position of \$41.5 billion was \$8.2 billion or 24.75 percent higher in fiscal year 2021 compared to the prior year. Of the State's net position, \$8.1 billion was recorded as net investment in capital assets, while \$39.5 billion was restricted by state statute or other legal requirements and was not available to finance day-to-day operations of the state. Unrestricted net position was a \$6 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, 2021

State of New Mexico
Net Position as of June 30, 2021
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 44,149,549	\$ 34,495,153	\$ 4,355,813	\$ 3,507,396	\$ 48,505,363	\$ 38,002,549
Capital Assets	7,251,236	7,138,757	2,626,238	2,621,648	9,877,475	9,760,405
Total Assets	<u>\$ 51,400,786</u>	<u>\$ 41,633,910</u>	<u>\$ 6,982,051</u>	<u>\$ 6,129,044</u>	<u>58,382,837</u>	<u>47,762,954</u>
Deferred Outflow of Resources	<u>1,203,560</u>	<u>584,394</u>	<u>2,616,350</u>	<u>500,907</u>	<u>3,819,910</u>	<u>1,085,301</u>
Current Liabilities	4,613,949	3,786,433	865,494	844,925	5,479,443	4,631,358
Long-term Liabilities	7,464,484	6,454,601	7,038,258	3,531,992	14,502,742	9,986,593
Total Liabilities	<u>12,078,433</u>	<u>10,241,034</u>	<u>7,903,752</u>	<u>4,376,917</u>	<u>19,982,185</u>	<u>14,617,951</u>
Deferred Inflows of Resources	<u>472,716</u>	<u>639,954</u>	<u>221,420</u>	<u>302,459</u>	<u>694,135</u>	<u>942,414</u>
Net Position:						
Net Investment in Capital Assets	6,212,235	5,971,617	1,845,400	1,808,184	8,057,635	7,779,801
Restricted	37,944,661	30,024,134	1,519,232	1,113,160	39,463,893	31,137,294
Unrestricted	(4,103,700)	(4,658,434)	(1,891,402)	(970,769)	(5,995,102)	(5,629,203)
Total Net Position	<u>\$ 40,053,197</u>	<u>\$ 31,337,317</u>	<u>\$ 1,473,230</u>	<u>\$ 1,950,575</u>	<u>\$ 41,526,427</u>	<u>\$ 33,287,892</u>
Percentage change in total net position from prior year	<u>27.8 %</u>		<u>(24.5) %</u>		<u>24.7 %</u>	

Changes in Net Position

The State's net position as of June 30, 2021, was \$41.5 billion which was \$8.2 billion greater than the 2020 net position restated. The State earned program revenues of \$19.7 billion, collected tax revenue of \$8.1 billion, and received \$8 billion of general revenues. Total revenues for 2021 were \$35.8 billion, an increase of \$12.2 billion, or 51.9 percent, from fiscal year 2020. Increased revenue was attributable to the \$611 million increase in taxes and to the \$4.1 billion increase in operating grants and contributions, other general revenues increased by \$7 billion and charges for services increased by \$479 million. The expenses of the State were \$27.5 billion, an increase of \$5.8 billion or 26.79 percent, from fiscal year 2020. 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 \$8.3 billion, whereas in fiscal year 2020 this amount was \$1.9 billion. The tax collections and investment income 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 2021:

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

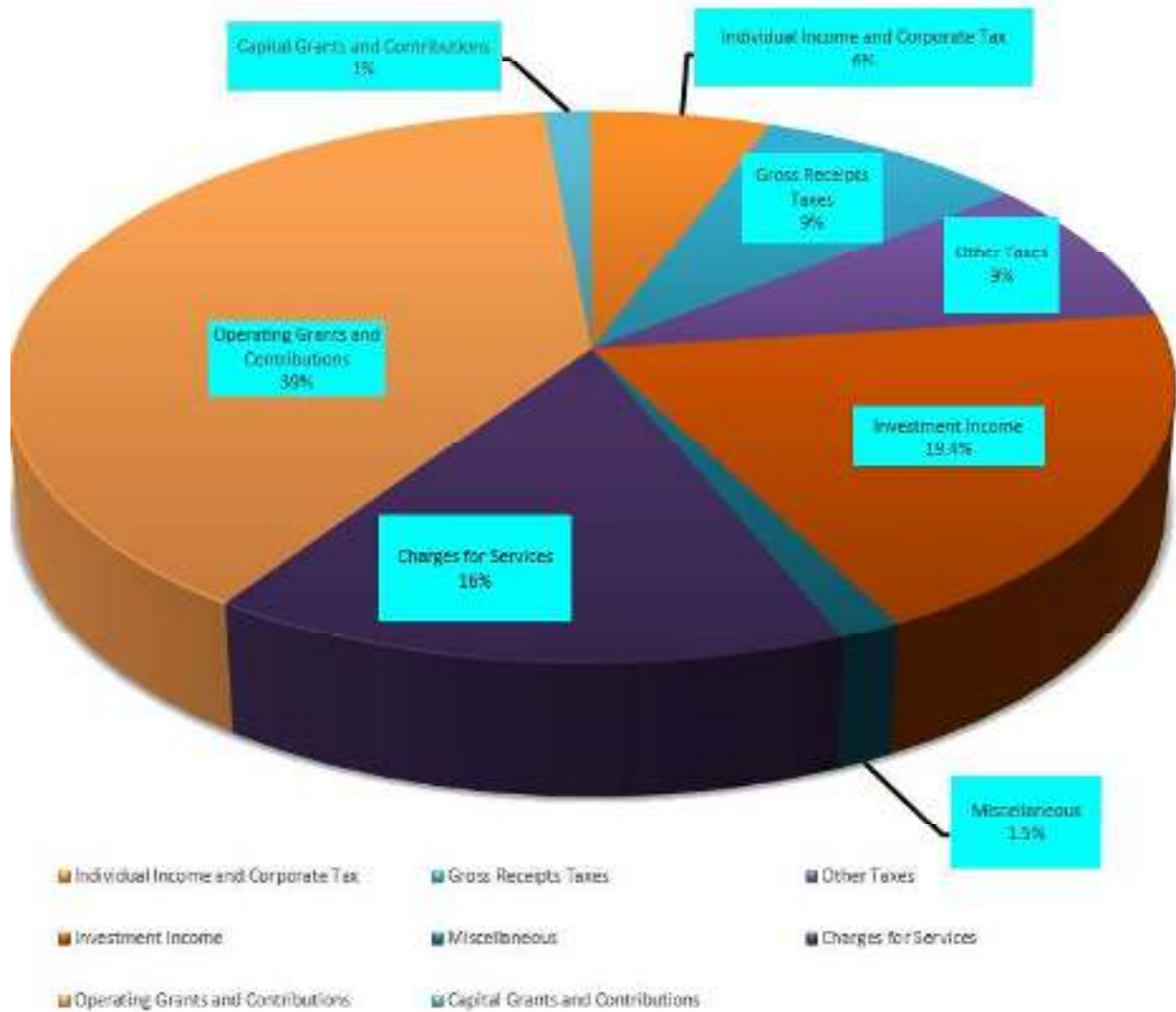
State of New Mexico Changes in Net Position For the Fiscal Year Ended June 30, 2021 <i>(Expressed in Thousands)</i>							
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2020 to 2021
	2021	2020	2021	2020	2021	2020	
Revenues							
General Revenues:							
Taxes	\$ 8,070,012	\$ 7,458,825	\$ -	\$ -	\$ 8,070,012	\$ 7,458,825	8.2 %
Other General Revenues	6,969,710	623,260	1,007,723	332,448	7,977,433	955,708	734.7 %
Program Revenues:							
Charges for Services	2,912,122	2,678,902	2,570,850	2,324,753	5,482,972	5,003,656	9.6 %
Operating Grants and Contributions	10,609,948	7,750,233	3,124,410	1,919,974	13,734,358	9,670,207	42.0 %
Capital Grants and Contributions	480,553	462,264	31,836	7,751	512,389	470,015	9.0 %
Total Revenues	29,042,345	18,973,484	6,734,819	4,584,926	35,777,164	23,558,411	51.9 %
Expenses							
General Control	2,091,970	946,145	-	-	2,091,970	946,145	121.1 %
Culture, Recreation, and Natural Resources	260,481	294,254	-	-	260,481	294,254	(11.5) %
Highway and Transportation	871,871	952,604	-	-	871,871	952,604	(8.5) %
Judicial	313,217	367,458	-	-	313,217	367,458	(14.8) %
Legislative	24,595	26,741	-	-	24,595	26,741	(8.0) %
Public Safety	518,118	593,994	-	-	518,118	593,994	(12.8) %
Regulation and Licensing	434,683	207,749	-	-	434,683	207,749	109.2 %
Health and Human Services	10,784,332	9,447,582	-	-	10,784,332	9,447,582	14.1 %
Education	3,989,681	3,929,465	-	-	3,989,681	3,929,465	1.5 %
Indirect Interest on Long-term Debt	132,809	112,126	-	-	132,809	112,126	18.4 %
Special Items	-	15	7,482	-	7,482	15	- %
Educational Institutions	-	-	4,904,910	2,802,997	4,904,910	2,802,997	75.0 %
Public Schools Insurance	-	-	404,049	397,157	404,049	397,157	1.7 %
Environmental Loans	-	-	2,638	1,387	2,638	1,387	100.0 %
Miners' Collateral Medical Center	-	-	32,893	40,490	32,893	40,490	(18.8) %
Unemployment Insurance	-	-	2,716,542	1,547,564	2,716,542	1,547,564	75.5 %
State Fair	-	-	8,691	15,007	8,691	15,007	(42.1) %
Other Business-type Activities	-	-	16,478	19,248	16,478	19,248	(14.4) %
Total Expenses	19,421,757	16,878,133	8,093,683	4,823,850	27,515,440	21,701,983	26.8 %
Excess Before Transfers	9,620,588	2,095,351	(1,358,864)	(238,924)	8,261,724	1,856,429	
Transfers	(914,694)	(940,448)	914,694	940,448	-	-	
Change in Net Position	8,705,894	1,154,903	(444,170)	701,524	8,261,724	1,856,429	345.0 %
Net Position - Beginning, as Restated	31,348,304	30,182,414	1,949,019	1,249,051	33,297,323	31,431,465	
Net Position - Ending	\$ 40,054,198	\$ 31,337,317	\$ 1,504,849	\$ 1,950,575	\$ 41,559,047	\$ 33,287,894	24.8 %

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

State of New Mexico Total Revenues - FY 2021

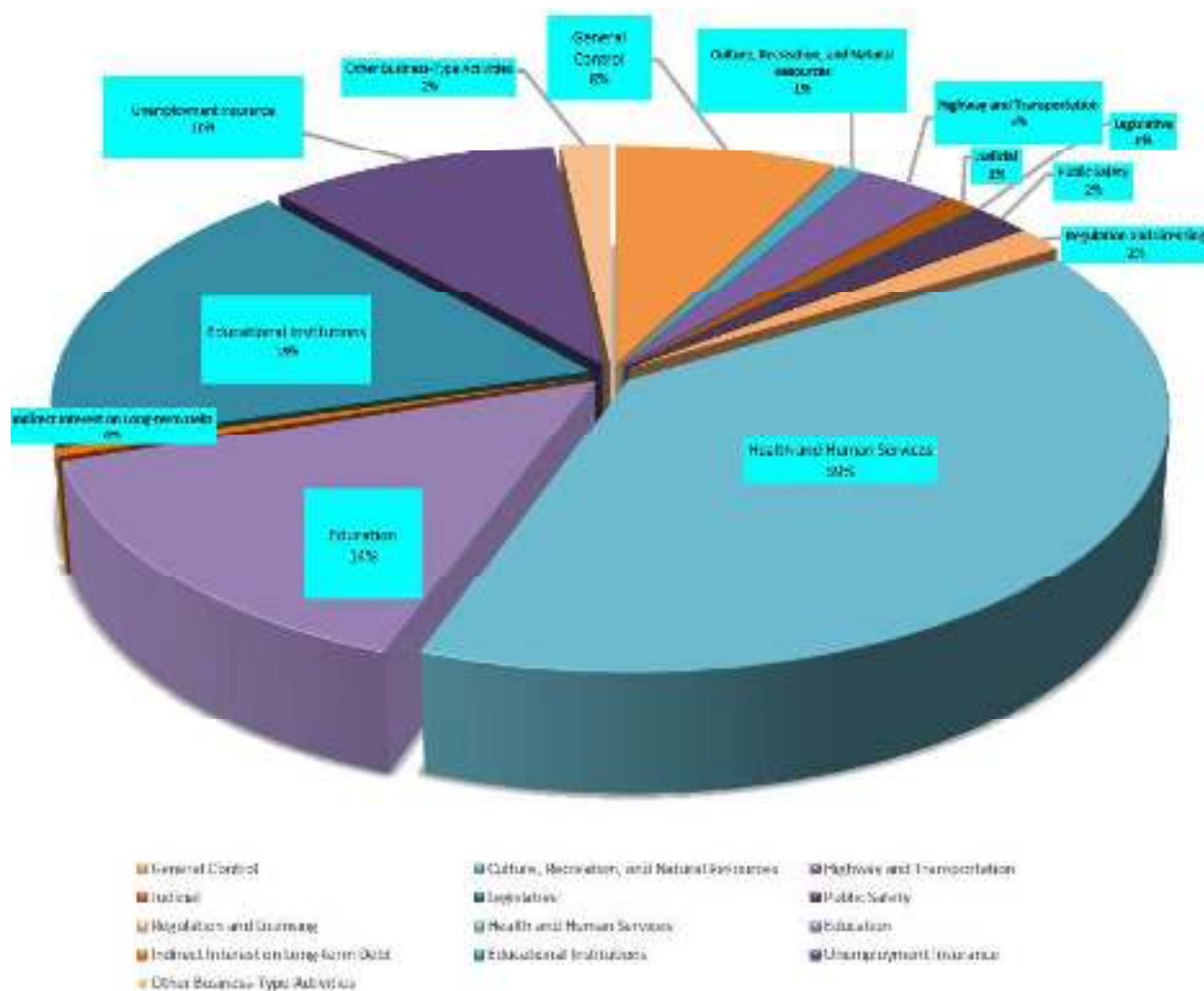


STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

State of New Mexico Total Expenditures- FY 2021



STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

Governmental Activities

Governmental activities program revenue was \$14 billion, consisting of operating grants and contributions of \$10.6 billion, capital grants and contributions of \$481 million, and \$2.9 billion in service charges. Program revenues increased \$3.1 billion from the prior fiscal year, the result of a \$2.9 million increase in operating grants and contributions, an \$18 million increase in capital grants and contributions, along with a \$233 million increase in charges for services. Governmental activities expenses increased by \$2.5 billion year to year bringing the total to \$19.4 billion. All governmental activities except for general control and culture, recreation, and natural resources 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 Culture, Recreation, and Natural Resources functions.

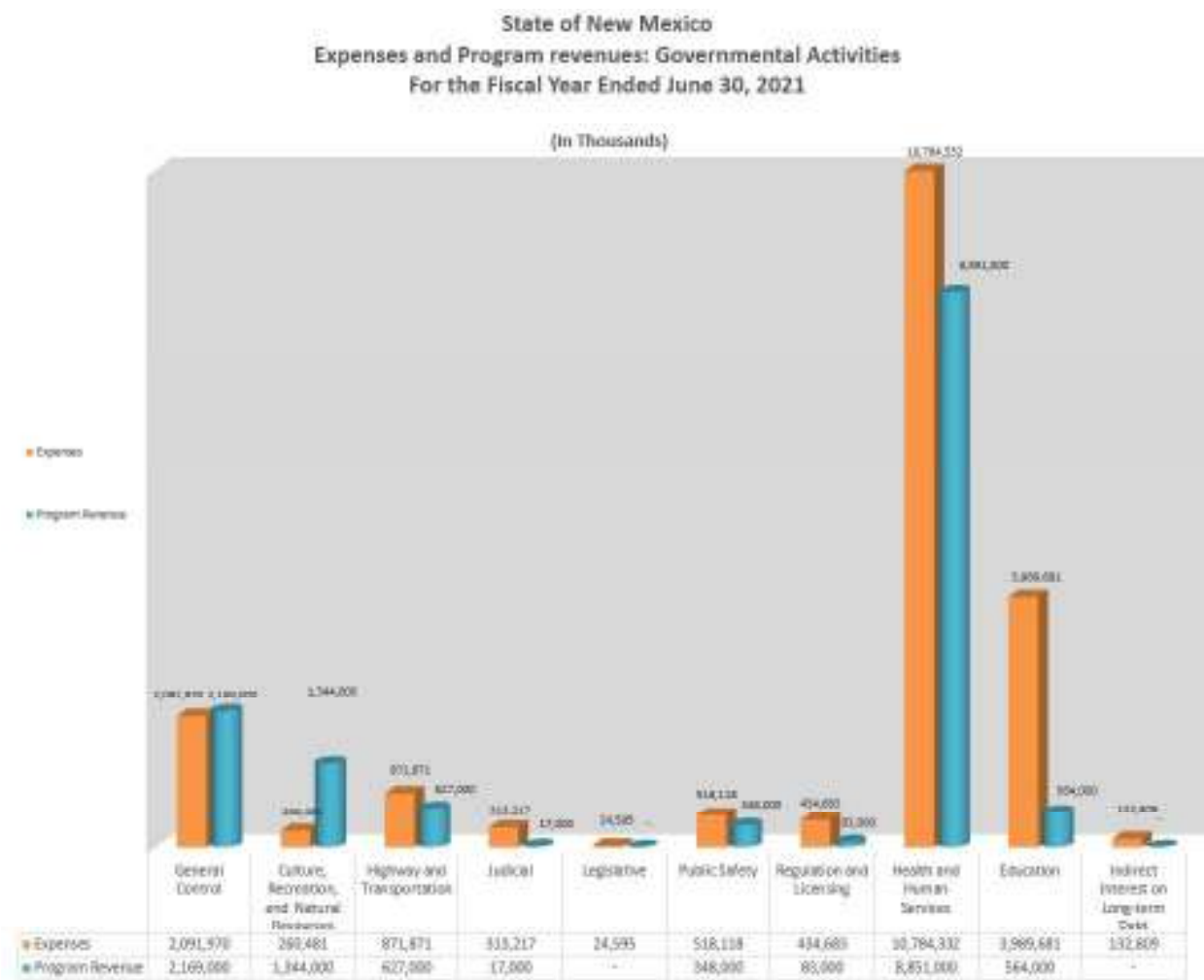
The following table shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2021, state taxes and other general revenues covered 27.9 percent of expenses. The remaining 72.10 percent of the total expenses was covered by charges for services and grants and contributions.

State of New Mexico Net Program Costs as of June 30, 2021 (Expressed in Thousands)						
	Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Program Expenses	
	2021	2021	2021	2020	2021	2020
General Control	\$ 2,091,970	\$ (2,169,143)	\$ 77,173	\$ 1,309,860	103.7 %	238.4 %
Culture, Recreation, and Natural Resources	260,481	(1,344,087)	1,083,606	(189,338)	516.0 %	35.7 %
Highway and Transportation	871,871	(626,561)	(245,310)	(980,809)	71.9 %	90.0 %
Judicial	315,217	(17,301)	(206,011)	(316,881)	5.5 %	5.6 %
Legislative	24,595	-	(24,595)	(26,743)	- %	- %
Public Safety	518,118	(348,154)	(169,055)	(459,715)	67.2 %	22.6 %
Regulation and Licensing	434,683	(82,541)	(352,141)	(161,814)	19.0 %	22.1 %
Health and Human Services	10,784,332	(8,890,904)	(1,933,428)	(2,140,590)	83.1 %	77.3 %
Education	3,989,681	(544,031)	(3,425,650)	(3,468,562)	14.1 %	11.7 %
Indirect Interest on Long-term Debt	132,809	-	(132,809)	(172,126)	- %	- %
	<u>\$ 19,421,757</u>	<u>\$ (14,002,623)</u>	<u>\$ (5,418,134)</u>	<u>\$ (5,986,716)</u>	<u>72.1 %</u>	<u>64.5 %</u>

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021



Business-type Activities

Business-type activities generated program revenues of \$5.7 billion, including charges for services of \$2.6 billion, operating grants and contributions of \$3.1 billion and \$31.8 million in capital grants and contributions. This was \$1.5 billion more than the prior year, attributable to the unemployment insurance function. The total expenses for business-type activities were \$8.1 billion, an increase of \$3.3 billion from the prior year. The largest changes occurred in the unemployment insurance function, where expenses increased by \$1.2 billion versus prior year and in the educational institutions function where expenses increased by \$2.1 billion versus prior year. Net expenses exceeded program revenues from the primary government's business-type activities by \$2.4 billion, an increase of \$1.8 billion from the prior year.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2021, the State's governmental funds reported combined ending fund balances of \$40 billion. The State reported \$39.3 billion, or 99 percent, as restricted, including \$24.9 billion related to the Land Grant Fund, \$6.4 billion associated with the Severance Tax Fund and \$2.9 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, 2021. Committed, assigned, nonspendable and unassigned totaled \$460 million, or 1 percent.

State of New Mexico Fund Balances as of June 30, 2021 (Expressed in Thousands)						
	General Fund	Debt Service Fund	Capital Projects Fund	Severance Tax	Land Grant	Totals Governmental Funds
Nonspendable	\$ 52,580	\$ -	\$ -	\$ -	\$ -	\$ 52,580
Restricted	4,559,871	629,019	2,831,963	6,421,868	24,870,220	39,312,762
Committed	43,062	-	20	-	-	48,082
Assigned	25,065	-	-	-	-	25,065
Unassigned	356,123	1	(21,355)	-	-	334,769
Total	\$ 5,038,502	\$ 629,020	\$ 2,830,649	\$ 6,421,868	\$ 24,870,220	\$ 39,790,258
Percent Change from Prior Year						28.6 %

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

Governmental Funds

General Fund

General Fund balance at June 30, 2021 totaled \$5 billion. Net change in General Fund balance, was an increase of \$1 billion. The General Fund ended the fiscal year 2021 with unassigned fund balance of \$356 million.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

Budgetary Highlights – General Fund

The initial fiscal year 2021 budget was adopted by the Legislature during the 2020 Regular Session. The General Fund original budgeted revenues for fiscal year 2021 were 75.2 percent higher than the fiscal year 2020 final budget basis revenues. During the year, federal revenue was \$471 million less than the final approved budget. After budget amendments, the actual expenditures in the General Fund were \$2.7 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, 2021, totaled \$6.4 billion, an increase of \$1.1 billion, or 21.1 percent, related increase in investment earnings.

Land Grant Fund

Fund balance at June 30, 2021, totaled \$24.9 billion, an increase \$5.5 billion, or 28.66 percent, reflective of increased investment earnings compared to the portfolio in the prior year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Exclusive of Internal Service Funds, the State's proprietary funds reported Net Position of \$1.5 billion, a decrease of \$477 million from the prior year net position.

Educational Institutions

Net Position at June 30, 2021, totaled \$482 million. Current period activity decreased the Net Position of the State's educational institutions by \$1.3 billion, or 63.73 percent. For the fiscal year 2021 the State transferred \$875 million to the State's educational institutions, a decrease of \$48 million, or 5.18 percent from fiscal year 2020.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

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, 2021, the State's net investment in capital assets, for governmental activities totaled \$6.2 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 3.57 percent in total, for governmental activities increase of 4.03 percent and increase of 2.06 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, 2021

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, 2021:

State of New Mexico Bond Ratings at June 30, 2021

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	AAA/Stable
State Transportation Revenue Bonds Subordinate Lien	Aa1/Stable	AAA/Stable

Revenue Bonds issuances during the year totaled \$303 million, GO bond issuances during the year totaled \$170 million and STB bond issuances during the year totaled \$412 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, 2021 (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2020 to 2021
General Obligation Bonds, Net	\$ 505,295	\$ 421,700	\$ 1,260	\$ -	\$ 507,425	\$ 421,700	20.3 %
Severance Tax Bonds, Net	964,035	680,245	-	-	964,035	680,245	41.7 %
Revenue Bonds, Net	958,017	1,094,669	788,812	823,419	1,746,830	1,918,088	(8.9) %
Bond Premium, Discount, Net	292,066	223,794	28,567	39,279	320,633	263,073	21.9 %
Total Bonds Payable	\$ 2,719,413	\$ 2,420,408	\$ 818,639	\$ 862,698	\$ 3,538,022	\$ 3,283,106	7.8 %

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

ECONOMIC CONDITIONS AND OUTLOOK

Economic Factors Affecting New Mexico's Fiscal Year 2021 Budget

New Mexico utilizes a consensus revenue estimating group (CREG) composed of legislative and executive branch economists to forecast General Fund revenue for the state. 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 Markit in combination with forecasts of New Mexico's 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 Bureau. Historical information on New Mexico's value and volume of crude oil and natural gas produced in the state is derived from the state's GenTax Database reporting system. Product price forecasts are derived from national economic forecasting services and other sources. Additionally, New Mexico's state revenues are highly sensitive to boom-and-bust cycles in the energy industry; therefore, 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 United States (U.S) and the world experienced an unprecedented pandemic during the second half of state fiscal year 2020 (FY20). The novel coronavirus-19 (COVID-19) continued to spread through the nation and prompted states to implement various business, social, and government restrictions to combat the virus and its variants.

The roll-out of a vaccine in the second part of FY20 combined with widespread vaccinations resulted in states reopening their respective economies. The national economy, as measured by real gross domestic product, expanded by 1.6 percent in state fiscal year 2021 (FY21). The U.S continues to move towards pre-pandemic employment levels and added an average of 672 thousand jobs in FY21. Employment averaged 143.0 million employees in FY21 which is 4.12 million, or 2.8 percent below FY20 employment levels. Average weekly earnings increased by 5.1 percent exceeding the inflation rate of 2.3 percent in FY21.

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 31.2 percent. The pandemic caused a global recession impacting service-based industries, tourism, supply chains, and manufacturing to name a few. Since the economic recession ended, the nation's RGDP grew at 4.4 percent during FY21. At the national level, fiscal and monetary policies were implemented at an unprecedented level to minimize the negative economic impacts of the healthcare crisis. The Federal Reserve lowered short-term interest rates in fiscal year 2020 and maintained low-interest rates through FY21 to bolster the U.S economy. The U.S. Congress passed another federal stimulus package—the American Rescue Plan Act—to provide direct aid to individuals and families adversely impacted by COVID-19.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

New Mexico Economy

The New Mexico economy, on a year-over-year basis, grew slightly in fiscal year 2021, with real gross domestic product expanding by a marginal 0.8 percent. The state's wages and salaries declined by 2.2 percent while total personal income in the state grew by 9.9 percent. During fiscal year 2021, New Mexico's employment declined 5.9 percent, which represents a loss of approximately 49,420 jobs. The state continues to recover from the unprecedented drop in employment during the second half of FY20 due to the pandemic. New Mexico is recovering from two shocks to its economy: an oil price collapse in March 2020 and the COVID-19 health crisis. New Mexico's employment increased by an average of 2,158 jobs each month in FY21.

The state's year-over-year employment declined across most sectors in FY21. The economic shocks experienced by the state are reflected in the sectors that experienced severe employment declines. The most severe employment losses were experienced by the mining sector followed by the leisure and hospitality sector, which lost 7,100 jobs and 12,833 jobs, respectfully, when compared to FY20. This represents a 14.1% decline in employment in the leisure and hospitality sector and a 29.3% decrease in the mining sector. The information sector lost 2,008 jobs, which represents a year-over-year decrease of 19.5%.

Oil prices were higher in FY21 compared to FY20 as state and global economies reopened. Increased consumer demand coupled with lagging oil production accelerated the oil price recovery faster than previously expected. Due to increased domestic and international demand for natural gas and global supply constraints, prices were driven upward in FY21. New Mexico's average natural gas prices were \$3.40 per mcf, and crude oil prices averaged \$50.57 per barrel during FY21. In March 2021, New Mexico surpassed North Dakota as the country's second-largest oil-producing state and accounted for 13% of the oil produced in the lower 48 states. New Mexico ranked 8th in the nation for natural gas production in 2019.

General Fund Revenue and Reserve Outlook

According to the December 2021 consensus revenue outlook, FY21 recurring revenue is increased by 2.9% from \$7.8 billion to \$8.1 billion, while year-end general fund reserves are estimated to be 34.1% of recurring appropriations. The increase in the revenue estimate for FY21 is due to a few factors; gross receipt tax and personal income tax revenues were stronger than anticipated in FY21. Gross receipt tax revenues exceeded expectations due to federal legislation authorizing direct payments to individuals and for their dependents as well as stronger than expected oil prices and production. Personal income tax revenue did not decline as anticipated since high-wage jobs did not suffer as much and recovered at a faster pace compared to low-wage jobs during the pandemic.

New Mexico oil prices averaged \$50.57 per barrel in fiscal year 2021. Additionally, New Mexico produced 408.3 million barrels of oil and 2,142 billion cubic feet of natural gas.

STATE OF NEW MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

The December 2021 consensus revenue outlook for fiscal year 2022 estimates oil prices will average \$71.50 per barrel and production to be about 497 million barrels.

The consensus revenue outlook expects general fund revenues to increase by 1.3 percent when compared to fiscal year 2021. Total revenues for fiscal year 2022 are estimated to grow at a slower pace mainly due to legislative adjustments. The consensus revenue outlook for fiscal year 2022 estimates ending reserves to increase to \$2.6 billion or 34.3 percent of recurring appropriations.

Major forecasting agencies (Moody's Analytics and IHS Markit) continue to have solid U.S. growth projections for 2022 and 2023, however, more severe COVID-19 strains represent a continued risk to economic recovery. In addition, tightening employment conditions, a tightening monetary policy, and inflation remain significant risks as well and could hamper the economic recovery

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 COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS



BALLOON FIESTA
SOURCE - KOAT NEWS

STATE OF NEW MEXICO

STATEMENT OF NET POSITION

June 30, 2021

(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,589,875	\$ 1,450,368	\$ 3,040,243	\$ 228,241
Cash and Cash Equivalents - Restricted	17,436	27,978	45,414	416,040
Investment in State General Fund Investment Pool	7,677,801	199,528	7,877,329	-
Investment in Local Government Investment Pool	10	185,086	185,096	11,213
Internal Balances	(14,029)	14,029	-	-
Due From Component Units	7,546	9,225	16,771	-
Due From Primary Government	-	-	-	27,401
Receivables, Net	2,579,535	611,038	3,190,573	36,320
Loans Receivable, Net	20,469	12,771	33,240	162,738
Investments	5	525,450	525,455	52,439
Due from Broker	339,728	-	339,728	-
Prepaid Expenses	7,642	1,450	9,092	869
Inventories	34,006	32,226	66,232	218
Other Current Assets	6	16,844	16,850	8,287
Total Current Assets	12,260,030	3,085,993	15,346,023	943,766
Noncurrent Assets:				
Unrestricted Cash and Cash Equivalents	-	70,056	70,056	-
Restricted Cash and Cash Equivalents	744	232,101	232,845	77,248
Restricted Investments	-	180,130	180,130	2,002,960
Loans Receivable, Net	3,132	229,199	232,331	1,857,874
Receivables, Net	59,725	-	59,725	-
Due From Component Units	-	3,194	3,194	-
Investments	32,044,262	525,928	32,570,190	415,963
Derivative Instruments - Interest Rate Swaps	-	1,132	1,132	-
Net Pension Assets	16,932	-	16,932	-
Other Noncurrent Assets	-	27,096	27,096	110,698
Nondepreciable Capital Assets	1,676,995	296,187	1,973,182	61,764
Other Capital Assets, Net	5,574,241	2,330,053	7,904,294	108,024
Total Noncurrent Assets	39,376,031	3,895,076	43,271,107	4,634,531
Total Assets	51,636,061	6,981,069	58,617,130	5,578,297
DEFERRED OUTFLOWS OF RESOURCES				
Interest Rate Swaps	-	6,000	6,000	-
Deferred Charge on Refunding	37,361	10,107	47,468	846
Deferred Outflows - OPEB	227,842	65,437	293,279	29,833
Deferred Outflows - Pension	938,357	2,534,807	3,473,164	259,918
Total Deferred Outflows of Resources	1,203,560	2,616,351	3,819,911	290,597

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

STATE OF NEW MEXICO

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2021

(In Thousands)

	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
			Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 581,219	\$ 239,000	\$ 820,219
Accrued Liabilities	85,164	71,968	157,132
Accrued Interest	30,037	15	30,052
Unearned Revenue	1,495,668	174,166	1,669,834
Due to Primary Government	-	-	-
Due to Component Units	27,214	187	27,401
Due To Broker	632,145	-	632,145
Intergovernmental Payables	201,870	50	201,920
Other Obligations	60,005	2,005	62,010
Funds Held for Others	510,754	5,722	516,476
Bonds Payable - Current Portion:	399,452	53,492	452,944
Other Liabilities - Current Portion	825,695	317,903	1,143,598
Total Current Liabilities	4,849,223	864,508	5,713,731
Noncurrent Liabilities:			
Bonds Payable, Net of Current Portion:	2,319,962	766,016	3,085,978
Due to Primary Government	-	-	-
Net Pension Liability	3,953,370	5,511,723	9,465,093
Net OPEB Liability	994,857	424,367	1,419,224
Other Liabilities, Net of Current Portion	196,295	336,148	532,443
Total Noncurrent Liabilities	7,464,484	7,038,254	14,502,738
Total Liabilities	12,313,707	7,902,762	20,216,469
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	93,002	113,227	206,229
Deferred Inflows - OPEB	361,838	104,234	466,072
Deferred Inflows - Other	17,877	3,961	21,838
	472,717	221,422	694,139
NET POSITION			
Net Investment in Capital Assets	6,212,235	1,845,399	8,057,634
Restricted for:			
Nonexpendable:			
Financial Aid	-	180,841	180,841
Endowment	-	118,233	118,233
Other Purposes	-	13,632	13,632
Expendable:			
Highway Construction and Maintenance	1,041,344	-	1,041,344
Education	253,234	752	253,986
Debt Service	601,445	67,226	668,671
Capital Projects	1,235,727	66,879	1,302,606
Scholarships	-	39,621	39,621
Unemployment and Insurance	-	514,516	514,516
Loan Programs	-	394,518	394,518
Other Purposes	34,812,912	123,018	34,935,930
Unrestricted Net Position	(4,103,700)	(1,891,399)	(5,995,099)
Total Net Position	\$ 40,053,197	\$ 1,473,236	\$ 41,526,433
			\$ 1,643,322

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

STATE OF NEW MEXICO

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
General Control	\$ 2,091,970	\$ 1,170,449	\$ 998,694	\$ -	\$ 77,173	\$ -	\$ 77,173	\$ -
Culture, Recreation, and Natural Resources	260,481	1,297,090	42,479	4,518	1,083,606	-	1,083,606	-
Highway and Transportation	871,871	116,341	36,239	473,980	(245,311)	-	(245,311)	-
Judicial	313,217	12,505	4,698	-	(296,014)	-	(296,014)	-
Legislative	24,595	-	-	-	(24,595)	-	(24,595)	-
Public Safety	519,118	8,273	338,194	1,686	(170,965)	-	(170,965)	-
Regulation and Licensing	434,683	80,805	1,737	-	(352,141)	-	(352,141)	-
Health and Human Services	10,784,332	219,276	8,631,259	368	(1,933,429)	-	(1,933,429)	-
Education	3,989,681	7,383	556,648	-	(3,425,650)	-	(3,425,650)	-
Interest on Long-term Debt	132,809	-	-	-	(132,809)	-	(132,809)	-
Total Governmental Activities	19,422,757	2,912,122	10,609,948	480,552	(5,420,135)	-	(5,420,135)	-
Business-type Activities:								
Educational Institutions	4,881,052	1,976,449	720,778	31,836	-	(2,151,989)	(2,151,989)	-
Public Schools Insurance	404,049	403,369	-	-	-	(680)	(680)	-
Environmental Loans	2,638	2,088	-	-	-	(550)	(550)	-
Miners' Colfax Medical Center	32,893	17,859	6,239	-	-	(8,795)	(8,795)	-
Unemployment Insurance	2,716,542	780,811	2,181,559	-	-	245,828	245,828	-
State Fair - EXPO	8,691	390	-	-	-	(8,301)	(8,301)	-
Other Business-type Activities	16,479	17,184	-	-	-	705	705	-
Total Business-type Activities	8,062,344	3,198,150	2,908,576	31,836	-	(1,923,782)	(1,923,782)	-
Total Primary Government	\$ 27,485,101	\$ 6,110,272	\$ 13,518,524	\$ 512,388	(5,420,135)	(1,923,782)	(7,343,917)	-
Discretely Presented Component Units								
Major Component Units	\$ 384,265	\$ 242,298	\$ 98,896	\$ -	-	-	-	(43,071)
Nonmajor Component Units	330,157	3,627	43,329	17,002	-	-	-	(266,199)
Total Component Unit Activities	\$ 714,422	\$ 245,925	\$ 142,225	\$ 17,002	-	-	-	(309,270)
General Revenues:								
Taxes:								
Individual Income					1,837,492	-	1,837,492	-
Corporate Income					147,434	-	147,434	-
Gross Receipts Taxes					3,000,606	-	3,000,606	-
Business Privilege					3,069,393	-	3,069,393	-
Other Taxes					15,087	-	15,087	-
Payment to the State of New Mexico					-	-	-	(104,823)
Payment From State of New Mexico					-	-	-	312,973
Investment Income					6,671,245	125,456	6,796,701	235,615
Capital Gain					139	-	139	-
Miscellaneous					298,326	415,326	713,652	33,324
Special Items:								
Gain (Loss) on Discontinuance of Operations					-	(7,482)	(7,482)	621
Transfers, Net					(914,694)	914,694	-	-
Total Net General Revenues and Transfers					14,125,028	1,447,994	15,573,022	477,710
Change in Net Position					8,704,893	(475,788)	8,229,105	168,440
Net Position - Beginning, as Restated - See Note 9.C.					31,348,304	1,949,024	33,297,328	1,474,882
Net Position - Ending					\$ 40,053,197	\$ 1,473,236	\$ 41,526,433	\$ 1,643,322

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, 2021

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 144,045	\$ 15,109	\$ -
Investment in the Local Government Investment Pool	10	-	-
Investment in the State General Fund Investment Pool	3,878,606	326,925	2,937,365
Prepaid Expenses	4,925	-	-
Due From Other Funds	9,333	214,388	725
Due From Educational Institutions Fund	926	-	-
Due from Component Units	7,096	-	450
Receivables, Net	2,642,818	7,840	5,543
Investments	2,554,814	72,062	-
Inventories	34,006	-	-
Other Assets	6	-	-
Total Assets	<u>\$ 9,276,585</u>	<u>\$ 636,324</u>	<u>\$ 2,944,083</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 9,276,585</u>	<u>\$ 636,324</u>	<u>\$ 2,944,083</u>
LIABILITIES			
Accounts Payable	\$ 513,794	\$ 832	\$ 54,391
Accrued Liabilities	83,999	-	435
Due To Other Funds	455,146	-	9,332
Due to Brokers	146,752	-	-
Due To Educational Institutions Fund	4,966	-	9,973
Due to Component Units	24,033	-	3,183
Intergovernmental Payables	170,401	-	31,469
Funds Held For Others	510,754	-	-
Other Obligations	703,982	1	4,389
Unearned Revenue	1,495,336	-	-
Total Liabilities	<u>4,109,163</u>	<u>833</u>	<u>113,172</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	128,922	6,472	265
	<u>128,922</u>	<u>6,472</u>	<u>265</u>
FUND BALANCES			
Nonspendable	52,580	-	-
Restricted	4,556,671	629,019	2,851,983
Committed	48,062	-	20
Assigned	25,065	-	-
Unassigned (Deficit)	356,122	-	(21,357)
Total Fund Balances	<u>5,038,500</u>	<u>629,019</u>	<u>2,830,646</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,276,585</u>	<u>\$ 636,324</u>	<u>\$ 2,944,083</u>

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

STATE OF NEW MEXICO

BALANCE SHEET (CONTINUED) GOVERNMENTAL FUNDS

June 30, 2021

(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 278,977	\$ 1,169,924	\$ 1,608,055
Investment in the Local Government Investment Pool	-	-	10
Investment in the State General Fund Investment Pool	95,967	247,997	7,486,860
Prepaid Expenses	-	-	4,925
Due From Other Funds	147	239,874	464,467
Due From Educational Institutions Fund	-	-	926
Due from Component Units	-	-	7,546
Receivables, Net	69,525	257,680	2,983,406
Investments	6,080,008	23,337,383	32,044,267
Inventories	-	-	34,006
Other Assets	-	-	6
Total Assets	<u>\$ 6,524,624</u>	<u>\$ 25,252,858</u>	<u>\$ 44,634,474</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,524,624</u>	<u>\$ 25,252,858</u>	<u>\$ 44,634,474</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 569,017
Accrued Liabilities	-	-	84,434
Due To Other Funds	-	-	464,478
Due to Brokers	102,756	382,637	632,145
Due To Educational Institutions Fund	-	-	14,939
Due to Component Units	-	-	27,216
Intergovernmental Payables	-	-	201,870
Funds Held For Others	-	-	510,754
Other Obligations	-	-	708,372
Unearned Revenue	-	-	1,495,336
Total Liabilities	<u>102,756</u>	<u>382,637</u>	<u>4,708,561</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	-	-	135,659
	<u>-</u>	<u>-</u>	<u>135,659</u>
FUND BALANCES			
Nonspendable	-	-	52,580
Restricted	6,421,868	24,870,221	39,329,762
Committed	-	-	48,082
Assigned	-	-	25,065
Unassigned (Deficit)	-	-	334,765
Total Fund Balances	<u>6,421,868</u>	<u>24,870,221</u>	<u>39,790,254</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,524,624</u>	<u>\$ 25,252,858</u>	<u>\$ 44,634,474</u>

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

STATE OF NEW MEXICO

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

June 30, 2021

(In Thousands)

Total Fund Balances - Governmental Funds		\$ 39,790,254
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 \$ 10,325 ISF)	\$ 1,666,670	
Buildings, Equipment, Infrastructure and Other Depreciable Assets (not including \$ 165,002 in Internal Service Fund balances)	15,888,816	
Accumulated Depreciation (Less \$ 106,801 ISF)	(10,372,776)	7,182,710
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.		54,924
Revenues earned during the period but not available for reporting in Fund Financial Statements		49,399
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		2,708
The deferred charge on bond refunding issues is not recognized in the governmental funds but is recognized in the government-wide statements.		37,361
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		16,932
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 \$ 17,062 and \$ 6,759 for ISF)	\$ 1,149,137 (448,081)	701,056
The deferred gain on refunding is not recognized in the governmental funds, but is recognized in the government-wide statements		13,459
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.		33,095
Accrued interest payable is not recognized in the governmental funds statements		(30,037)
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 \$ 58,046)	\$ (3,895,326)	
Net OPEB liability (Less ISF \$ 15,595)	(979,262)	
Bonds payable, including bond premiums net of amortization	(2,719,411)	
Compensated absences, notes payable, contingent liabilities, and other liabilities (Less \$ 1,614 ISF)	(204,673)	(7,798,672)
Other Differences		8
Total Net Position - Governmental Activities		\$ 40,053,197

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, 2021

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes:			
General and Selective Taxes	\$ 5,084,588	\$ 973,751	\$ 6,218
Income Taxes	1,956,077	-	-
Total Taxes	7,040,665	973,751	6,218
Other Revenues:			
Federal Revenue	11,019,034	-	9,920
Investment Income (Loss)	190,516	12,706	12
Rentals and Royalties	2,064,334	-	-
Charges for Services	175,739	1,969	184
Licenses, Fees, and Permits	336,464	2,301	-
Assessments	43,215	-	-
Miscellaneous and Other	270,232	-	14,851
Total Revenues	21,140,199	990,727	31,185
EXPENDITURES			
Current:			
Culture, Recreation, and Natural Resources	219,101	487	44,285
Education	3,931,788	-	63,979
General Control	1,412,817	1,600	132,051
Health and Human Services	10,814,820	-	65,883
Highway and Transportation	451,758	516	67,696
Judicial	344,806	17	966
Legislative	26,532	-	-
Public Safety	556,828	-	192
Regulation and Licensing	426,164	-	11,190
Capital Outlay	405,363	149	244,259
Debt Service:			
Principal	112,597	617,777	-
Interest and Other Charges	44,091	50,214	-
Total Expenditures	18,746,665	670,760	630,501
Excess Revenues Over (Under)			
Expenditures	2,393,534	319,967	(599,316)
OTHER FINANCING SOURCES (USES)			
Bonds Issued	\$ -	\$ -	\$ 974,808
Bond Premium	-	-	130,009
Refunding Bonds Issued	-	107,346	-
Proceeds from the Sale of Capital Assets	1,057	-	-
Transfers In	1,195,103	6,178	586,246
Transfers to Higher Ed	(767,687)	-	(38,709)
Transfers Out	(1,883,358)	(123,804)	(85,461)
Payment to Refunding Bond Escrow Agent	-	(113,803)	-
Total Other Financing Sources (Uses)	(1,454,885)	(124,083)	1,566,893
Net Change in Fund Balances	938,649	195,884	967,577
Fund Balances - Beginning, as Restated -			
Due to Change in Inventory	4,472	-	-
See Note 9.C.	4,095,379	433,135	1,863,069
Fund Balances - Ending	\$ 5,038,500	\$ 629,019	2,830,646

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, 2021

(In Thousands)

	Severance Tax Fund	Land Grant Fund	Total Governmental Funds
REVENUES			
Taxes:			
General and Selective Taxes	\$ -	\$ -	\$ 6,064,557
Income Taxes	-	-	1,956,077
Total Taxes	-	-	8,020,634
Other Revenues:			
Federal Revenue	-	-	11,028,954
Investment Income (Loss)	1,238,959	5,228,814	6,671,007
Rentals and Royalties	-	113	2,064,447
Charges for Services	-	-	177,892
Licenses, Fees, and Permits	-	-	338,765
Assessments	-	-	43,215
Miscellaneous and Other	-	-	285,083
Total Revenues	1,238,959	5,228,927	28,629,997
EXPENDITURES			
Current:			
Culture, Recreation, and Natural Resources	-	-	263,873
Education	-	-	3,995,767
General Control	-	-	1,546,468
Health and Human Services	-	-	10,880,703
Highway and Transportation	-	-	519,970
Judicial	-	-	345,789
Legislative	-	-	26,532
Public Safety	-	-	557,020
Regulation and Licensing	-	-	437,354
Capital Outlay	-	-	649,771
Debt Service:			
Principal	-	-	730,374
Interest and Other Charges	-	-	94,305
Total Expenditures	-	-	20,047,926
Excess Revenues Over (Under)			
Expenditures	1,238,959	5,228,927	8,582,071
OTHER FINANCING SOURCES (USES)			
Bonds Issued	\$ -	\$ -	\$ 974,808
Bond Premium	-	-	130,009
Refunding Bonds Issued	-	-	107,346
Proceeds from the Sale of Capital Assets	-	-	1,057
Transfers In	123,804	1,184,423	3,095,754
Transfers to Higher Ed	-	(68,350)	(874,746)
Transfers Out	(243,723)	(805,055)	(3,141,401)
Payment to Refunding Bond Escrow Agent	-	-	(113,803)
Total Other Financing Sources (Uses)	(119,919)	311,018	179,024
Net Change in Fund Balances	1,119,040	5,539,945	8,761,095
Fund Balances - Beginning, as Restated -			
Due to Change in Inventory	-	-	4,472
See Note 9.C.	5,302,828	19,330,276	31,024,687
Fund Balances - Ending	\$ 6,421,868	\$ 24,870,221	\$ 39,790,254

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, 2021

(In Thousands)

Net Change in Fund Balances – Total Governmental Funds		\$ 8,761,095
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 (less ISF \$12,413)	\$ 649,771	
Depreciation expense (less ISF \$12,890)	(534,728)	
Excess of capital outlay over depreciation expense		115,043
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.)		47,736
Revenues earned during the period but not available for reporting in Fund Financial Statements		49,399
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) is not recognized in the fund financial statements, but is in the Gov't-wide		
Net value of assets disposed of during the year	\$ (5,466)	
Proceeds from sales	674	
		(4,792)
Net transfer of capital assets to other funds from governmental funds not including internal service funds (less ISF \$2,987)		4,807
Change in estimate of Federal Revenues receivable for settlement of Indian Water Rights claims.		21,000
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.		(23,643)
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 Principal	\$ 730,374	
Principal Payment from Refunding	112,333	
Bond Proceeds, Net	(1,073,427)	(230,720)
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.	\$ (138,737)	
	76,939	(61,798)
The deferred loss (less deferred gain) on refunding bond issues is capitalized and the amortization is reported in the Statement of Activities.	\$ (22,851)	
	(10,244)	(33,095)

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, 2021

(In Thousands)

Net Change in Fund Balances – Total Governmental Funds (Continued:)

Pension expense and OPEB expense of governmental funds is recognized in the Statement of Activities but not in the fund statements.	\$ 5,346	
	<u>70,177</u>	75,523

The Statement of Activities is presented on the accrual basis, while the Fund Statements are presented on the "available resources" basis. This adjustment combines the net change of the following balances:

Accrued Interest on Bonds Payable	\$ (7,187)	
Change in prepaid/inventory balances	4,472	
Compensated Absences Expense (Less ISF \$183)	(10,886)	
Pollution Remediation Obligation	600	
Other	10	
Expenses reported in the statement of activities in the prior year but not reported as expenditures in the governmental funds because they did not require the use of current financial resources are not reported as current year expenses in the statement of activities.	13	
Contingent Liability	<u>22</u>	(12,954)

Change in Net Position of Governmental Activities	\$ <u>8,704,893</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 items other than unemployment compensation (i.e., workers' compensation, employment security labor market statistics, administration of the employment compensation program, etc.)

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, 2021

(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	\$ 798,823	\$ 647,943	\$ 3,602	\$ 1,450,368	\$ -
Cash and Cash Equivalents - Restricted	27,062	-	916	27,978	-
Investment in the State General Fund Investment Pool	-	-	205,364	205,364	190,940
Investment in the Local Government Investment Pool	68,201	-	116,885	185,086	-
Due From Other Funds	15,002	11	-	15,013	-
Due From Component Unit	9,225	-	-	9,225	-
Receivables, Net	460,924	126,624	36,261	623,809	19,183
Investments	525,450	-	-	525,450	-
Inventories	30,534	-	1,692	32,226	-
Other Current Assets	17,934	-	360	18,294	9
Total Current Assets	1,953,155	774,578	365,080	3,092,813	210,132
Noncurrent Assets:					
Unrestricted Cash and Cash Equivalents	70,056	-	-	70,056	-
Restricted Cash and Cash Equivalents	232,101	-	-	232,101	-
Loans Receivable	28,666	-	200,533	229,199	-
Investments	487,026	-	38,902	525,928	-
Restricted Investments	180,130	-	-	180,130	-
Due From Component Units	3,194	-	-	3,194	-
Derivative Instruments - Interest Rate Swaps	1,132	-	-	1,132	-
Other Noncurrent Assets	27,096	-	-	27,096	-
Nondepreciable Capital Assets	293,981	-	2,206	296,187	10,325
Capital Assets, Net	2,269,993	-	60,060	2,330,053	58,201
Total Noncurrent Assets	3,593,375	-	301,701	3,895,076	68,526
Total Assets	5,546,530	774,578	666,781	6,987,889	278,658
DEFERRED OUTFLOWS OF RESOURCES					
Interest Rate Swaps	6,000	-	-	6,000	-
Deferred Charge on Refunding	10,107	-	-	10,107	-
Deferred Outflows - OPEB	62,220	-	3,217	65,437	3,571
Deferred Outflows - Pension	2,522,573	-	12,234	2,534,807	13,491
Total Deferred Outflows of Resources	2,600,900	-	15,451	2,616,351	17,062

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

STATE OF NEW MEXICO

STATEMENT OF NET POSITION PROPRIETARY FUNDS (CONTINUED)

June 30, 2021

(In Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Educational Institutions	Unemployment Insurance Fund	Nonmajor Enterprise Funds	Total	
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 235,698	\$ 116	\$ 3,186	\$ 239,000	\$ 12,207
Deficiency in SGFIP	-	5,836	-	5,836	-
Accrued Liabilities	40,535	30,572	876	71,983	729
Unearned Revenue	144,565	29,393	208	174,166	332
Due to Other Funds	926	-	-	926	-
Due to Component Unit	187	-	-	187	-
Due To Higher Educational Institutions	-	-	58	58	5
Intergovernmental Payables	-	50	-	50	-
Other Obligations	-	-	2,005	2,005	-
Funds Held for Others	7,736	(2,236)	222	5,722	-
Bonds Payable, Current Portion	52,407	-	1,085	53,492	-
Other Liabilities, Current Portion	286,349	-	31,554	317,903	93,795
Total Current Liabilities	768,403	63,731	39,194	871,328	107,068
Noncurrent Liabilities:					
Bonds Payable, Net of Current Portions	760,166	-	5,850	766,016	-
Net Pension Liability	5,459,092	-	52,631	5,511,723	58,046
Net OPEB Liability	410,320	-	14,047	424,367	15,595
Other Liabilities, Net of Current Portion	55,014	196,331	84,803	336,148	75,157
Total Noncurrent Liabilities	6,684,592	196,331	157,331	7,038,254	148,798
Total Liabilities	7,452,995	260,062	196,525	7,909,582	255,866
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflow - Pension	112,240	-	987	113,227	1,086
Deferred Inflow - OPEB	99,124	-	5,110	104,234	5,673
Deferred Inflow - Other	1,142	-	2,819	3,961	-
Total Deferred Inflows of Resources	212,506	-	8,916	221,422	6,759
NET POSITION					
Net Investment in Capital Assets	1,790,316	-	55,083	1,845,399	68,527
Restricted:					
Nonexpendable:					
Scholarships and Student Loans	180,841	-	-	180,841	-
Endowment	118,233	-	-	118,233	-
Other Purposes	14,384	-	-	14,384	-
Expendable:					
Debt Service	67,226	-	-	67,226	-
Capital Projects	66,879	-	-	66,879	-
Scholarships	39,621	-	-	39,621	-
Unemployment and Insurance	-	514,516	-	514,516	-
Loans	9,812	-	384,706	394,518	-
Other Purposes	37,798	-	85,220	123,018	65,908
Unrestricted (Deficit)	(1,843,181)	-	(48,218)	(1,891,399)	(101,340)
Total Net Position	\$ 481,929	\$ 514,516	\$ 476,791	\$ 1,473,236	\$ 33,095

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, 2021

(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	\$ 125,359	\$ 124,239	\$ 438,543	\$ 688,141	\$ 520,873
Federal Revenues	475,430	2,280,322	8,239	2,711,991	-
State, Local, and Private Grants and Contracts	93,286	-	-	93,286	-
Loans and Other Income	-	-	2,314	2,314	-
Student Tuition and Fees, Net	258,114	-	-	258,114	-
Patient Services/Clinical Operations	1,592,976	-	-	1,592,976	-
Other Operating Revenues	152,861	607,809	93	760,903	-
Total Operating Revenues	2,697,226	2,962,370	447,129	6,106,725	520,873
OPERATING EXPENSES					
Benefits, Claims, and Premiums	-	2,372,881	3,591	2,378,572	-
Education and General Administration	3,233,660	143,561	443,729	3,820,950	340,930
Depreciation and Amortization	178,183	-	4,568	182,753	12,890
Other Operating Expenses	1,469,207	-	10,862	1,480,069	3,744
Total Operating Expenses	4,881,052	2,716,342	464,750	8,062,344	357,614
Operating Income (Loss)	(2,183,826)	245,828	(17,621)	(1,955,619)	(36,741)
NONOPERATING REVENUES (EXPENSES)					
Private Grants and Gifts	50,900	-	-	50,900	-
Government Grants and Contracts	323,739	-	16,004	370,343	-
Interest and Investment Income	116,586	486	8,583	123,455	238
Interest and Other Expenses on Capital					
Interest-related Debt	(23,857)	-	-	(23,857)	-
Gain (Loss) on Sale of Capital Assets	(22)	-	-	(22)	211
Other Revenue (Expense)	14,137	-	3,826	17,963	2,141
Total Nonoperating Revenues (Expenses)	511,483	486	28,813	540,784	2,390
Income (Loss) Before Transfers and Other Revenues (Expenses)	(1,672,343)	246,314	11,194	(1,414,835)	(34,351)
CAPITAL CONTRIBUTIONS AND ENDOWMENTS					
Capital Grants and Gifts	13,771	-	-	13,771	-
Permanent Fund/Endowment Contributions	18,065	-	-	18,065	-
Total Capital Contributions and Endowments	31,836	-	-	31,836	-
TRANSFERS					
Transfers In	874,807	100,000	13,216	988,023	22,200
Transfers Out	(72,786)	-	(832)	(73,618)	(11,300)
Total Transfers	802,021	100,000	12,384	914,405	10,900
SPECIAL ITEM					
Gain(Loss) on Discontinuation of Operations	(7,482)	-	-	(7,482)	-
Change in Net Position	(815,940)	316,314	23,258	(175,788)	(23,451)
Net Position - Beginning, as Restated - See Note 9.C.	1,327,589	168,202	452,893	1,948,684	36,738
Net Position - Ending	\$ 481,929	\$ 514,516	\$ 476,151	\$ 1,473,236	\$ 33,650

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, 2021

(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	\$ 304,862	\$ 1,096,136	\$ 440,251	\$ 1,841,249	\$ 508,931
Sale of Products	1,740,437	-	-	1,740,437	-
Gifts, Grants, and Contracts	648,464	-	2,764	651,228	-
Loan and Note Repayments	-	-	12,432	12,432	-
Other Sources	38,454	-	733	39,187	-
Cash Payments to or for:					
Suppliers	(1,068,361)	(89,896)	(448,717)	(1,606,974)	(97,935)
Employees	(2,212,161)	(1,168,978)	(27,154)	(3,408,293)	(24,821)
Student Loans and Loan Losses	(67,592)	-	-	(67,592)	-
Claims	-	-	-	-	(407,715)
Other Payments	(128,989)	-	(5,563)	(134,552)	-
Net Cash Provided (Used) by Operating Activities	(744,886)	(162,738)	(25,254)	(932,878)	(21,540)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	874,809	100,000	11,761	986,570	7,627
Transfers Out	(72,780)	-	(852)	(73,632)	(107)
Gifts for Other Than Capital Purposes	89,368	-	713	90,081	-
Intergovernmental Receipts	283,573	-	7,780	291,353	-
Other - Capital Asset Transfer In	-	-	1,755	1,755	-
Other	15,671	-	1,546	17,217	2,580
Net Cash Provided (Used) by Noncapital Financing Activities	1,190,441	100,000	22,703	1,313,144	10,100
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(228,791)	-	(1,330)	(230,121)	(15,415)
Capital Debt Service Payments - Principal	(233,042)	-	(1,060)	(234,102)	-
Capital Debt Service Payments - Interest	(30,362)	-	-	(30,362)	-
Capital Contributions and Debt Proceeds	127,347	-	-	127,347	-
Other - Capital Asset Transfer In	-	-	-	-	14,681
Other - Capital Asset Transfer Out	-	-	-	-	(31,693)
Proceeds from Sale of Capital Assets	851	-	-	851	(37)
Other	97,872	-	161	98,033	(142)
Net Cash Provided (Used) by Capital and Related Financing Activities	(246,125)	-	(2,229)	(248,354)	(12,606)

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, 2021

(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	\$ 39,987	\$ 344,358	\$ 476	\$ 605,021	\$ 238
Purchase of Investments	(457,788)	-	-	(457,788)	-
Receipts of Rent	1,607	-	-	1,607	-
Proceeds from Sale and Maturity of Investments	391,600	-	-	391,600	-
Net Cash Provided (Used) by Investing Activities	(4,594)	344,358	476	340,440	238
 Net Increase (Decrease) in Cash	 394,836	 481,820	 (4,504)	 672,352	 (21,608)
Cash and Cash Equivalents at Beginning of Year, as restated	1,001,407	160,287	331,071	1,492,765	214,748
Cash and Cash Equivalents at End of Year	\$ 1,396,243	\$ 642,107	\$ 326,767	\$ 2,165,117	\$ 190,940
 Cash and Cash Equivalents					
Unrestricted	\$ 868,879	\$ 642,107	\$ 3,601	\$ 1,514,588	\$ -
Restricted	239,163	-	916	240,079	-
Investment in the Local Government Investment Pool	68,201	-	116,883	185,086	-
Investment in the State General Fund Investment Pool	-	-	203,364	203,364	190,940
Total Cash and Cash Equivalents	\$ 1,396,243	\$ 642,107	\$ 326,767	\$ 2,165,117	\$ 190,940
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (2,383,826)	\$ 245,828	\$ (17,621)	\$ (1,955,619)	\$ (36,741)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	178,383	-	4,568	182,953	12,891
Bad Debt Expense	116,308	-	1,411	117,519	-
Realized (Gain) Loss on Disposal of Assets	454	-	-	454	-
Unrealized (Gain) Loss on Investments	(424)	-	-	(424)	-
Change in Net Pension Liability	2,534,466	-	(1,783)	2,532,683	2,651
Change in Net OPEB Liability	(1,801)	-	(1,387)	(2,588)	99
Change in Deferred Outflow of Resources	(1,346,870)	-	-	(1,346,870)	-
Change in Deferred Inflow of Resources	(42,461)	-	2,819	(39,642)	-
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables Due From Other Funds	(152,172)	-	(9,043)	(161,217)	(10,897)
Notes/Loans	2,169	-	(5,010)	(2,841)	-
Inventories	(1,421)	-	(130)	(1,551)	-
Prepaid Items/Other Assets	4,152	-	(28)	4,123	(73)
Insurance Claims Payable	-	-	-	-	14,844
Accounts Payable/Assured Liabilities Due To Other Funds	70,564	(408,566)	(4,434)	(342,936)	(4,414)
Loss Adjustments	-	-	3,591	3,591	-
Unearned Revenue	37,691	-	14	37,805	-
Net Cash Provided (Used) by Operating Activities	\$ (744,885)	\$ (162,738)	\$ (25,254)	\$ (932,878)	\$ (21,540)

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.

Custodial Funds

These funds are used to report resources held by various State agencies in a purely custodial capacity for distribution to external parties.

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

STATE OF NEW MEXICO

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

June 30, 2021

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,293,927	\$ 3,341	\$ 10,947	\$ 34,685
Investment in State General Fund Investment Pool	78,322	-	65,354	7,669
Investment in Local Government Investment Pool	106	-	-	4,402
Investments:				
U.S. Government and Agency Securities	704,813	-	-	-
International Securities	3,051,248	-	-	-
Corporate Equity Securities	7,237,532	-	-	-
Corporate and Municipal Bonds	2,597,834	-	-	-
Partnerships and Other Investments	20,553,206	-	-	-
Securities Lending Collateral Investments	312,517	-	-	-
Deferred Comp. Plan Invest.	800,886	-	-	-
Long Term Investments	-	1,021,688	3,311,919	-
Receivables:				
Brokers	1,313,035	2,547	-	-
Accrued Interest and Other	10,740	-	8	-
Participant Loans	11,354	-	-	-
Other Receivables	149,365	49,526	-	364,570
Other Assets	-	-	23	-
Long Term Receivables	680	-	-	-
Capital Assets, Net	13,802	-	-	-
Total Assets	<u>38,129,367</u>	<u>1,077,102</u>	<u>3,388,251</u>	<u>411,326</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources	-	-	518	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>518</u>	<u>-</u>
LIABILITIES				
Accounts Payable	27,632	-	3,682	143
Accrued Liabilities	533	-	1,808	42
Due to Brokers	1,431,467	20,993	-	-
Intergovernmental Payables	-	-	-	363,716
Unearned Revenue	578	-	-	-
Deposits Held in Trust	2,312	-	-	5,850
Other Liabilities	338,519	33	488	2,550
Other Obligations	-	-	187,588	-
Total Liabilities	<u>1,801,041</u>	<u>21,026</u>	<u>193,566</u>	<u>372,301</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources	-	-	11,834	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>11,834</u>	<u>-</u>
NET POSITION				
Restricted for:				
Pension Benefits	34,396,580	-	-	-
Other Postemployment Benefits	1,119,499	-	-	-
Defined Contribution	812,247	-	-	-
External Investment Pool Participants	-	1,056,076	-	-
Other Purposes	-	-	3,183,369	39,025
Net Position	<u>\$ 36,328,326</u>	<u>\$ 1,056,076</u>	<u>\$ 3,183,369</u>	<u>\$ 39,025</u>

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

STATE OF NEW MEXICO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended June 30, 2021

(In Thousands)

	Pension and Other Empl. Benefit Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Employee Contributions	\$ 857,458	\$ -	\$ -	\$ -
Employer Contributions	988,372	-	-	-
Member Contributions	-	-	349,013	-
Other	-	-	-	241,986
Total Contributions	1,845,830	-	349,013	241,986
Pool Participant Deposits	-	750,993	-	-
Investment Income (Loss):				
Net Increase (Decrease) in				
Fair Value of Investments	8,043,701	416	334,004	-
Interest and Dividends	290,633	32,765	37,461	3
	8,334,334	33,181	371,465	3
Less Investment Expense	273,046	-	2,168	-
Net Investment Income	8,061,288	33,181	369,297	3
Other Additions				
Taxes from Other Governments	-	-	-	1,803,646
Other Operating Revenues	74,649	-	46,303	16,997
Total Other Additions	74,649	-	46,303	1,820,643
Total Additions	9,981,767	784,174	764,613	2,062,632
DEDUCTIONS				
Benefits and Claims	2,607,144	-	-	-
Distributions	-	577,778	300,759	250,236
Refunds	86,142	-	138,928	-
Debt Service for Other Governments	-	-	-	3,311
General and Administrative Expenses	344,962	-	40,901	1,800,626
Other Operating Expenses	905	-	41,200	8
Total Deductions	3,039,153	577,778	521,788	2,054,181
Change in Net Position	6,942,614	206,396	242,825	8,451
Net Position - Beginning, as Restated	29,385,712	849,680	2,940,544	30,574
Net Position - Ending	\$ 36,328,326	\$ 1,056,076	\$ 3,183,369	\$ 39,025

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

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STATE OF NEW MEXICO

COMPONENT UNIT FINANCIAL STATEMENTS

June 30, 2021

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, 2021. 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; 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, New Mexico State-chartered Charter Schools, and New Mexico Hospital Equipment Loan Council.

STATE OF NEW MEXICO

COMBINING STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2021

(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	\$ 9,719	\$ 81,782	\$ 10,607	\$ 9,010	\$ 28,290	\$ 88,833	\$ 228,241
Investment in Local Government Investment Pool	-	-	-	-	-	11,213	11,213
Restricted Cash and Cash Equivalents	403,582	-	2,889	-	-	9,569	416,040
Investments	-	-	-	-	415	52,024	52,439
Due From Primary Government	15,820	-	-	-	-	11,581	27,401
Receivables, Net	9,336	4,153	2,031	1,375	4,941	14,484	36,320
Loans Receivable, Current	162,738	-	-	-	-	-	162,738
Prepaid Expenses	-	-	430	-	-	439	869
Other Assets	1,230	6,485	-	572	-	-	8,287
Inventory	-	-	3	-	-	215	218
Total Current Assets	602,425	92,420	15,960	10,957	33,646	188,358	943,766
Noncurrent Assets:							
Restricted Cash and Cash Equivalents	-	74,845	-	-	-	2,403	77,248
Restricted Investments	515,365	1,123,046	-	302,528	-	62,021	2,002,960
Loans Receivable, Net	1,602,987	188,022	-	1,071	-	65,794	1,857,874
Investments	-	52,759	-	3,154	260,406	99,644	415,963
Other Noncurrent Assets	-	19,755	-	26,605	61,414	2,924	110,698
Nondepreciable Capital Assets	-	512	758	-	-	60,494	61,764
Other Capital Assets, Net	1,864	1,400	2,284	-	32	102,444	108,024
Total Noncurrent Assets	2,120,216	1,460,339	3,042	333,358	321,852	395,724	4,634,531
Total Assets	2,722,641	1,552,759	19,002	344,315	355,498	584,082	5,578,297
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Charge on Refunding	644	202	-	-	-	-	846
Deferred Outflows - OPEB	-	-	-	-	-	29,833	29,833
Deferred Outflows - Pension	-	-	-	-	-	259,918	259,918
Total Deferred Outflows	644	202	-	-	-	289,751	290,597

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

STATE OF NEW MEXICO

COMBINING STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2021

(In Thousands)

LIABILITIES	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
Current Liabilities:							
Accounts Payable	462	14,207	1,868	151	-	4,245	20,933
Accrued Liabilities	318	7,250	3	1,293	2,280	14,075	25,219
Unearned Revenue	-	-	-	-	-	1,903	1,903
Due to Primary Government	3,372	-	3,399	5,276	1,534	3,190	16,771
Funds Held for Others	-	9,005	-	-	-	433	9,438
Bonds Payable	118,040	50,323	-	-	-	-	168,363
Other Liabilities	647,097	24,436	8,100	2,950	956	2,002	685,541
Total Current Liabilities	769,289	105,221	13,370	9,670	4,770	25,848	928,168
Noncurrent Liabilities:							
Bonds Payable	1,310,399	1,110,986	-	-	-	-	2,421,385
Due to Primary Government	-	-	-	3,194	-	-	3,194
Net Pension Liability	-	-	-	-	-	507,563	507,563
Net OPEB Liability	-	-	-	-	-	69,407	69,407
Other Liabilities	46,579	3,181	-	2,192	54,569	124,911	231,432
Total Noncurrent Liabilities	1,356,978	1,114,167	-	5,386	54,569	701,881	3,232,981
Total Liabilities	2,126,267	1,219,388	13,370	15,056	59,339	727,729	4,161,149
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflows of Resources	3,189	-	-	-	-	703	3,892
Deferred Inflows - OPEB Liability	-	-	-	23,295	-	29,121	52,416
Deferred Inflows - Pension Liability	-	-	-	-	-	8,115	8,115
Total Deferred Inflows	3,189	-	-	23,295	-	37,939	64,423
NET POSITION							
Net Investment in Capital Assets	1,864	1,912	3,030	-	32	53,104	59,942
Restricted:							
Nonspendable	-	-	-	275,198	280,791	113,174	669,163
Expendable:							
Debt Service	-	81,247	-	25,331	-	-	106,578
Other Purposes	576,246	35,218	-	-	-	160,004	771,468
Unrestricted Net Position (Deficit)	15,719	213,196	2,602	5,435	15,336	(218,117)	56,171
Total Net Position (Deficit)	\$ 595,829	\$ 333,373	\$ 5,632	\$ 305,964	\$ 296,159	\$ 108,165	\$ 1,645,322

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

STATE OF NEW MEXICO

COMBINING STATEMENT OF ACTIVITIES

COMPONENT UNITS

June 30, 2021

(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	\$ 189,693	\$ 59,975	\$ 107,700	\$ 11,530	\$ 15,367	\$ 330,157	\$ 714,422
Program Revenues:							
Charges for Services	57,043	28,506	154,893	-	1,856	3,627	245,925
Operating Grants and Contributions	10,586	43,028	-	31,194	14,088	43,329	142,225
Capital Grants and Contributions	-	-	-	-	-	17,002	17,002
Total Program Revenues	67,629	71,534	154,893	31,194	15,944	63,958	405,152
Nonoperating Revenues:							
Net (Expenses) Revenues	(122,064)	11,559	47,193	19,664	577	(266,199)	(309,270)
Other Revenues & Expenses:							
Payment from State of New Mexico	158,958	2,034	-	-	-	151,981	312,973
Payment to State of New Mexico	(24,318)	-	(46,482)	(33,383)	-	(640)	(104,823)
Other	-	(6)	25	16,119	-	17,186	33,324
Investment Income	475	(26)	17	71,459	121,241	42,449	235,615
Total General Revenues	135,115	2,002	(46,440)	54,195	121,241	210,976	477,089
Special Item							
Gain (Loss) on Discontinuance of Operations	-	-	-	-	-	621	621
Change in Net Position	13,051	13,561	753	73,859	121,818	(54,602)	168,440
Net Position - Beginning, as Restated	580,778	320,012	4,879	232,105	174,341	162,767	1,474,882
Net Position - Ending (Deficit)	\$ 593,829	\$ 333,573	\$ 5,632	\$ 305,964	\$ 296,159	\$ 108,165	\$ 1,643,322

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

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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 from the New Mexico State Auditor's Office.

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- **UNM Rainforest Innovations**

UNM Rainforest Innovations (formerly known as STC.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. UNM Rainforest Innovations, 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. was 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 and was operated exclusively for charitable, scientific, and educational purposes under Section 501(c)(3) of the IRC. Innovate ABQ, 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. In fiscal year 2021, ownership of Innovate ABQ, Inc. was transferred to UNM. Innovate ABQ, Inc. is, therefore, no longer considered a component unit of UNM. Lobo Development Corporation and UNM Rainforest Innovations will jointly oversee the Innovate ABQ project going

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

forward. Prior to its transfer to UNM, Innovate ABQ was determined to be a component unit, because the University appointed a voting majority of Innovate ABQ's board and was able to impose its will on Innovate ABQ. Innovate ABQ, Inc., 801 University Blvd. SE, Suite 207, Albuquerque, NM 87106.

- **Arrowhead Center, Inc.**

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

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

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

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

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

- **Northern New Mexico College Eagle Corporation**

The Northern New Mexico College Eagle Corporation (the "Corporation") was formed on June 15, 2020 pursuant to the University Research Park and Economic Development Act, NMSA 1978 Section 21-28-1, et. seq (the "Research Park Act"). The Corporation is operated exclusively for the benefit and support of, to perform the functions of, and carry out the purposes of the College. Separately issued financial statements can be obtained by writing to the Northern New Mexico College Eagle Corporation at 921 Paseo de Oñate, Española, NM 87532.

- **New Mexico Highlands University Highlands Stable Isotopes Corporation**

Highlands Stable Isotopes Corporation was granted all of the powers available to it pursuant to paragraph 21-28-6 NMSA 1978 of the University – Research Park and Economic Development Act. The new corporation was filed under the New Mexico Nonprofit Corporation Act and was granted Section 501 (c) (3) of the Internal Revenue Code of 1986 statutes in September of 2018. The purpose of the corporation is to conduct research and research commercialization in accordance with the needs of the University.

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.

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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.

- **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.

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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., 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, New Mexico State-chartered Charter Schools, and New Mexico Hospital Equipment Loan Council.

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.

As discussed earlier, the State has five major discretely presented component units and seventeen 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.

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- **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.

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.

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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 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.
- **Custodial Funds** – These funds are used to report resources held by the State in a purely custodial capacity for external parties. Custodial 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.

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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. Custodial funds are custodial in nature and do not involve measurement of results of operations.

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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.

4. Excess of Expenses/Expenditures Over Budget

For the fiscal year ended June 30, 2021, there were none of the State agency's Pcode reporting expenses/expenditures exceeding 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.

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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.

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, 2021, 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.

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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.

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

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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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

There is no depreciation recorded for land, 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.

STATE OF NEW MEXICO

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

10. Unearned Revenue

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

11. Bonds Payable

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

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

12. Insurance Losses and Loss Adjustment Expense

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

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

13. Interfund Transactions

Government-Wide Financial Statements

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

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

Governmental Fund Financial Statements

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

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

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

14. Net Position and Fund Balance

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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

H. Revenues and Expenditures/Expenses

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

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

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

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

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

Grants

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

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

Investment Income

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

Endowments

Net appreciation on the Educational Institutions' investments of donor-restricted endowments are available for authorization for expenditure by the governing boards of the universities with endowments, which are reported in Net Position as restricted for purposes for which the endowments were established. Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform 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.

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, 2021, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

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.

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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.

GASB Statement No. 98, The Annual Comprehensive Financial Report

This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace usage of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur in certain languages. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

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. 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*).

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*).

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 1 (CONTINUED)

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.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-An amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB statement No. 32

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The statement is due to be adopted by the State for the fiscal year ending June 30, 2022.

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

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For the Year Ended June 30, 2021

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 COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

As of June 30, 2021, collateral pledged to public money deposits was as follows:

Office of the State Treasurer		
Statutory Collateral Compliance		
<i>(Expressed in Thousands)</i>		
	Fiscal Agent Account	Certificates of Deposit
Cash in Bank *	\$ 66,281	\$ 8,700
Less: FDIC Insurance Coverage	-	(750)
Total Unsecured Public Funds	\$ 66,281	\$ 7,950
Collateral Requirement (50.0% - 102.0% of Uninsured Public Funds)	\$ 67,607	\$ 3,975
Collateral Pledged:		
U.S. Government Securities	\$ 297,137	\$ 4,919
Surety Bond	-	2,000
Collateral Pledged	297,137	6,919
Over Collateralized	\$ 229,530	\$ 2,944

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

While the balances of the Office of State Treasurer are fully collateralized per state statute, *GASB Statement No. 40* requires that the State disclose balances which are not fully insured. As of June 30, 2021, the funds held by the State Treasurer in the fiscal agency account were exposed to custodial credit risk as follows:

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 2 (CONTINUED)

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

	Balance at June 30, 2021
Cash in Banks	\$ 1,098,224
Less: Deposit of Institutions Which are Fully Insured and Collateralized	<u>(1,018,182)</u>
Deposits of Institutions Not Fully Collateralized	80,042
Less: FDIC Insurance Coverage	<u>(1,250)</u>
Uninsured Deposits	<u>78,792</u>
Collateral Pledged:	
Surety Bond	2,000
Securities	<u>40,762</u>
Total Collateral Pledged	<u>42,762</u>
Subject to Custodial Credit Risk	<u>\$ 36,030</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

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3

NOTE 3. Investments

The following schedule lists the total investments reported in the financial statements (expressed in thousands).

	<u>Balance at June 30, 2021</u>
Primary Government:	
Current:	
Investment in State General Fund Investment Pool	\$ 7,877,328
Investment in Local Government Investment Pool	185,097
Investments	525,455
Noncurrent:	
Investments	32,750,322
Fiduciary Funds:	
Investment in State General Fund Investment Pool	151,346
Investment in Local Government Investment Pool	4,508
Investments	39,591,643
Component Units:	
Investments	2,471,362
Investment in Local Government Investment Pool	11,213
Total Investments	\$ 83,568,274
 <i>Reconciliation to Investments presented</i>	
Total presented above	\$ 83,568,274
Less - Information presented separately:	
Component Unit Invest. Listed Separately	(2,375,969)
Component Unit Invest held in SIC Pools	(95,394)
Investments held in UNM Conol Inv Fund	
UNM Investments Held by Foundation	(302,575)
Other	(441,642)
Total separately held investments	\$ 80,352,694

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

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Those agencies whose investments are held by either the State Investment Council (SIC) or the State Treasurer's Local Government Investment pool (LGIP) are presented in either the SIC or LGIP disclosures, in order to prevent duplication.

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, 2021, 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, 2021, 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, 2021.

STATE OF NEW MEXICO

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For the Year Ended June 30, 2021

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.

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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.

Individual State Agencies

Those agencies with investments in either the State Investment Council Investment Pools or the State Treasurer's Local Government Investment Pool report these investments on their balance sheet. Certain agencies are permitted to invest funds in other ways, such as certificates of deposit. These investments are permitted by statute, depending on the main purpose of the agency.

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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico Fair Value of Investments (Expressed in Thousands)				
Investment	Fair Value June 30, 2021	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	\$ 3,299,926	\$ 3,293,891	\$ 1,033	\$ 3,000
Domestic Preferred Stock	36	36	-	-
International Common Stock	1,903,105	1,848,653	54,452	-
Equities	15,983,781	15,980,726	860	2,198
Domestic Equity Derivatives	30,709	(315)	31,024	-
Money Market Funds	150	150	-	-
Money Market Mutual Funds	427,131	424,520	2,611	-
Mutual Funds - Equity	1,446,970	1,446,970	-	-
Pooled Funds - Mutual Funds	124	-	124	-
Public Master Ltd. Ptnshps.	289,471	289,471	-	-
Public REIT	493,993	493,993	-	-
Exchange-traded Funds	2,180	2,180	-	-
Nonredeemable Securities	74	-	-	74
Real Estate	1,046	-	-	1,046
Self-directed Investments (Deferred Comp.)	8,862	8,862	-	-
Total Equity Securities	23,837,370	23,789,146	90,106	8,318
Debt Securities:				
U.S. Government Bonds	3,673,203	-	3,673,203	-
US Treasuries	2,312,031	267,868	2,044,168	-
US Agency Securities	249,074	9,623	239,449	-
Non-U.S. Government Bonds	171,918	-	154,339	17,539
Municipal Bonds	193,386	157	166,653	26,576
Corporate Bonds	3,961,337	115	3,961,222	-
Core Fixed Income	2,263,889	314,667	1,949,197	23
Domestic Fixed Income	1,088,462	1,088,462	-	-
Global Fixed Income	383,864	-	383,864	-
Mutual Funds - Fixed	60,512	60,512	-	-
Certificates of Deposit	34,648	22,361	12,287	-
Real Estate	6,503	6,503	-	-
Commercial Paper	79,873	-	79,873	-
Mortgage-backed Securities	782,347	1,127	781,420	-
Asset-backed Securities	351,572	-	351,267	305
Demand Notes	199,180	-	199,180	-
Discounted Notes	2,139,363	-	2,139,363	-
Bankers' Acceptances	117,213	-	117,213	-
Bank Loans	56,477	-	56,477	-
Collateralized Loan OMig.	230,753	-	230,753	-
Supramotionals	326,857	-	326,857	-
TIPS	334,768	334,768	-	-
Sovereign Debt	6,285	-	6,285	-
Fixed Income Derivatives	10,422	2,299	8,123	-
Government-sponsored Enterprise & Agency Issues	192,031	-	192,031	-
Cash Collateral	187	-	187	-
Total Debt Securities	19,426,345	2,308,459	17,075,421	44,465
Alternative Investments:				
Master Limited Partnerships	203,985	203,985	-	-
Total Alternative Investments	203,985	203,985	-	-

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment	Fair Value June 30, 2021	Quoted Prices, Active Markets (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
Investments in Derivative Instruments:				
Credit Derivatives	9,003	-	9,003	-
Equity Derivatives	(4)	(5)	1	-
Interest Rate Derivatives	(3,484)	487	(3,971)	-
Other Derivatives	(1)	-	(1)	-
Total Derivative Instruments	5,514	482	5,032	-
Total Investments Measured At Fair Value	45,525,414	\$ 38,304,072	\$ 17,168,558	\$ 52,783
Investments Measured At Net Asset Value (NAV):		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Domestic Equity	8,684 P \$	-	Monthly	15 days
Commingled International Equity	368,728 P	-	Monthly	30 days
" " "	2,166,828 E	-	Daily, monthly	5-15 days
Comm. Emerging Market Debt Fund	391,498 P	-	Monthly	10- 12 days
Absolute Return (Hedge) Funds	2,831,536 P	-	Various	Various
" " "	52,727 \$	-	Quarterly	30-65 days
Private Equity Partnerships	2,323,970 P	1,113,410	Not Eligible	N/A
" " "	3,634,357 \$	1,508,979	Not Redeemable	Not Redeemable
Regional Private Equity Partnerships	512,423 \$	78,088	Not Redeemable	Not Redeemable
Private Debt Partnerships	730,911 P	128,470	Not Eligible	N/A
Real Estate Equity Partnerships	818,877 P	718,970	Not Eligible	N/A
Real Estate Partnerships	1,274,668 \$	1,134,949	Not Redeemable	Not Redeemable
Open-ended Real Estate Partnerships	1,848,963 \$	100,000	Quarterly	45-90 days
Real Asset Partnerships	991,887 P	602,329	Not Eligible	N/A
Open-ended Real Asset Partnerships	571,389 \$	34,418	Quarterly - Manual	90-180 days
Real Asset Funds	1,872,634 \$	841,633	Not Redeemable	Not Redeemable
Real Estate Funds	9,399 U	1,849	-	-
Commingled Bond Funds	115,070 E	-	Monthly	2 months
Commingled Global Asset Allocation	1,157,415 E	-	Various	30-120 days
Opportunistic Credit Funds	2,612,086 E	606	Daily, monthly	30-180 days
Private Equity Funds	3,903,566 E	1,979	N/A	N/A
Private Real Estate Assets	1,836,419 E	1,241	N/A	N/A
Hedge Fund	319 E	-	In Liquidation Process	N/A
Hedge Fund - Multi-strategy	8,439 N	276	Quarterly	-
Hedge Fund - Equity Long/Short	2,474 N	3,969	None	-
Domestic Venture Capital	1,706 N	-	-	-
Bond Plus Alpha Engine	777,970 P	-	Not Eligible	N/A
Marketable Alternatives	95,046 U	-	Annually	1-90 days
Credit and Structured Finance Pool	2,208,879 \$	1,001,757	Not Redeemable	Not Redeemable
Miscellaneous Funds	8,811 U	3,983	-	-
Mutual Funds - Fixed	1 U	-	-	-
Mutual Funds - Equity	346,655 U	-	-	-
Lifecycle Funds	217,150 D	-	-	-
Stable Value Options	131,465 D	-	-	-
Private Equity	136,281 U	27,667	-	-
Guaranteed Investment Contracts	433,743 T	-	-	-
Investments Measured at NAV	34,102,974	\$ 7,304,773	-	-

STATE OF NEW MEXICO

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment	Fair Value June 30, 2021	Quoted Prices, Active Markets (Level 1)	Observable Inputs Other Than Quoted Prices (Level 2)	Unobservable Inputs (Level 3)
Investments Measured at Amortized Cost:				
Money Market	119,371			
Investments at Amortized Cost	119,371			
Other Investments:				
Equity	2,493			
Cash	8,160			
Securities Lending Investments	312,317			
Information Not Available	384,237			
Lien: UNM Investments Held in Consolidated Investment Fund	(302,474)			
Total Other Investments	604,933			
Total Investments	\$ 80,352,694			

Key:

- D Def. Comp. - PERA
- E Ed. Ret. Bd.
- N NMSU
- P PERA
- S St. Inv. Council
- T Ed. Tr. Bd.
- U UNM

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 (or State agency), and are held by either the counterparty or the counterparty's trust department or agent but not in the State's (or State Agency'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.

Public Employees Retirement Association (PERA's) securities are held by a third-party custodian, independent of any counterparty. The Custodian holds assets directly, through its agents, its sub-custodians, or designated clearing

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

systems, and is responsible for delivery, receipt, pricing, valuation, and record-keeping services for all securities. PERA reports securities valued at \$ 7.81 billion as held in the name of the investment fund by the fund's custodian bank, and \$ 9.56 billion held under custody arrangements contracted by fund managers.

Education Retirement Board (ERB's) securities are held by a financial institution as a third-party custodian, independent of any counterparty, and are held in the name of ERB. All investments of the State Investment Council (SIC) are held in the name of SIC. All investments of the Retiree Health Care Authority (RHC) are held by SIC. All investments of the Education Trust Board (ETB) are held in the name of that Board.

The University of New Mexico reports that the primary institution had no exposure to custodial credit risk at June 30, 2021. Its discretely-presented component units had exposure for a total of \$ 10.80 million. All of the other schools reported no exposure to custodial credit risk. The assets held by New Mexico State University Foundation on behalf of NMSU, which total \$51.85 million, could not be determined to be either subject to or not subject to custodial credit risk.

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-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the Participation Agreement provide greater detail about the credit risk, if any, by certain non-registered Underlying Investment.

The quality ratings of investments in fixed income securities at June 30, 2021, were as follows:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

State of New Mexico			
Quality Ratings of Investments			
(Expressed in Thousands)			
Investment	Rating	Fair Value	
Investments Subject to Credit Risk - S&P Ratings:			
Government Bonds	AAA	\$	334,745
	AA+		5,357,118
	AA		143,004
	AA-		7,107
	A+		4,652
	A-		16,462
	BBB+		3,275
	BBB		54,217
	BBB-		11,462
	BB+		10,642
	BB		68,205
	BB-		17,596
	B+		2,456
	B		12,967
	B-		7,059
	CCC+		4,716
	D		281
	Not Rated		13,767
Investments Subject to Credit Risk - S&P Ratings (Continued):			
Foreign Government Bonds	AAA	\$	17,368
	AA+		5,094
	AA		6,407
	AA-		6,583
	A+		10,955
	A		2,145
	A-		1,482
	BBB+		4,528
	BBB		11,537
	BBB-		4,263
	BB+		1,186
	BB		460
	BB-		2,385
	B+		1,646
	B		3,744
	B-		3,900
	CCC+		2,912
	Not Rated		226,234
U.S. Government Agencies	AAA		14,419
	AA+		6,076

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Municipal Bonds	AAA	\$ 5,390
	AA+	1,825
	AA	38,238
	AA-	13,727
	A+	5,988
	A	3,469
	BBB-	2,153
	Not Rated	36,846
Corporate Bonds	AAA	24,720
	AA+	162,514
	AA	44,101
	AA-	124,185
	A+	356,398
	A	190,305
	A-	375,023
	BBB+	540,124
	BBB	792,500
	BBB-	655,325
	BB+	195,853
	BB	273,552
	BB-	364,381
	B+	170,026
	B	193,988
	B-	66,959
	CCC+	73,734
	CCC	16,923
	CCC-	2,021
	Not Rated	340,743
Mortgage-backed Securities	AAA	9,346
	AA+	673,129
	AA	265
	A	3,057
	A-	4,578
	BBB+	9,942
	BBB	28,324
	BBB-	3,991

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Mortgage-backed Securities (Continued)	BB+	1,000
	BB	5,711
	B+	3,633
	B	9,386
	Not Rated	267,549
Commercial Mortgage-backed Securities	AAA	76,392
	AA+	44,466
	AA	2,387
	A+	170
	A	841
	BBB-	1,813
	B-	689
	B	\$ 65
	B-	1,007
	CCC	189
	Not Rated	180,910
Asset-backed Securities	AAA	80,663
	AA+	5,007
	AA	234,191
	AA-	8,624
	A+	39,993
	A	66,463
	A-	22,490
	BBB+	22,032
	BBB	24,333
	BBB-	11,713
	BB+	4,337
	BB	3,334
	BB-	1,116
	B+	3,475
	B	2,790
	B-	3,053
	CCC	5,864
	CC	4,115
	D	1,913
	Not Rated	199,939
Collateralized Debt/Loan Obligations	AAA	113,912
	AA	82,256
	A	4,565
	BBB	995
	BBB-	4,911
	BB	2,044
	Not Rated	105,321

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Investment	Rating	Fair Value
Investments Subject to Credit Risk - S&P Ratings (Continued):		
Collateralized Mortgage Obligations/REMIC	AAA	\$ 1,991
	AA+	183,579
	AA	37
	AA-	936
	A+	341
	A	114
	A-	1,548
	BBB+	66
	BBB-	1,033
	BB+	430
	BB	325
	BB-	7,302
	B+	4,443
	B	1,626
	B-	1,724
	CCC	1,293
	D	363
	Not Rated	78,248
Certificates of Deposit	AAA	14,685
	A+	8,700
Mutual Funds - Fixed	AAA	258,136
Mutual Funds - Closed-end Equity	AAA	111
	AA	2,397
	A	240
	BBB+	278
	BBB	301
Equity Securities	AAA	1,589
TIPS	Not Rated	534,767
Preferred Stocks	BBB	366
	BBB-	2,434
	BB+	2,775
	Not Rated	37,536
Derivatives (Swaps)	Not Rated	10,422
Commercial Paper	AAA	19,978
Total Subject to Risk - S & P Ratings		<u>15,063,393</u>

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For the Year Ended June 30, 2021

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	\$ 7,771
Corporate Bonds	Aaa	2,631
	Aa1	3,250
	Aa2	6,366
	Aa3	4,663
	A1	25,184
	A2	45,307
	A3	34,814
	Baa1	16,477
	Baa2	4,194
	Baa3	1,241
Municipal Bonds	Aa1	260
	Aa2	2,346
	Aa3	3,331
Discounted Notes	A-1+	379,492
Demand Notes	A-1+	121,363
	A-1	30,843
U.S. Treasury Bills	A-1+	2,126,938
Bankers Acceptances	A-1+	117,213
Money Market Mutual Funds	Aaa	2,611
	AAAm	682,494
Total Subject to Risk - Moody's Ratings		<u>3,639,793</u>
Investments Subject to Credit Risk - Fitch's Ratings:		
Municipal Bonds	AA-	<u>65,362</u>
Other Investments Subject to Credit Risk - Not Rated:		
U.S. Treasuries	Not Rated	41,223
Commercial Paper	Not Rated	59,893
Demand Notes	Not Rated	26,770
Equity Securities	Not Rated	
Domestic Equity	Not Rated	32,702
Foreign	Not Rated	4,451
Certificates of Deposit	Not Rated	8,023
Money Market	Not Rated	33,642
Money Market Mutual Funds	Not Rated	424,520
Limited Partnership - Alternative	Not Rated	12,620
Mortgage-backed Securities	Not Rated	1,209
Real Estate Holdings	Not Rated	1,046
Cash Equivalents	Not Rated	<u>35,028</u>
Other Investments Subject to Credit Risk: Not Rated	Not Rated	<u>681,131</u>

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Investment	Rating	Fair Value
Total Investments Subject to Credit Risk		19,449,879
Investments Not Subject to Credit Risk		31,067,813
Guaranteed Investment Contract		26,864,959
Less: UNM Investments Held in Consol. Inv. Pool		(302,474)
Add: Education Trust Board Investments (presented in separate note)		2,688,282
Information Not Available		584,235
Total Investments		\$ 80,352,694

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

Portfolio/Rating	AAA	AA	A	BBB	BB
Principal Core Fixed Income Fund Class R-6	40.85 %	1.90 %	18.78 %	35.17 %	1.88 %
Principal Short-term Income Fund Inst. Class	32.76	8.70	18.00	33.80	1.40
iShares Core U.S. Aggregate Bond ETF	69.48	2.93	11.28	15.07	0.00
MainStay MacKay High Yield Corp. Class R-6	0.00	0.40	0.10	13.50	50.40
Vanguard Total Int'l. Bond Index Fund ETF	21.62	26.37	29.96	19.51	0.00
Principal Core Fixed Income Fund Class R-5	40.85	1.90	18.78	35.17	1.88
Portfolio/Rating	B	Below B	Not Rated	Total	
Principal Core Fixed Income Fund Class R-6	1.13 %	0.20 %	0.10 %	100.00 %	
Principal Short-term Income Fund Inst. Class	0.25	0.00	5.09	100.00	
iShares Core U.S. Aggregate Bond ETF	0.00	0.00	1.24	100.00	
MainStay MacKay High Yield Corp. Class R-6	27.70	7.10	0.80	100.00	
Vanguard Total Int'l. Bond Index Fund ETF	0.00	1.48	0.86	100.00	
Principal Core Fixed Income Fund Class R-5	1.13	0.20	0.10	100.00	

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

New Mexico Education Trust Board Quality Rating of Investments

The Education Plan

Portfolio/Rating	AAA	AA	A	BBB	BB
DFA Inflation-Protected Securities - Inst. Class	100.00 %	0.00 %	0.00 %	0.00 %	0.00 %
iShares Core Int'l. Aggregate Bond ETF	19.71	23.62	29.50	16.77	0.00
PGIM Global Total Return Class R-6	17.34	8.43	17.70	30.90	11.95
TIAA-CREF Core Plus Bond Fund Inst. Class	40.77	4.41	11.20	23.58	10.70
Vanguard High Yield Corp. Fund Admiral	5.37	0.03	0.00	3.95	55.32
Vanguard Total Bond Market ETF	68.97	3.27	11.98	15.81	0.00
Vanguard Total Bond Market II Index Inst.	69.03	3.18	12.03	15.78	0.00
Vanguard Short-term Inflation-Prot. Sec. Index Inst.	99.91	0.00	0.00	0.00	0.00
Vanguard Short-term Treasury Index Inst.	100.00	0.00	0.00	0.00	0.00
Vanguard Ultra Short-term Bond Admiral	13.52	5.89	35.30	34.06	0.00

Portfolio/Rating	B	Below B	Not Rated	Total
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	8.40	100.00
PGIM Global Total Return Class R - 6	5.96	1.97	6.13	100.00
TIAA-CREF Core Plus Bond Fund Inst. Class	5.57	0.56	3.21	100.00
Vanguard High Yield Corp. Admiral	27.56	6.02	1.75	100.00
Vanguard Total Bond Market ETF	0.00	0.01	(0.04)	100.00
Vanguard Total Bond Market II Index Inst.	0.00	0.01	(0.03)	100.00
Vanguard Short-term Inflation-Prot. Sec. Index Inst.	0.00	0.00	0.09	100.00
Vanguard Short-term Treasury Index Inst.	0.00	0.00	0.00	100.00
Vanguard Ultra Short-term Bond Admiral	0.00	0.15	11.08	100.00

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, 2021, 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.

STATE OF NEW MEXICO

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Maturities on investment at June 30, 2021, were as follows:

Investment	Fair Value	State of New Mexico Maturities on Investments (if expressed in thousands)				
		Total				
		< 1 year	1-5 years	6-10 years	> 10 Years	Life Not Avail.
Investments Subject to Interest Rate Risk:						
U.S. Treasuries	\$ 2,520,541	\$ 2,178,274	\$ 230,946	\$ 141,321	\$ -	\$ -
U.S. Government Agencies	1,061,107	987,443	2,718,817	111,913	38,891	-
Corporate Bonds	5,051,339	668,539	2,198,561	817,000	1,277,919	97,279
Municipal Provincial Bonds	176,866	30,882	114,340	6,456	25,188	-
Non-U.S. Government Bonds	439,853	-	-	439,853	-	-
Certificates of Deposits	31,299	9,918	24,381	-	-	-
Collateralized Debt Obligations	239,753	239,753	-	-	-	-
CMO REMIC	287,439	175,951	4,013	20,129	84,426	-
Asset backed Securities	323,133	39,941	305,640	94,434	85,093	-
Commercial Mortgage-backed	308,884	15,807	-	461	334,295	-
Commercial Paper	79,873	39,939	39,943	-	-	-
Discounted Notes	379,492	379,492	-	-	-	-
Demoted Notes	194,180	36,719	173,410	-	-	-
Government Bonds	1,838,121	115,818	875,852	387,924	470,088	439
Money Market	91,735	18,367	2,644	490	76,254	-
Money Market Mutual Funds	1,109,634	19,233	1,090,371	-	-	-
Mortgage-backed Secs	1,311,078	697	395,183	6,046	1,013,172	-
Equities	1,589	1,589	-	-	-	-
Mutual Funds - Fixed	1,327	-	329	2,878	120	-
Mutual Funds	291,136	-	758,116	-	-	-
Preferred Stock	41,111	-	-	-	-	43,111
TIPS	534,768	-	-	534,768	-	-
FUNDUS	1,571	2,571	-	-	-	-
Bankers' Acceptances	117,213	117,213	-	-	-	-
Cash Collateral	187	-	-	-	-	187
Derivatives (Swaps)	19,423	-	10,423	-	-	-
Swaps	(1,719)	-	(1,398)	(214)	(1,68)	-
Swaptions	(199)	(189)	(9)	-	-	-
Short-term Investments	35,028	35,028	-	-	-	-
Investments Subject to Interest Rate Risk	19,701,710	\$ 1,224,378	\$ 8,277,573	\$ 2,773,400	\$ 3,283,281	\$ 141,016
Investments Not Subject to Interest Rate Risk	37,689,591					
Less: UNM Investments in Consolidated Pool	(301,474)					
Information Not Available:	584,585					
Add: Educated Trust Board -						
(presented in separate note)	2,681,282					
Total Investments	\$ 80,352,694					

Calculations based on weighted-average method (WAM)

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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	
Principal Core Fixed Income Fund Class R-5			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 High-Yield Corporate Fund Admiral		X		
Vanguard Total Bond Market ETF			X	
Vanguard Total Bond Market II Index Inst.			X	
Vanguard Short-term Inflation-Prot. Sec. Index Inst.		X		
Vanguard Short-term Treasury Index Inst. Class		X		
Vanguard Ultra Short-term Bond 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.

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Exposure to foreign currency risk at June 30, 2021 was as follows:

Foreign Currency	State of New Mexico Foreign Currency Risk International Investment Securities at Fair Value (Expressed in Thousands)					
	U.S. Dollar	Fixed Income	Vent. Cap., Prefd. Sub., Rm., REITs, Private, Warrants	Derivatives	Total Investments	Cash and Cash Equivalents (Overdraft)
	\$	\$	\$	\$	\$	\$
Argentine Peso	-	673	-	-	673	154
Australian Dollar	301,750	11,911	-	47	315,748	391
Bolivian Peso	10	-	-	-	10	1
Brazilian Real	95,324	3,109	-	124	97,206	1,110
British Pound Sterling	893,643	41,396	129,625	159	1,065,814	4,626
Canadian Dollar	480,219	11,279	-	103	491,601	1,188
Chilean Peso	35,876	190	-	-	36,066	1,239
Chinese Yuan Renminbi	127,046	28,237	-	-	155,283	2,076
Colombian Peso	2,380	757	-	8	3,023	223
Croatian Kuna	5	-	-	-	5	-
Czech Koruna	960	(1,016)	-	-	(56)	1,371
Danish Krone	139,301	17,596	-	-	146,897	472
Dominican Peso	138	-	-	-	138	-
Egyptian Pound	206	-	-	-	206	29
Euro	2,005,787	167,856	1,163,189	677	3,337,459	20,913
Ghanaian Cedi	155	-	-	-	155	7
Hong Kong Dollar	736,821	-	-	-	736,821	3,147
Hungarian Forint	6,188	282	-	(2)	6,468	169
Indian Rupee	59,001	895	-	-	59,896	700
Indonesian Rupiah	38,237	1,673	-	(20)	39,892	554
Israeli Shekel	38,238	320	-	(20)	38,758	194
Japanese Yen	1,438,422	64,393	-	(87)	1,502,728	8,008
Kenyan Shilling	5	-	-	-	5	-
Kuwaiti Dinar	5,387	-	-	-	5,387	197
Malaysian Ringgit	23,888	1,199	-	-	25,087	229
Mexican Peso	55,482	1,084	-	(481)	56,079	3,078
New Taiwan Dollar	339,924	-	-	-	339,924	3,420
New Zealand Dollar	17,259	613	-	-	17,874	989
Norwegian Krone	68,037	244	-	-	68,301	419
Peruvian Nuevo Sol	1,304	1,501	-	285	9,000	125
Philippine Peso	3,230	-	-	-	3,230	80

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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., Rta., REITs, Pkshps., Wtrts.	Derivatives	Total Investments	Cash and Cash Equivalents
Polish Zloty	\$ 24,404	\$ 531	\$ -	1	\$ 24,936	\$ 230
Qatari Riyal	8,990	-	-	-	8,990	23
Romanian Leu	1,141	250	-	-	1,391	-
Russian Ruble	5,718	723	-	61	6,503	187
Saudi Riyal	31,415	-	-	-	31,415	1,083
Singapore Dollar	83,747	556	-	-	84,303	647
South African Rand	78,905	783	-	(461)	79,227	1,084
South Korean Won	294,791	4,547	-	-	299,338	2,446
Swedish Krona	225,070	1,257	-	-	226,327	627
Swiss Franc	671,137	2,202	-	-	673,339	754
Thai Baht	37,619	1,323	-	-	38,942	51
Tunisian Dinar	3	-	-	-	3	-
Turkish Lira	6,612	-	-	-	6,612	134
UAE Dirham	6,524	-	-	-	6,524	63
Ukrainian Hryvnia	274	-	-	-	274	-
Uruguayan Peso	106	-	-	-	106	1
Subtotals	\$ 8,318,695	\$ 376,517	\$ 1,292,814	\$ 378	\$ 9,988,394	\$ 69,215
Total Investments and Cash and Cash Equivalents Subject to Foreign Currency Risk					9,988,394	69,215
Investments Not Subject to Foreign Currency Risk					70,364,300	
Total Investments					\$ 80,352,694	

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Securities Lending

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

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

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

Total securities on loan at June 30, 2021, had a carrying amount and fair value of \$585.9 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, 2021, 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 \$312.6 million and the securities lending obligations were \$312.5 million at June 30, 2021. Total cash and noncash collateral was \$625.9 million, 106.8% of the fair value of the securities on loan.

As of June 30, 2021, 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 \$1.7 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2021, 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:

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	\$ (520)	\$ (1,391)	\$ 173,291	\$	162,090
Equity Index Futures	1,261	(315)	219,377		218,819
Bond Index Futures	(105)	1,605	702,413		706,817
Commodity Futures	(3,172)	200	16,236		16,436
Other	494	494	1,200		1,648
Options					
Equity Options	\$ 2	\$ -	\$ -	\$	-
Fixed Income Options	73	13	-		13
Swap Contracts					
Return Swaps (Equity)	\$ 25,023	\$ 31,024	\$ -	\$	-
Return Swaps (Fixed Income)	8,002	-	-		-
Cleared Credit Default Swaps	9,873	8,135	-		-
Cleared Inflation Swaps	(494.00)	(629)	-		-
Interest Rate Swaps	(123.00)	-	-		(4,670)
Credit Default Swaps	7	5	-		10,748
Cleared Interest Rate Swaps	1,434	399	-		(6,078)

Educational Retirement Board

Derivative Financial Instruments - Notional Amounts

(Expressed in Thousands)

Derivative Type	Balance at June 30, 2021
Futures Contracts - Short	\$ (7,174)
FX Forward Contracts, Net	1,316
Options, Net	126,686
Pay Interest Rate Swaps	12,889
Receive Interest Rate Swaps	27,025

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Educational Retirement Board
Unrealized Gain/(Loss) and
Fair Values of Derivative Instruments
(Expressed in Thousands)

<u>Derivative Type</u>	<u>Classification</u>	<u>Gain/Loss</u>	<u>Classification</u>	<u>Amount</u>
Futures	Investment Income	\$ 755	Investment	\$ -
Options - purchased	Investment Income	(146)	Investment	14
Options - written	Investment Income	614	Investment	(61)
Fx Forwards	Investment Income	1,784	Investment	806
Pay Interest Rate Swaps	Investment Income	395	Investment	144
Receive Interest Rate Swaps	Investment Income	(1,015)	Investment	(454)
Rights - common stock	Investment Income	(199)	Investment	-

Educational Retirement Board
Summary of Futures, Options, and Swaps Contracts, By Currency
(Expressed in Thousands)

<u>Transaction Type</u>	<u>Currency</u>	<u>Notional Amount</u>	<u>Unrealized Gain/Loss</u>
Futures	Euro	\$ (5,574)	\$ (42)
	U.S. Dollar	(1,600)	(151)
	U.S. Dollar	1,316	14
	U.S. Dollar	(5,413)	(61)
Options Purchased	Brazilian Real	12,073	(80)
	Chilean Peso	880	7
	Colombian Peso	740	(13)
Options Written	Czech Koruna	1,038	36
	Hungarian Forint	1,059	(13)
	Malaysian Ringgit	1,999	(4)
	Mexican Peso	6,388	31
Swaps	Polish Zloty	1,941	99
	Russian Ruble	433	(13)
	South African Rand	5,878	40
	South Korean Won	3,641	(36)
	Chinese Yuan Renminbi	3,845	(117)
Totals		\$ 28,644	\$ (303)

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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, 2021:

Educational Retirement Board Foreign Currency Exchange Contracts (Expressed in Thousands)				
Currency	Buys	Unrealized Gain (Loss)	Sells	Unrealized Gain (Loss)
Australian Dollar	\$ 2,660	\$ (66)	\$ 1,563	\$ (51)
Brazilian Real	16,338	334	21,933	441
Canadian Dollar	530	5	524	(7)
Chilean Peso	2,268	72	331	(2)
Chinese Yuan Renminbi	1,880	43	4,303	(15)
Colombian Peso	470	1	1,310	(53)
Czech Koruna	1,802	3	4,131	138
Euro	10,969	(32)	3,292	(36)
Hungarian Forint	2,523	19	1,548	61
Indian Rupee	321	(29)	4,305	(45)
Indonesian Rupiah	1,336	28	1,019	11
Japanese Yen	1,311	31	1,579	(32)
Malaysian Ringgit	-	-	1,094	(11)
Mexican Peso	432	3	4,201	(369)
New Israeli Shekel	1,874	3	1,889	(7)
New Zealand Dollar	259	(43)	262	(5)
New Taiwan Dollar	928	34	593	(22)
Philippine Peso	413	(16)	1,103	6
Polish Zloty	499	(102)	3,939	115
Romanian Leu	-	(1)	1,012	18
Russian Ruble	2,347	15	3,766	(38)
Singapore Dollar	1,134	6	-	(14)
Sol	1,432	11	244	(9)
South African Rand	4,926	343	1,329	(26)
South Korean Won	1,831	3	2,892	(27)
Thai Baht	2,134	50	2,935	(57)
Turkish Lira	-	(9)	115	9
Ukrainian Hryvnia	279	(7)	-	-
Totals	\$ 60,896	\$ 701	\$ 71,202	\$ 73

STATE OF NEW MEXICO

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For the Year Ended June 30, 2021

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 2021 and 2020, 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, 2021.

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, 2021, 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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 are summarized in the following table:.

Educational Retirement Board	
Derivative Financial Instruments	
Schedule of Asset-backed Securities	
<i>(Expressed in Thousands)</i>	
	Balance
Derivative Type	at June 30, 2021
Asset-backed Securities	\$ 258,065,128
Non-agency Mortgage-backed Securities	13,846,603
Foreign Asset-backed Securities	20,891,175
Total	\$ 292,802,906

STATE OF NEW MEXICO

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For the Year Ended June 30, 2021

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	\$ 67,867	\$ 62,666	\$ 5,201	\$ -
International Common Stock	14,799	14,799	-	-
Equities	7,976	7,976	-	-
Exchange Traded Funds	1,668	1,668	-	-
Real Assets	2,786	824	1,962	-
Marketable Securities	309	309	-	-
Mutual Funds - Equity	103,733	103,733	-	-
Mutual Funds - Cash	1,223	1,223	-	-
Balanced Funds	11	11	-	-
Real Estate	3,477	-	-	3,477
Real Estate Investment Trust (REIT)	258	-	-	258
Non-marketable Equity Investment	75,990	-	-	75,990
Total Equity Securities	280,097	193,209	7,163	79,725
Debt Securities:				
U.S. Government Bonds	2,808	1,517	1,291	-
U.S. Government Agencies	77,635	77,635	-	-
US Treasuries	434,116	434,116	-	-
Corporate Bonds	1,557	-	1,557	-
U.S. Government-sponsored Enterprise	2,361	-	2,361	-
Mutual Funds - Fixed	26,705	24,122	2,583	-
Mortgage-backed Securities	4,468	3,747	721	-
Certificates of Deposit	1,235	205	1,030	-
Securitized Mortgage Loans	1,120,200	1,120,200	-	-
Fixed Income	658	658	-	-
Fixed Income Exchange Traded Fund	30	30	-	-
Total Debt Securities	1,691,773	1,682,130	9,643	-
Total Investments Measured				
At Fair Value	1,971,870	\$ 1,875,339	\$ 16,806	\$ 79,725

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Investments Measured At		Unfunded	Redemption	Redemption
Net Asset Value (NAV):		Commitments	Frequency	Notice Period
Real Estate Funds	4,899	\$ -	-	-
Limited Partnerships	32,438	703	Daily to Biannually	30 - 93 days
Private Investment Funds	55,495	30,122	-	-
Illiquid Real Assets Funds	4,593	4,336	-	-
Hedge Funds - Multi-strategy	28,062	916	Quarterly	90 days
Hedge Funds - Equity Long/Short	8,226	13,196	None	None
Hedge Funds - Other	49,542	-	Various	2 - 90 days
Private Equity Funds	396	n/a	n/a	n/a
Domestic Venture Capital	5,674	-	None	None
Strategic Funds	138	n/a	n/a	n/a
Mutual Funds	24,589	1,608	Weekly - Monthly	5 - 90 days
Mutual Funds - Equity	128,567	-	Daily	1 - 2 days
Investments Measured at NAV	342,619			
Investments Measured at Amortized Cost				
Money Market Funds in Endowment Pools	39,747			
Investments Measured by the Equity Method:				
Investments in Small Businesses	2,202			
Other Investments:				
Unidentified	4			
Investment Information Not Available	19,527			
Total Other Investments	19,531			
Total Investments,				
Discretely-presented Components	\$ 2,375,969			

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Interest Rate Risk

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

State of New Mexico Discretely Presented Component Units Maturities on Investments (Expressed in Thousands)						
Investment Type	Fair Value	Investment Maturities (in Years)				Not Available
		Less Than 1 year	1-5 years	6-10 years	Greater Than 10 Years	
Investments Subject to Interest Rate Risk:						
U.S. Treasury Notes/Bonds	\$ 454,116	\$ 454,041	\$ 75	\$ -	\$ -	\$ -
U.S. Government Bonds	1,335	95	806	192	442	-
U.S. Government Agencies	77,634	4,010	73,624	-	-	-
Corporate Bonds	805	5	248	491	61	-
Mortgage-backed Securities	448	-	31	20	397	-
Fixed Income	658	-	-	322	136	-
U.S. Government-sponsored Enter.	2,361	422	1,939	-	-	-
Securitized Mortgage Loans	1,120,200	-	728	7,521	1,111,951	-
Real Assets	2,814	2,814	-	-	-	-
Balanced Funds	405	11	-	-	394	-
Investments Subject to Interest Rate Risk	1,660,976	\$ 461,398	\$ 77,451	\$ 8,746	\$ 1,113,381	\$ -
Investments Not Subject to Interest Rate Risk	335,122					
Information Not Available	379,871					
Total Investments, Discretely- Presented Components	\$ 2,375,969					

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

Credit Risk

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

State of New Mexico Discretely Presented Component Units Quality Ratings (Expressed in Thousands)		
Investment Type	Rating	Value
Investments Subject to Credit Risk - S&P Ratings:		
U.S. Government Bonds	Gov't. Guarantee	\$ 430
	AA+	19
U.S. Government Agencies	AA+	16,028
Corporate Bonds	AAA	8
	AA+	2
	AA	23
	AA-	100
	A+	47
	A	29
	A-	47
	BBB+	423
	BBB	118
	BBB-	7
Securitized Mortgage Loans	Gov't. Guar.	956,279
	AA+	163,921
Mortgage-backed Securities	AAA	19
	AA	2
U.S. Government-sponsored Enterprises	AA+	2,361
Equity Exchange Traded Fund	AAA	45
	A+	23
	A-	11
	BBB	26
	Not Rated	1,511
Fixed Income Mutual Fund	AAA	38
	AA+	16
	A+	117
	A	14
	A-	203
	BBB+	200
	BBB	80
Total Subject to Risk - S & P Ratings		1,142,147

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 3 (CONTINUED)

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

Investment Type	Rating	Value
Not Rated:		
Government Securities	Not Rated	1,087
Mortgage-backed Securities	Not Rated	427
U.S. Treasury Notes	Not Rated	358
Fixed Income Ex. Traded Fund		30
Other Mutual Fund		1,530
REIT		259
Total Not Rated		3,691
Total Subject to Credit Risk		1,145,838
Total Not Subject to Credit Risk		838,829
Information Not Available		391,302
Total Investments, Discretely-Presented Components		\$ 2,375,969

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, 2021: Ginnie Mae at 81 percent and Fannie Mae at 14 percent.

STATE OF NEW MEXICO

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 4

NOTE 4. Receivables

Receivables at June 30, 2021, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	Federal	Local Government	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	\$ 982,634	\$ 17,472	\$ 700,643	\$ 339,738	\$ 45,791	\$ 2,822,565	\$ 20,469	\$ (1,989,570)	\$ 2,939,732	\$ 1,132	\$ 59,125	\$ 61,817	\$ 3,002,589
Business-Type Activities	20,536	-	670,519	-	1,298	46,195	12,771	(127,571)	623,808	229,199	-	229,199	853,007
Fiduciary Funds	-	-	203,940	1,315,582	10,748	362,789	11,354	(2,268)	1,901,145	680	-	680	1,901,825
Component Units	-	-	36,314	-	6	-	162,738	-	199,058	1,857,874	-	1,857,874	2,056,929
Governmental Funds:													
General	977,766	16,066	627,634	73,639	33,473	2,822,565	20,469	(1,985,190)	2,586,413	1,132	53,253	56,385	2,642,819
Debt Service	-	1,368	-	-	-	-	-	-	1,368	-	6,472	6,472	7,840
Capital Projects	4,868	38	637	-	-	-	-	-	5,543	-	-	-	5,543
Severance Tax Permanent	-	-	169	57,098	12,318	-	-	-	69,525	-	-	-	69,525
Land Grant Permanent	-	-	48,668	208,992	-	-	-	-	257,660	-	-	-	257,660
Internal Service	-	-	23,535	-	-	-	-	(4,312)	19,183	-	-	-	19,183
Business-type Activities:													
Educational Institutions	-	-	480,923	-	-	-	-	-	480,923	28,686	-	28,686	489,589
Major Enterprise	20,435	-	181,521	-	-	46,195	-	(121,527)	126,624	-	-	-	126,624
Nonmajor Enterprise	101	-	28,135	-	1,298	-	12,771	(6,044)	36,261	200,533	-	200,533	236,794
Fiduciary Funds:													
Pension Trust	-	-	149,592	1,313,035	10,740	-	11,354	(237)	1,484,404	680	-	680	1,485,174
External Trust	-	-	49,526	2,547	-	-	-	-	52,073	-	-	-	52,073
Private Purpose Trust	-	-	-	-	8	-	-	-	8	-	-	-	8
Custodial	-	-	3,822	-	-	362,789	-	(2,041)	364,570	-	-	-	364,570
Discrete Component Units:													
Finance Authority	-	-	9,336	-	-	-	162,738	-	172,074	1,602,987	-	1,602,987	1,775,061
Mortgage Finance Authority	-	-	4,153	-	-	-	-	-	4,153	188,022	-	188,022	192,175
Other Major Component Units	-	-	8,347	-	-	-	-	-	8,347	1,071	-	1,071	9,418
Nonmajor Component Units	-	-	14,478	-	6	-	-	-	14,484	65,794	-	65,794	80,275

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For the Year Ended June 30, 2021

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 \$9.02 million was received by the Agency during the fiscal year ended June 30, 2021. The settlement was paid off during fiscal year 2021.

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

Discrete Component Units

The following is an analysis of the allowance for loan losses as of June 30, 2021 for the two largest discretely-presented component units (in thousands):

NMFA & NMMFA - Loan Loss Allowances

	NM Finance Authority	NM Mortgage Fin. Auth.
Beginning Balance	\$ 1,629	\$ 3,847
Provision for Loan Losses	5,346	65
Loans Written Off, Net of Recoveries	(48)	2,559
Ending Balance	\$ 6,927	\$ 6,471

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 2.3% and 7.5%.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 5

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

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

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

The composition of interfund balances as of June 30, 2021, is as follows (in thousands):

	Due From	Due To	Transfers In	Transfers Out
Governmental Activities:				
General	\$ 10,259	\$ 460,112	\$ 1,195,103	\$ 2,651,045
Debt Service	214,388	-	6,178	123,804
Capital Projects	725	19,305	586,246	124,170
Severance Tax Permanent	147	-	123,804	243,723
Land Grant Permanent	239,874	-	1,184,423	873,405
Internal Service	-	5	22,308	11,800
Subtotal Government Fund Activities	465,393	479,422	3,118,061	4,027,949
Asset Transfers (Government wide level)				
General			66,733	1,461
Capital Projects			-	70,077
Subtotal Asset Transfers			66,733	71,539
Total Governmental Activities			3,184,794	4,099,487
Business-type Activities:				
Educational Institutions	15,002	926	874,809	72,780
Major Enterprise	11	-	100,000	-
Nonmajor Enterprise	-	58	13,516	852
Total Business-type Activities	\$ 15,013	\$ 984	988,325	73,632
Totals	\$ 480,406	\$ 480,406	\$ 4,173,119	\$ 4,173,119

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6

NOTE 6. Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2021, 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	\$ 684,896	\$ (1,259)	\$ 3,487	\$ (21)	\$ 3,431	\$ -	\$ 690,534
Construction in Progress	667,670	(2,235)	550,244	(4,566)	(313,903)	(3,364)	893,846
Mineral Rights	91,855	-	-	-	21	-	91,876
Art and Other	739	-	-	-	-	-	739
Total Capital Assets not being Depreciated	1,445,160	(3,494)	553,731	(4,587)	(310,451)	(3,364)	1,676,995
Capital Assets being Depreciated:							
Land Improvements	57,853	-	720	(121)	698	-	59,150
Equipment and Machinery	232,524	(909)	30,484	(8,589)	(3,527)	(103)	240,880
Building and Improvements	2,003,981	(568)	46,356	(1,677)	(2,888)	(1,377)	2,043,811
Furniture and Fixtures	23,268	(97)	1,479	(708)	205	(106)	24,041
Data Processing Equipment and Software	425,700	2,801	13,621	(8,867)	226	3,090	438,511
Library Books and Other	15,382	-	156	(23)	(21)	-	15,494
Vehicles	364,510	122	15,541	(7,727)	3,291	86	375,823
Infrastructure	13,774,708	-	2,861	(1,232,921)	311,464	-	12,856,112
Total Capital Assets being Depreciated	16,887,906	1,351	112,218	(1,260,633)	310,450	1,530	16,053,822
Less Accumulated Depreciation for:							
Land Improvements	(35,989)	55	(1,710)	141	8	-	(37,475)
Equipment and Machinery	(146,313)	2,739	(14,332)	8,610	2,296	-	(147,000)
Building and Improvements	(1,060,793)	3,851	(58,081)	1,157	73	-	(1,113,793)
Furniture and Fixtures	(17,889)	22	(1,224)	712	(73)	-	(18,452)
Data Processing Equipment and Software	(261,378)	(4,014)	(31,417)	8,685	(8)	-	(288,132)
Library Books and Other	(1,280)	-	(28)	1	-	-	(1,307)
Vehicles	(265,439)	(43)	(24,660)	7,499	(2,304)	14	(284,953)
Infrastructure	(9,405,226)	-	(416,164)	1,232,921	-	-	(8,588,469)
Total Accumulated Depreciation	(11,194,307)	2,610	(547,616)	1,259,726	(8)	14	(10,479,581)
Total Capital Assets being Depreciated, Net	5,693,599	3,961	(434,398)	(907)	310,442	1,544	5,574,241
Capital Assets, Net	\$ 7,138,759	\$ 467	\$ 119,333	\$ (5,494)	\$ (9)	\$ (1,820)	\$ 7,251,236

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

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

General Control	\$	55,945
Education		699
Health and Human Services		9,742
Highways and Transportation		428,360
Culture, Recreation, and Nat. Resources		18,141
Judicial		6,483
Legislative		1,820
Public Safety		20,363
Regulation and Licensing		5,563
Total	\$	<u>547,616</u>

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Business-type Activities for the year ended June 30, 2021, 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	\$ 94,318	\$ 10,156	\$ 288	\$ (3,958)	\$ -	\$ -	\$ 100,804
Construction in Progress	159,419	(10,212)	126,634	(2,332)	(81,047)	259	192,821
Art and Other	2,517	56	-	(11)	-	-	2,562
Total Capital Assets not being Depreciated	256,254	-	126,922	(6,201)	(81,047)	259	296,187
Capital Assets being Depreciated:							
Land Improvements	140,485	-	2,843	(59)	8,196	-	151,465
Equipment and Machinery	963,264	2,516	49,909	(26,679)	5,837	178	995,025
Building and Improvements	3,665,482	(7,004)	5,295	(7,578)	58,331	1,377	3,715,903
Furniture and Fixtures	786	-	-	-	-	-	786
Data Processing Equipment and Software	22,881	(1,976)	304	-	-	5	21,304
Library Books and Other	339,767	3,198	9,081	(1,532)	-	-	350,514
Vehicles	6,762	451	652	-	-	-	7,865
Infrastructure	342,874	-	230	-	8,683	-	351,787
Total Capital Assets being Depreciated	5,482,301	(2,815)	68,404	(35,848)	81,047	1,560	5,594,649
Less Accumulated Depreciation for:							
Land Improvements	(128,079)	-	(8,131)	9	-	-	(136,201)
Equipment and Machinery	(744,234)	(2,500)	(55,551)	26,582	-	-	(775,723)
Building and Improvements	(1,692,644)	6,400	(93,102)	4,222	-	-	(1,775,124)
Furniture and Fixtures	(732)	-	(8)	-	-	-	(740)
Data Processing Equipment and Software	(19,538)	1,976	(260)	-	-	-	(17,822)
Library Books and Other	(295,919)	(3,139)	(10,742)	1,532	-	-	(308,268)
Vehicles	(5,124)	(414)	(362)	-	-	-	(5,900)
Infrastructure	(230,639)	-	(14,179)	-	-	-	(244,818)
Total Accumulated Depreciation	(3,116,909)	2,323	(182,535)	32,323	-	-	(3,264,596)
Total Capital Assets being Depreciated, Net	2,365,392	(492)	(113,931)	(3,523)	81,047	1,560	2,330,053
Capital Assets, Net	\$ 2,621,646	\$ (492)	\$ 12,991	\$ (9,724)	\$ -	\$ 1,819	\$ 2,626,240

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Fiduciary Funds for the year ended June 30, 2021 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	\$ -	\$ 996	\$ -	\$ -	\$ -	\$ 2,793
Art and Other	31	-	-	-	-	-	31
Total Capital Assets not being Depreciated	1,828	-	996	-	-	-	2,824
Capital Assets being Depreciated:							
Land Improvements	19	-	-	-	-	-	19
Equipment and Machinery	271	-	33	-	-	-	304
Building and Improvements	16,082	-	-	-	-	-	16,082
Furniture and Fixtures	1,219	-	-	-	-	-	1,219
Data Processing Equipment and Software	27,421	-	21	-	-	-	27,442
Vehicles	57	-	-	-	-	-	57
Total Capital Assets being Depreciated	45,069	-	54	-	-	-	45,123
Less Accumulated Depreciation for:							
Land Improvements	(1,056)	-	(38)	-	-	-	(1,094)
Equipment and Machinery	(35)	-	-	-	-	-	(35)
Building and Improvements	(6,587)	-	(524)	-	-	-	(7,111)
Furniture and Fixtures	(1,110)	-	(73)	-	-	-	(1,183)
Data Processing Equipment and Software	(24,413)	-	(252)	-	-	-	(24,665)
Vehicles	(57)	-	-	-	-	-	(57)
Total Accumulated Depreciation	(33,258)	-	(887)	-	-	-	(34,145)
Total Capital Assets being Depreciated, Net	11,811	-	(833)	-	-	-	10,978
Total Capital Assets being Depreciated, Net	\$ 13,639	\$ -	\$ 163	\$ -	\$ -	\$ -	\$ 13,802

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

Capital asset activity for Component Units for the year ended June 30, 2021 was as follows (in thousands):

Component Units - Capital Assets	Beginning Balance	Restatement	Additions	Deletions	Reductions	Transfers	Ending Balance
Capital Assets not being Depreciated:							
Land and Land Improvements	\$ 19,943	\$ 2,402	\$ 6,617	\$ (363)	\$ -	\$ -	\$ 28,599
Construction Work in Progress	4,984	-	26,154	(494)	(1,093)	(1,119)	28,432
Mineral Rights	30	-	-	-	-	-	30
Leased Asset - Right to Use	-	-	14	-	-	-	14
Art and Other	4,225	131	347	(14)	-	-	4,689
Total Capital Assets not being Depreciated	29,182	2,533	33,132	(871)	(1,093)	(1,119)	61,764
Capital Assets being Depreciated:							
Building and Improvements	90,217	7,046	13,674	677	217	-	111,891
Leasehold Improvements	33	2,359	406	(581)	-	-	2,017
Infrastructure	17,572	-	250	-	-	-	17,822
Aircraft	105	-	-	-	-	-	105
Vehicles	3,374	-	133	-	120	-	3,627
Machinery And Equipment	16,206	-	731	(1,322)	756	-	16,391
Data Processing Equipment and Software	4,104	-	819	(1,888)	-	1,119	4,154
Furniture and Fixtures	10,941	54	1,844	(128)	-	-	12,711
Leased Asset - Right to Use - Depreciable	-	-	(3)	-	-	-	(3)
Total Capital Assets being Depreciated	142,602	9,369	17,874	(3,342)	1,093	1,119	168,713
Less Accumulated Depreciation for:							
Building and Improvements	(22,106)	(407)	(3,329)	(255)	-	-	(26,165)
Infrastructure	(10,342)	-	(734)	-	-	-	(11,136)
Vehicles	(2,393)	93	(239)	-	-	-	(2,527)
Equipment and Machinery	(10,738)	-	(661)	1,301	-	-	(10,088)
Leasehold Improvements	-	(494)	(157)	223	-	-	(428)
Data Processing Equipment and Software	(4,004)	-	(233)	1,907	-	-	(2,350)
Furniture and Fixtures	(6,940)	(41)	(1,064)	58	-	-	(7,997)
Leased Asset - Right to Use	-	-	-	-	-	-	-
Total Accumulated Depreciation	(56,633)	(847)	(6,437)	3,256	-	-	(60,691)
Total Capital Assets being Depreciated, Net	85,969	8,522	11,447	(86)	1,093	1,119	108,024
Capital Assets, Net	\$ 115,111	\$ 11,055	\$ 44,579	\$ (927)	\$ -	\$ -	\$ 169,788

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 6 (CONTINUED)

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, 2021, 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	\$ 60,212	\$ 5,368
Additions	1,483	4,954
Deletions	(24,334)	(215)
Ending Balance	<u>\$ 37,361</u>	<u>\$ 10,107</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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8

NOTE 8. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021, are presented in the following table (in thousands). As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

	<u>Beginning Balance, Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Long term Debt</u>
Governmental Activities:						
General Obligation Bonds	\$ 421,700	\$ 166,675	\$ (83,080)	\$ 505,295	\$ 90,930	\$ 414,365
Severance Tax Bonds	680,245	411,905	(128,115)	964,035	114,365	849,670
Revenue Bonds and Loans Payable	1,094,670	98,620	(235,272)	958,018	134,948	823,070
Net Unamortized Premiums, Discounts	230,268	138,737	(76,939)	292,066	59,209	232,857
Total Bonds Payable	<u>2,426,883</u>	<u>815,937</u>	<u>(523,406)</u>	<u>2,719,414</u>	<u>399,452</u>	<u>2,319,962</u>
Insurance Claims Payable	152,392	16,490	(1,546)	167,336	92,191	75,145
Contingent Liabilities	22	-	(22)	-	-	-
Compensated Absences	83,605	84,712	(73,643)	94,674	83,871	10,803
Native American Water Settlement Liability	91,543	-	(21,000)	70,543	-	70,543
Pollution Remediation Obligation	41,667	2,609	(3,209)	41,067	1,263	39,804
Total Other Liabilities	<u>369,229</u>	<u>103,811</u>	<u>(99,420)</u>	<u>373,620</u>	<u>177,325</u>	<u>196,295</u>
Total Governmental Long-term Liabilities	<u>\$ 2,796,112</u>	<u>\$ 919,748</u>	<u>\$ (622,826)</u>	<u>\$ 3,093,034</u>	<u>\$ 576,777</u>	<u>\$ 2,516,257</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Business-type Activities:	Beginning Balance, Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year	Long term Debt
General Obligation Bonds	\$ -	\$ 3,000	\$ (870)	\$ 2,130	\$ 870	\$ 1,260
Revenue Bonds	823,419	203,903	(238,508)	788,814	52,500	736,314
Bond Premium, Discount, Net	39,278	-	(10,714)	28,564	122	28,442
Total Bonds Payable	<u>862,697</u>	<u>206,903</u>	<u>(250,092)</u>	<u>819,508</u>	<u>53,492</u>	<u>766,016</u>
Compensated Absences	99,084	84,792	(70,460)	113,416	91,153	22,263
Reserve for Losses	101,939	5,591	-	107,530	22,924	84,606
Notes Payable	13,506	-	(4,181)	9,325	1,090	8,235
Insurance Claims Payable	9,953	-	(4,291)	5,662	5,662	-
Loans Payable	-	196,331	-	196,331	-	196,331
Capital Leases	213	201	(241)	173	56	117
Derivative Instruments - Interest Rate Swaps	8,374	-	(2,374)	6,000	-	6,000
Student Loans	12,069	985	(1,683)	11,371	-	11,371
Environmental Cleanup	5,434	-	-	5,434	-	5,434
Misc. Liabilities	<u>165,162</u>	<u>35,412</u>	<u>(1,765)</u>	<u>198,809</u>	<u>197,018</u>	<u>1,791</u>
Total Other Liabilities	<u>415,754</u>	<u>323,312</u>	<u>(84,995)</u>	<u>654,051</u>	<u>317,903</u>	<u>336,148</u>
Total Business-type Long-term Liabilities	<u>\$ 1,278,431</u>	<u>\$ 530,215</u>	<u>\$ (335,087)</u>	<u>\$ 1,473,559</u>	<u>\$ 371,395</u>	<u>\$ 1,102,164</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Fiduciary:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year	Long term Debt
Pension Trust Funds						
Reserve for Losses	20,521	2,782	\$ -	\$ 23,303	\$ 23,303	\$ -
Compensated Absences	\$ 1,024	\$ 536	\$ (554)	\$ 1,006	\$ 1,006	\$ -
Total Fiduciary Long-term Liabilities	\$ 21,545	\$ 3,318	\$ (554)	\$ 24,309	\$ 24,309	\$ -

	Beginning Balance, Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year	Long term Debt
Component Units:						
Revenue Bonds	\$ 2,560,116	\$ 276,943	\$ (247,311)	\$ 2,589,748	\$ 168,363	\$ 2,421,385
Total Bonds Payable	2,560,116	276,943	(247,311)	2,589,748	168,363	2,421,385
Compensated Absences	1,540	1,120	(826)	1,834	1,834	-
Notes Payable	34,665	201,896	(161,101)	75,460	25,227	50,233
Loans Payable	561	561	-	1,122	1,122	-
Misc. Liabilities	554,429	299,606	(15,479)	838,556	657,357	181,199
Total Other Liabilities	591,195	503,183	(177,406)	916,972	685,540	231,432
Total Component Unit Long-term Liabilities	\$ 3,151,311	\$ 780,126	\$ (424,717)	\$ 3,506,720	\$ 853,903	\$ 2,652,817

Miscellaneous liabilities listed in the tables above are summarized as follows:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Addendum to Note 8 - Long-term Liabilities Business-type Activities

	Beg. Balance	Adjust.	Beg. Balance Restated	Additions	Deletions	Ending Balance	Current Portion	LT
41100 NM Mag Unexpd Subscriptions	833	-	833	-	(44)	809	732	57
95100 NMMU Accrued benefit reserve	660	-	660	10	(110)	660	-	660
95100 NMMU Other (Not Ident.)	176	-	176	14	-	190	-	190
96200 WNMU Acc. Incentive Payment	105	-	105	15	-	119	-	119
96900 UNM Retirement Reserve	820	-	820	-	(55)	765	-	765
Other Liabilities	171,436	(3,887)	162,549	31,374	(1,637)	196,286	196,286	-
Totals	\$ 174,050	\$ (3,887)	\$ 165,162	\$ 31,412	\$ (1,766)	\$ 198,809	\$ 197,018	\$ 1,791

95300	(4,637)	Cap. Lease adj.						
96300	(137)	Cap. Lease added						
96900	(4,097)							
95900	4							
	(3,887)							
Significant short-term miscellaneous liabilities:								
96100	NM.D.II	387	Identified as "Other Credits					
96200	WNM.U	103	Accrued Incentive Retirement Payable					
96900	UNM	194,924	Est. third-party payments, \$117,670,330; Medicare advance payment program, \$77,253,221.					

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Addendum to Note 8 - Long-term Liabilities

Component Units

		Beg Balances Restated	Additions	Deletions	Ending Balance	Current Portion	LT
NMSU Fdn.	Assets held in trust for NMSU	45,701	1,868	-	54,569	-	54,569
UNM Fdn.	Amortization payable	2,061	131	-	2,192	-	2,192
NMHHU Fdn.	Note Payable	853	-	(229)	623	17	606
NMHHU Fdn.	Assets held for NMHHU	2,479	615	-	3,094	-	3,094
Charter Schools	Bonds payable - Direct Placements	58,516	-	(413)	58,103	700	57,403
Charter Schools	Notes and Other Long-term Debt - Direct Borrowings	33,641	39,718	(8,718)	64,641	1,395	63,246
Misc. liabilities		411,179	250,274	(6,119)	655,334	655,245	89
	Totals	\$ 554,429	\$ 299,608	\$ (13,479)	\$ 838,358	\$ 657,357	\$ 181,199

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

A. Restatement Summary

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

	Ending Balance FY 20	Beginning Balance (Restated)	Change Increase (Decrease)	Reason
Governmental Activities:				
Net Unamortized Premiums	\$ 223,790	\$ 230,269	\$ 6,479	For previously unreported premiums and amortization
Miscellaneous Liabilities	620,536	-	(620,536)	Reporting Errors
Rounding	-	-	1	Reporting Errors
Total Net Change			(623,060)	
Total Ending Long-term Liabilities, FY 20			3,419,172	
Total Beginning Long-term Liabilities, FY 21			\$ 2,796,112	
Business-type Activities:				
Capital Leases	\$ 546	\$ 213	\$ (333)	Capital Lease Correction New Mexico State University
Reserve for Losses	101,940	101,939	(1)	Rounding
Compensated Absences	99,083	99,084	1	Rounding
Derivative Instruments	8,375	8,374	(1)	Rounding
Miscellaneous Liabilities	174,049	165,162	(8,887)	Reporting Errors
Total Net Change, Business-type			(9,222)	
Total Ending Long-term Liabilities, FY 20			1,287,653	
Total Beginning Long-term Liabilities, FY 21			\$ 1,278,431	
Component Units				
Compensated Absences	\$ 1,302	\$ 1,340	236	Charter Schools Error
Miscellaneous Liabilities	541,957	554,428	12,471	Reporting Errors
Total Net Change			12,709	
Total Ending Long-term Liabilities, FY 20			3,138,602	
Total Beginning Long-term Liabilities, FY 21			\$ 3,151,311	

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.

On May 27, 2021, the State issued G. O. Bonds Series 2021 in the par amount of \$166.7 thousand, with a premium of \$ 32.9 thousand, and carrying an interest rate of 5.00 percent. The proceeds of the bonds will be used for capital improvements for senior citizen centers, libraries, and higher education facilities.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

General obligation bonds outstanding at year-end are as follows:

General Obligation Bonds Payable (Expressed in Thousands)						
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2021	Due in One Year
Series 2015	3/25/15	2025	5.00	\$ 141,635	\$ 65,370	\$ 15,165
Series 2017A	8/1/17	2027	5.00	148,520	103,345	13,425
Series 2017B	8/1/17	2025	5.00	151,790	88,705	27,865
Series 2019	8/1/19	2029	5.00	139,985	81,200	12,495
Series 2021	5/27/21	2031	5.00	166,675	166,675	21,980
Total General Obligation Bonds Payable					<u>\$ 505,295</u>	<u>\$ 90,930</u>

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 (Expressed in Thousands)			
Fiscal Year	Principal	Interest	Total
2022	\$ 90,930	\$ 23,274	\$ 114,204
2023	96,805	20,718	117,523
2024	71,820	15,878	90,698
2025	80,870	12,138	93,008
2026	43,765	8,004	50,850
2027 - 2031	119,105	13,199	132,304
Total	<u>\$ 505,295</u>	<u>\$ 93,301</u>	<u>\$ 598,596</u>

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

C. Severance Tax Bonds

Severance tax bonds are used to fund the capital needs of state agencies, local governments, and public and higher education as authorized by the Legislature of the State of New Mexico. In addition, severance tax bonds have been issued to refund severance tax bonds. Funding for the payment of the debt service of the severance tax bonds is provided through the collection of severance taxes levied on the mining and production of various natural resources, such as minerals, oil, and gas. The severance tax bonds are secured by the levied taxes. This is a permanent commitment of a portion of total severance tax revenues. As authorized by State statute, severance tax revenues are transferred to the Severance Tax Bonding Fund and first pay the required debt service on severance tax bonds and supplemental severance tax bonds issued by the State, with the remainder being transferred to the Severance Tax Permanent Fund. For the year ended June 30, 2021, 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.

On November 3, 2020, the State issued Severance Tax Bonds Series 2020A in the amount of \$ 94.7 thousand, with a premium of \$ 22.6 thousand, and carrying an interest rate of 5.00 percent. The proceeds will be used to finance capital improvements approved by the State Legislature.

On June 29, 2021, the State issued Severance Tax Bonds Series 2021A in the amount of \$ 317.2 thousand, with a premium of \$ 74.6 thousand, and carrying an interest rate of 5.00 percent. The proceeds will be used to finance capital improvements approved by the State Legislature.

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

Severance Tax Bonds Payable (Expressed in Thousands)						
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2021	Due in One Year
Series 2011A-I	12/6/2011	2022	3.00 - 5.00 %	\$ 41,790	\$ 3,635	\$ 3,635
Series 2012A	6/21/2012	2023	3.00 - 5.00 %	91,990	13,340	7,375
Series 2013A	8/13/2013	2026	5.00 %	129,195	62,365	14,900
Series 2013B Supplemental	8/13/2013	2026	5.00 %	68,745	40,365	7,265
Series 2016A	6/23/2016	2027	3.00 - 5.00 %	78,750	78,750	10,115
Series 2016B	6/23/2016	2025	4.00 %	181,395	133,130	37,520
Series 2016C	6/23/2016	2025	3.00 %	41,925	1,695	1,695
Series 2017D	11/15/2016	2026	5.00 %	26,725	26,725	-
Series 2018E	11/15/2016	2022	3.25 - 3.35 %	69,090	7,085	7,085
Series 2017A	3/8/2017	2028	5.00 %	66,470	58,395	8,220
Series 2018A	6/28/2018	2029	5.00 %	122,560	104,245	10,865
Series 2020A	11/7/2020	2021	5.00 %	94,735	94,735	5,110
Series 2021A	6/29/2021	2022	5.00 %	317,170	317,170	0
Total Severance Tax Bonds Payable					\$ 964,035	\$ 114,965

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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

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

Fiscal Year	Principal	Interest	Total
2022	\$ 114,365	\$ 44,179	\$ 158,544
2023	135,715	38,319	174,034
2024	133,270	31,969	165,239
2025	120,295	25,924	146,219
2026	107,410	20,334	127,744
2027 - 2031	313,665	44,355	358,020
2032	39,315	983	40,298
Total	\$ 964,035	\$ 206,063	\$ 1,170,098

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 2021, short-term notes were sold and redeemed as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Sponge Bonds	\$ -	\$ 396,228	\$ (396,228)	\$ -

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

E. Revenue Bonds

The State also issues bonds where the government pledges certain revenue for the payment of debt service. These revenues are generally a particular agency's share of the governmental gross receipts tax. For those sold for the State Department of Transportation, these also include gasoline excise taxes, motor vehicle registration fees, and other fees required by law to be paid into the State Road Fund. For those issued for higher education institutions, these revenues include tuition fees, distributions from the State Permanent Fund, and other miscellaneous revenue sources.

Revenue bonds payable are as follows:

Governmental Activities

Revenue Bonds and Loans Payable - Primary Government (Expressed in Thousands)					
Governmental Activities	Original Issue	Maturity Date	Interest Rate	Balance June 30, 2021	Due in One Year
The following are direct borrowings, loans issued by NMFA to various departments of the State:					
2015A PPRF - Metro Court	\$ 30,685	2025	4.00 - 5.00 %	\$ 13,950	\$ 3,235
Series 2021 Spaceport Public Project	35,439	2030	0.77%	35,439	4,089
DL - OSD 7 - Cultural Affairs	2,789	2023	0.46 - 1.42 %	319	156
2004B PPRF - Cultural Affairs Dept.	2,350	2023	0.62 - 4.18 %	818	407
Series 2003 - Energy and Minerals	7,339	2023	3.82%	1,015	497
2016C PPRF 3445 - General Services Dept. 8	37,320	2036	1.90 - 4.50 %	31,340	1,190
2018C1 PPRF - General Services Dept. - 4417A	11,510	2039	4.00 - 5.00 %	11,510	-
2018C1 PPRF - General Services Dept. - 4417B	7,040	2039	2.77 - 4.09 %	6,975	680
2018A PPRF - General Services Dept. - 4431	28,480	2036	4.00 - 5.00 %	25,300	1,195
PPRF - 4955 - OSD Energy Efficiency	11,500	2039	2.90 - 3.90 %	11,500	-
PPRF - 3668 -DOH 9 - Las Vegas Med. Ctr.	8,975	2037	3.80 %	7,737	69
PPRF - 4481 - Cig. Tax Ref. Bonds	5,120	2028	5.00 %	3,570	495
PPRF - 4769 - Ft. Bayard Med. Ctr.	48,635	2039	5.00 %	45,025	1,745
Total direct borrowings				194,418	23,778
Bond Issue	Original Issue	Maturity Date	Interest Rate	Balance June 30, 2021	Due in One Year
The following Revenue Bonds are direct placements issued by the State Department of Transportation (DOT) with the assistance of NMFA acting in an agency capacity on behalf of DOT:					
Series 2012 Refunding	220,400	2026	1.25 - 5.00 %	\$ 154,090	\$ 103,130
Series 2014 A Revenue	70,110	2032	5.00 %	55,575	-
Series 2014 B Revenue	79,405	2027	5.00 %	73,230	1,740
Series 2018 A Refunding	420,690	2050	5.00 %	417,325	12,705
Series 2020 A Refunding	68,180	2025	3.00%	63,180	3,595
Total direct placements				763,600	121,170
Total Revenue Bonds and Loans, Governmental Activities				\$ 958,018	\$ 134,948

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Governmental Activities (Expressed in Thousands)			
Fiscal Year	Principal	Interest	Total
2022	\$ 134,948	\$ 44,636	\$ 179,584
2023	146,245	38,517	184,762
2024	172,050	31,481	203,531
2025	72,674	23,091	95,765
2026	71,626	19,890	91,516
2027 - 2031	282,509	47,381	329,890
2032 - 2036	52,971	11,600	64,571
2037 - 2041	24,995	2,269.00	27,264
Total	\$ 958,018	\$ 218,865	\$ 1,176,883

Of the total of bonds and loans payable for Governmental Activities, \$194.4 thousand 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 (Expressed in Thousands)			
	Payable to Ext. Entities	Due to NMFA	Total
Current:			
Due to NMFA	\$ -	\$ 13,778	\$ 13,778
Payable to External Entities	121,170	-	121,170
Total Current	121,170	13,778	134,948
Long-term:			
Due to NMFA	-	180,640	180,640
Payable to External Entities	642,430	-	642,430
Total Long-term	642,430	180,640	823,070
Totals	\$ 763,600	\$ 194,418	\$ 958,018

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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, \$157.4 thousand.

Business-type Activities

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

Revenue Bonds and Loans Payable – Primary Government						
(Expressed in Thousands)						
Business-type Activities						
Bond Issue	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2021	Due in One Year	
The following are direct borrowings, loans issued by NMFA to various state educational institutions:						
System Imp. Revenue Series 2015 A	2045	0.34 - 3.93	\$ 12,480	\$ 10,700	\$	\$50
System Revenue Refunding Series 2013 B	2026	0.34 - 2.44	6,173	2,933		\$39
System Imp. Revenue Bonds Series 2017	2038	0.09 - 3.48	3,643	4,982		330
System Imp. Revenue Bonds Series 2020	2036	1.12 - 2.75	22,445	21,320		700
System Refunding Revenue Series 2009 B	2035	5.32 - 6.07	9,230	9,230		475
System Refunding Revenue Series 2012	2034	0.93 - 4.26	18,333	12,355		790
Series 2019A Improvement	2050	1.30 - 2.80	5,161	4,047		315
Series 2019A Improvement	2044	1.30 - 3.13	6,689	6,608		729
System Refunding & Imp. Revenue Series 2013	2038	2.10 - 3.10	6,733	3,733		230
System Revenue Refunding Series 2020 A	2038	2.25	9,000	8,834		310
System Improvement Series 2020 B	2045	2.25	7,631	7,191		194
2016 A PPRF - UNM Health Sciences Ctr. - Loan	2025	1.90 - 4.50	26,200	11,745		2,900
Loan Payable	2036	1.50 - 2.50	7,000	3,853		300
Subtotal				110,447		9,012
The following is a bond issued by EMNU with the assistance of NMFA, which then issued a loan to ENMU:						
General Obligation Bonds Series 2020	2030	0.47 - 1.25	3,000	2,130		273
The following is a direct borrowing mortgage loan issued by a separate financial institution to the University of New Mexico:						
Mortgage Loan	2041	1.98	106,386	106,386		\$,708
Total direct borrowings				\$ 218,963		\$ 14,995

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Bond Issue	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2021	Due in One Year
The following Revenue Bonds are direct placements:					
MCMC St. Perm. Fd. Rev. Imp. & Refunding Series 2013	2023	3.00 %	\$ 14,643	\$ 6,933	\$ 1,083
Refunding and Imp. Revenue Series 2013 A-C	2033	2.00 - 5.00	36,200	16,283	1,325
System Imp. Revenue Series 2017 A-C	2042	1.75 - 5.00	73,240	63,730	3,420
Refunding and Imp. Revenue Series 2019 A & B	2040	2.00 - 5.00	24,985	23,225	2,410
System Revenue Series 2011	2031	3.00 - 5.00	13,395	9,135	385
System Revenue Series 2019	2040	4.00	8,333	8,263	400
Series 2013A Improvement	2028	2.00 - 4.00	8,933	5,640	-
Subordinate Lien System Imp. Revenue Series 2001	2026	Variable	52,625	15,880	1,620
Subordinate Lien System Refunding Revenue Series 2002 B	2026	Variable	25,475	10,420	985
Subordinate Lien System Refunding Revenue Series 2002 C	2030	Variable	37,840	24,405	2,330
Subordinate Lien System Imp. Revenue Series 2014 B	2024	0.50 - 3.25	3,365	1,100	1,325
Subordinate Lien System Imp. Revenue Series 2014 C	2035	1.50 - 5.00	97,615	18,140	1,755
Subordinate Lien System Imp. Revenue Series 2016A	2046	2.00 - 5.00	158,435	148,930	4,530
Subordinate Lien System Imp. Revenue Series 2016B	2024	0.72 - 2.48	8,030	4,135	2,485
Subordinate Lien System Imp. Revenue Series 2017	2047	3.25 - 5.00	40,900	38,475	2,520
Subordinate Lien System Imp. Revenue Series 2019	2032	1.85 - 3.02	22,140	20,245	2,200
Subordinate Lien System Ref. Revenue Series 2021	2033	0.17 - 2.17	74,450	74,450	3,375
FHA Insured Hospital Mortgage Revenue Series 2015	2032	0.49 - 3.53	115,000	80,355	6,105
UNM ADW - UNM - Green Water Project - Loan	2032	0.75	399	231	20
Total direct placements				<u>571,981</u>	<u>38,375</u>
Total Revenue Bonds and Loans, Business-type Activities				<u>\$ 790,944</u>	<u>53,370</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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

Business-type Activities (Expressed in Thousands)			
Fiscal Year	Principal	Interest	Total
2022	\$ 51,270	\$ 26,280	\$ 79,550
2023	54,272	24,420	78,692
2024	54,306	22,473	76,779
2025	56,253	20,513	76,766
2026	55,720	19,077	74,797
2027 - 2031	245,078	69,042	314,120
2032 - 2036	182,079	34,664	216,743
2037 - 2041	55,066	13,108	68,174
2042 - 2046	32,365	4,370	36,735
2047	2,535	126	2,661
Total	\$ 790,944	\$ 234,273	\$ 1,025,217

Of the total of bonds and loans payable for Business-type Activities, \$112.6 thousand 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 (Expressed in Thousands)			
	Payable to Ext. Entities	Due to NMFA	Total
Current:			
Direct Borrowings:			
Due to NMFA	\$ -	\$ 9,287	\$ 9,287
Due to Other Fin. Inst.	3,708	-	3,708
Payable to External Entities	38,375	-	38,375
Total Current	44,083	9,287	53,370
Long-term:			
Direct Borrowings:			
Due to NMFA	-	103,290	103,290
Due to Other Fin. Inst.	100,678	-	100,678
Payable to External Entities	533,606	-	533,606
Total Long-term	634,284	103,290	737,574
Totals	\$ 678,367	\$ 112,577	\$ 790,944

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

F. Conduit Debt Component Unit

Accounting Standards define conduit debt obligations as certain limited obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local government entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity. Although the conduit debt obligations bear the name of the issuer, the entity has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

The New Mexico Hospital Equipment Loan Council, a discretely-presented component unit, has issued revenue bonds, lease purchase agreements, and master financing agreements to provide financing for the acquisition and construction of equipment and facilities. These bonds, lease purchase agreements and master financing agreements are secured by the property financed and are payable solely from payments received on the underlying loans. Neither the Council nor any political subdivision of the State is obligated in any manner for repayment of either the bonds or the lease purchase or master financing agreements. Accordingly, the bonds and the obligations under the lease purchase and master financing agreements are not reported as liabilities in the accompanying financial statements.

At June 30, 2021, conduit debt obligations outstanding are as follows:

New Mexico Hospital Equipment Loan Council
Conduit Debt
(Expressed in Thousands)

	Balance June 30. 2021
Hospital Revenue Bonds and Leases -	
Dialysis Clinic, Inc. Project, Series 2000	\$ 5,000
Lovelace Women's Hospital, Series 2007	12,617
Presbyterian Healthcare Services, Series 2008 A - D	150,645
Lovelace Health Systems, Series 2011	32,800
Presbyterian Healthcare Services, Series 2012 A	75,000
La Vida Llena, Series 2012	36,383
Lovelace Health Systems, Series 2012	26,164
Gerald Champion Regional Med. Ctr., Series 2012	64,315
Presbyterian Healthcare Services Series 2015 A	207,500
San Juan Regional Medical Center, Series 2017	17,116
Presbyterian Healthcare Services, Series 2017 A - B	303,595
Haverland Carter Series 2019 A - C	111,750
Presbyterian Healthcare Series 2019 A - C	304,245
San Juan Regional Medical Center Series 2020	34,730
Total	\$ 1,381,862

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

G. Pledged Revenue

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

Governmental Activities

Agency:

Purpose of Bonds:

Total Amount of Bonds Issued:

Type of Revenues Pledged:

Term of Commitment:

Total Debt Service Remaining:

Revenue Stream for Current Year:

Debt Service for Current Year:

State of New Mexico - Severance Tax Bonds

Construction and acquisition of capital projects statewide

\$ 1.9 billion

Severance tax revenues collected from mineral-extracting companies.

Through June 30, 2032

\$ 1.2 billion

\$ 870.8 million

\$ 100.1 million

Agency:

Purpose of Bonds:

Total Amount of Bonds Issued:

Type of Revenues Pledged:

Term of Commitment:

Total Debt Service Remaining:

Revenue Stream for Current Year:

Debt Service for Current Year:

Energy, Minerals, and Natural Resources Department

Acquisition and development of state parks and recreation areas.

\$ 7.4 million

Department's share of governmental gross receipts tax revenue

Through June 30, 2023

\$ 1.1 million

\$ 6.2 million

\$ 478 thousand

Agency:

Purpose of Bonds:

Total Amount of Bonds Issued:

Type of Revenues Pledged:

Term of Commitment:

Total Debt Service Remaining:

Revenue Stream for Current Year:

Debt Service for Current Year:

Department of Transportation

Construct and improve State highway and transportation system.

\$ 1.5 billion

Gasoline excise taxes, motor vehicle registration and other fees deposited into State Road Fund, plus Federal Highway Fund revenues

Through June 30, 2028

\$ 915.8 million

\$ 344.2 million

\$ 101.7 million

Agency:

Purpose of Bonds & Loan:

Total Amount of Debt Issued:

Type of Revenues Pledged:

Total Debt Service Remaining:

Term of Commitment:

Revenue Stream for Current Year:

Debt Service for Current Year:

Department of Cultural Affairs

Renovate existing museum structures, develop permanent exhibits.

\$2.4 million

Department's share of governmental gross receipts tax revenue

\$ 1.7 million

Through June 30, 2023

\$ 662 thousand

\$ 550 thousand

Agency:

Purpose of Bonds

Total Amount of Debt Issued:

Type of Revenues Pledged:

Total Debt Service Remaining:

Term of Commitment:

Revenue Stream for Current Year:

Debt Service for Current Year:

Spaceport Authority

Construction of the Spaceport America launch facility.

\$35.4 million

Authority's share of governmental gross receipts tax revenue

\$ 36.7 million

Through June 30, 2029

\$ 10.6 million

\$ 48 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Governmental Activities (Continued)

Agency:

Purpose of Bonds:

Total Amount of Debt Issued:

Type of Revenues Pledged:

Total Debt Service Remaining:

Term of Commitment:

Revenue Stream for Current Year:

Debt Service for Current Year:

Bernalillo County Metropolitan Court

Court parking structure

\$30.7 million

Court facilities fees collected

\$15.7 million

Through June 30, 2025

\$2.0 million

\$3.1 million

Agency:

Purpose of Bonds:

Total Amount of Debt Issued:

Type of Revenues Pledged:

Total Debt Service Remaining:

Term of Commitment:

Revenue Stream for Current Year:

Debt Service for Current Year:

General Services Department

State facilities acquisition and development

\$174 million

Government gross receipts tax, cigarette tax

\$206.4 million

Through June 30, 2039

\$6.8 million

\$4.5 million

Business-type Activities

Agency:

Purpose of Bonds:

Total Amount of Bonds Issued:

Type of Revenues Pledged:

Total Debt Service Remaining:

Term of Commitment:

Revenue Stream for Current Year:

Debt Service for Current Year:

Miners' Colliery Medical Center

Improvement and expansion of medical facilities

\$17.8 million

Center's share of distributions from the State Land Grant and the Charitable, Penal, and Reform Permanent Funds

\$7.6 million

Through June 30, 2027

\$7.6 million

\$1.3 million

Agency:

Purpose of Bonds:

Total Amount of Bonds Issued:

Type of Revenues Pledged:

Total Debt Service Remaining:

Term of Commitment:

Revenue Stream for Current Year:

Debt Service for Current Year:

Educational Institutions (UNM, NMSU, ENMU, WNMU, NMNM, NMNH, NM Tech)

Construction and improvement of various capital facilities

\$1.3 billion

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.

\$1.0 billion

Through June 30, 2047

\$632.1 million

\$235.2 million

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

H. 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 cleanup activities as a result of an unwilling or unable property owner in the amount of \$1.7 million as of June 30, 2021.

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 in New Mexico which are in various stages of investigation and remediation. One of the 16 listed 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, 2021, this site is excluded from the estimated pollution remediation liability which for Superfund sites totals \$39.3 million.

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

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Amount Due Within One Year	\$ 1,235	\$ 886	\$ (858)	\$ 1,263
Amount Due in More than One Year	40,431	1,724	(2,351)	39,804
Total Pollution Remediation Liabilities	<u>\$ 41,666</u>	<u>\$ 2,610</u>	<u>\$ (3,209)</u>	<u>\$ 41,067</u>

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

▪ Indian Water Rights Liability

New Mexico currently has three Indian water rights settlements pending implementation: the Navajo Nation Settlement in the San Juan River adjudication, the Settlement Agreement with the Pueblos of Nambe, Pojoaque, Tesuque, and San Ildefonso in the Aamodt adjudication, and the Taos Pueblo Settlement in the Rio Pueblo de Taos/Rio Hondo adjudication. For each of these three settlements, a settlement agreement was executed in 2005 or 2006 by the tribe or Pueblos and the State of New Mexico. The Aamodt and Taos Pueblo settlement agreements also were executed by other water right owning parties. Subsequent to the passage of federal legislation authorizing each of the settlements in 2009 and 2010, the Secretary of the US Department of Interior signed all three settlement agreements on behalf of the United States. Copies of the three 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, 2021. 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 \$21 million in the financial statements as of June 30, 2021.

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	\$ 61,989	\$ 42,411
Taos	20,050	20,661	(611)
Navajo	30,949	32,225	(1,276)
Total	\$ 155,499	\$ 114,875	\$ 40,524

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, 2021
Aamodt	\$ 104,500	\$ 40,000	\$ 64,500
Taos	20,050	14,553	5,497
Navajo	30,949	30,404	545
Total	\$ 155,499	\$ 84,957	\$ 70,542

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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.

I. 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, 2021 and 2020 were \$273 and \$238, 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 2001B	Series 2001C	Grand Total
10/30/2023	\$ 15,880	\$ 10,420	\$ 24,405	\$ 50,705
Liquidity Fees				
	2001	2001B	2001C	Total
FY 21	\$ 87	\$ 56	\$ 130	\$ 273

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

▪ Interest Rate Swap Agreements

On June 30, 2021, 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	(450)	\$ 3,970
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	(3,919)	24,405
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	(1,176)	10,420
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	(453)	3,970
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 Overlay)	8/15/2006	6/1/2026	Receive 63.6% of 5 year USD swap rate + 0.3% - Pay SIFMA	287	7,940
F - JP Morgan	Pay- Variable/Receive Variable Interest Rate Swap	Hedge against falling SIFMA rates related to the 2002C Refunding Revenue Bonds (Swap Overlay)	8/15/2006	6/1/2030	Receive 63.6% of 5 year USD swap rate + 0.3% - Pay SIFMA	844	24,405

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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, 2021, the interest rate on the University's variable-rate hedged debt (SIFMA) is 0.03 %, while the 63.55% of five year USD Swap Rate + 0.31% is 0.60 %.

Termination Risk

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

Rollover Risk

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Foreign Currency Risk

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

▪ **Commitments**

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

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

The collateral to be posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions net of the effect of applicable netting arrangements. If UNM or the counterparty does not post collateral, the derivative instrument may be terminated. UNM's credit rating is AA/Aa2 at June 30, 2021; therefore, no collateral has been posted.

▪ **Derivative Instrument Payments and Hedged Debt**

As of June 30, 2021, aggregate debt service requirements of UNM's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting (in thousands).

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

University of New Mexico				
Debt Service Requirements - Hedging Derivative Instruments				
Fiscal Year Ending June 30,	Principal	Interest	Hedge Deriv. Instruments, Net	Total
2022	6,855	43	1,619	8,517
2023	7,133	44	1,403	8,602
2024	7,463	43	1,173	8,685
2025	7,770	45	940	8,755
2026	9,900	41	703	10,644
2027	2,900	25	406	3,331
2028	3,030	21	300	3,351
2029	3,160	15	102	3,267
2030	2,470	1	96	2,567
	<u>\$ 30,703</u>	<u>\$ 280</u>	<u>\$ 8,834</u>	<u>\$ 37,819</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, 2021. 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 2021 for the hedge instruments was a \$2.4 million increase to the liability and an equal offsetting increase to the deferred outflow of resources. Swaps E and F are not cash flow hedges, but rather are considered investment swaps, and changes in their fair value are recorded as investment gain (loss). The fair value change for swaps E and F as of June 30, 2021, was recorded to unrealized gain in the amount of \$155.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

J. 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, 2021, follow:

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

Fiscal Year	Principal	Interest	Total
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	1,410	138	1,548
2027 - 2028	3,095	144	3,239
Total	\$ 9,325	\$ 1,217	\$ 10,542

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 \$15.9 million 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.

Miners Colfax Medical Center obtained a loan through the Paycheck Protection Program in fiscal year 2020 with the Federal Government. The total amount is \$3.16 thousand, of which the full amount was forgiven during the year.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

K. Discretely-presented Component Units

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

Bonds Payable - New Mexico Finance Authority <i>(Expressed in Thousands)</i>				
Bond Series	Interest Rate (%)	Maturity Date	Original Issue	Balance June 30, 2021
Public Project Revolving Fund - Senior Lien:				
2013 A - B	3.0 - 5.0	2022 - 2038	\$ 60,645	\$ 25,430
2014 B	3.0 - 3.0	2022 - 2033	38,233	29,463
2015 B - C	2.3 - 5.0	2022 - 2045	90,800	72,665
2016 A - F	2.0 - 5.0	2022 - 2046	315,540	210,825
2017 A - E	3.0 - 5.0	2022 - 2038	138,130	98,080
2018 A - D	2.5 - 5.0	2022 - 2038	200,170	157,750
2019 B - D	3.0 - 5.0	2022 - 2041	97,130	88,405
2020 A - B	2.0 - 5.0	2022 - 2041	113,305	107,935
2021 A	3.0 - 5.0	2022 - 2045	39,535	39,405
Subtotal			1,113,490	829,960
Public Project Revolving Fund - Subordinate Lien:				
2014 A-1, 2	2.8 - 5.0	2022 - 2034	31,940	16,870
2015 A, D	3.0 - 5.0	2022 - 2035	92,745	50,700
2017 B - F	2.3 - 5.0	2022 - 2036	128,725	65,315
2018 C - E	3.0 - 5.0	2022 - 2039	102,780	86,555
2019 A - C	2.0 - 5.0	2022 - 2039	68,555	59,725
2020 C-1 & C-2	0.250 - 5.0	2022 - 2050	96,820	94,190
2021 B	4.0 - 5.0	2022 - 2032	31,305	31,305
Subtotal			552,870	412,660
Total Public Project Revolving Fund and Total Bonds Outstanding			\$ 1,666,360	1,242,620
Add: Net Unamortized Premium				185,819
Total Bonds Payable				\$ 1,428,439
Current Portion				\$ 118,040

STATE OF NEW MEXICO

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For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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

Bonds Payable - New Mexico Mortgage Finance Authority
(Expressed in Thousands)

Bond Series	Interest Rate (%)	Maturity Date	Balance September 30, 2021
Single Family Mortgage Programs:			
Series 2011 A - C	2.3 - 5.4	2041	\$ 3,364
Series 2012 A - D	2.6 - 4.3	2043	25,545
Series 2013 A - C	2.2 - 4.5	2043	29,208
Series 2014 A - B	2.8 - 5.0	2044	9,101
Series 2015 A - E	2.1 - 4.0	2045	40,141
Series 2016 A - C	1.6 - 3.8	2046	74,735
Series 2017 A - B	1.3 - 3.8	2048	48,316
Series 2018 A - D	1.9 - 4.3	2049	187,303
Series 2019 A - F	1.4 - 4.3	2050	353,849
Series 2020 A - B	1.0 - 3.5	2051	120,130
Series 2021 A - C	1.0 - 3.3	2051	192,837
Subtotal			1,084,791
Unaccreted Bond Premium/Discount, Net			31,665
Total Single Family Mortgage Programs Payable			1,116,456
Rental Housing Mortgage Programs:			
Series 2004 A - D	5.01 - 6.0	2039	1,290
Series 2005 C - F	4.7 - 5.1	2040	13,295
Series 2007 A - D	5.1 - 10.0	2043	16,903
Series 2008 A - B	0.1 - 6.0 *	2043	8,000
Series 2010 A - B	5.0	2047	793
Series 2012 A	5.0	2049	4,532
Subtotal			44,817
Unaccreted Bond Premium/Discount, Net			36
Total Rental Housing Mortgage Programs Payable			44,853
Total Bonds Payable			\$ 1,161,309

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

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

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 (Expressed in Thousands)				New Mexico Mortgage Finance Authority (Expressed in Thousands)		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 118,040	\$ 54,924	\$ 172,964	\$ 50,323	\$ 35,301	\$ 85,624
2023	111,245	49,511	160,756	23,677	34,628	58,305
2024	101,500	44,338	145,838	24,266	34,034	58,300
2025	98,920	39,598	138,518	25,127	33,380	58,507
206	86,990	35,008	121,998	25,813	32,736	58,549
2027-2031	363,270	119,310	483,080	141,672	151,607	293,279
2032-2036	237,100	50,764	287,864	176,381	126,830	303,211
2037-2041	98,715	14,114	112,829	258,667	91,914	350,581
2042-2046	31,350	3,350	34,700	255,440	46,472	301,912
2047-2051	5,490	549	6,039	147,497	9,970	157,467
2052-2056	-	-	-	745	11	756
	1,242,620	411,966	1,654,586	1,129,608	596,883	1,726,491
Unamortized Premium	185,819	-	185,819	31,701	-	31,701
Total	\$ 1,428,439	\$ 411,966	\$ 1,840,405	\$ 1,161,309	\$ 596,883	\$ 1,758,192

Details of the Mortgage Finance Authority Notes Payable follows:

New Mexico Mortgage Finance Authority Notes Payable (Expressed in Thousands)			Debt Service Requirements to Maturity For Fiscal Years End September 30 (Expressed in Thousands)			
Note	Balance Sept. 30, 2021		Fiscal Year	Principal	Interest	Total
PRLF Cash and Loans	\$ 1,591		2022	\$ 23,893	\$ 62	\$ 23,955
Securities and Loans Held for Sale	23,500		2023	490	44	534
Subtotal: Debt with Pledged Collateral	25,091		2024	1,181	24	1,205
SBIC Loan Fund	1,000		2025	74	14	88
Other Direct Borrowings Without Assets Pledged	850		2026	74	13	87
Total Direct Borrowings	\$ 26,941		2027 - 2031	371	54	425
			2032 - 2036	371	35	406
			2037 - 2041	371	18	387
			2042 - 2046	103	1	103
				\$ 26,941	\$ 263	\$ 27,204

The borrowings were made to raise capital to help fund the Renters 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, 2021

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 8 (CONTINUED)

Bonds Payable
Debt Service Requirements to Maturity
For Fiscal Years End September 30

New Mexico State Chartered Schools
(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2022	\$ 2,095	\$ 6,618	\$ 8,713
2023	5,023	6,550	11,573
2024	6,493	6,403	12,896
2025	3,525	6,050	9,575
2026	7,736	5,869	13,605
2027-2031	16,838	27,310	44,148
2032-2036	17,973	25,872	43,845
2037-2041	23,518	17,327	40,845
2042-2046	26,834	9,190	36,024
2047-2051	12,708	1,644	14,352
	<u>122,743</u>	<u>112,833</u>	<u>235,576</u>
Unaccrued Premium	609	-	609
Total	<u>\$ 123,352</u>	<u>\$ 112,833</u>	<u>\$ 236,185</u>

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For the Year Ended June 30, 2021

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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, 2021, follows (in thousands):

	General Fund	Debt Service	Capital Projects	Severance Tax	Land Grant	Total
Nonspendable:						
Prepaid Expenses	\$ 4,926	\$ -	\$ -	\$ -	\$ -	\$ 4,926
Inventories	34,006	-	-	-	-	34,006
Other	13,648	-	-	-	-	13,648
Total Nonspendable	\$ 52,580	\$ -	\$ -	\$ -	\$ -	\$ 52,580
Restricted:						
Capital Projects	\$ -	\$ -	\$ 2,851,983	\$ -	\$ -	\$ 2,851,983
Culture, Recreation and Natural Resources	246,272	-	-	-	-	246,272
Debt Service	-	629,019	-	-	-	629,019
Education	339,480	-	-	-	-	339,480
General Control	3,011,976	-	-	6,421,868	24,870,221	34,304,065
Health and Human Services	190,347	-	-	-	-	190,347
Highway and Transportation	494,141	-	-	-	-	494,141
Judicial	32,093	-	-	-	-	32,093
Legislature	6,061	-	-	-	-	6,061
Public Safety	78,467	-	-	-	-	78,467
Regulation and Licensing	150,834	-	-	-	-	150,834
Total Restricted	\$ 4,556,671	\$ 629,019	\$ 2,851,983	\$ 6,421,868	\$ 24,870,221	\$ 39,322,762

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

	General Fund	Debt Service	Capital Projects	Severance Tax Permanent	Land Grant Permanent	Total
Committed:						
Culture, Recreation and Natural Resources	\$ 1,723	\$ -	\$ -	\$ -	\$ -	\$ 1,723
Education	7,929	-	20	-	-	7,949
General Control	15,979	-	-	-	-	15,979
Health and Human Services	22,072	-	-	-	-	22,072
Regulation and Licensing	359	-	-	-	-	359
Total Committed	\$ 48,062	\$ -	\$ 20	\$ -	\$ -	\$ 48,082
Assigned:						
Health and Human Services	\$ 19,849	\$ -	\$ -	\$ -	\$ -	\$ 19,849
Judicial	2,524	-	-	-	-	2,524
Regulation and Licensing	2,692	-	-	-	-	2,692
Total Assigned	\$ 25,065	\$ -	\$ -	\$ -	\$ -	\$ 25,065
Unassigned:						
Capital Projects	\$ -	\$ -	\$ (21,357)	\$ -	\$ -	\$ (21,357)
Culture, Recreation and Natural Resources	(48,088)	-	-	-	-	(48,088)
Education	(66,692)	-	-	-	-	(66,692)
General Control	643,035	-	-	-	-	643,035
Health and Human Services	(43,535)	-	-	-	-	(43,535)
Highway and Transportation	(118,820)	-	-	-	-	(118,820)
Judicial	(4,922)	-	-	-	-	(4,922)
Legislature	950	-	-	-	-	950
Public Safety	(4,305)	-	-	-	-	(4,305)
Regulation and Licensing	(1,501)	-	-	-	-	(1,501)
Total Unassigned	\$ 356,122	\$ -	\$ (21,357)	\$ -	\$ -	\$ 334,765

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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, 2021.

C. Net Position/Fund Balance Restatements -

1. Correction of Errors

During the fiscal year ended June 30, 2021, 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, 2021, Net Position/fund balance previously reported to beginning Net Position/fund balance, as reported in the accompanying financial statements (in thousands):

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

Summary of Adjustments, Net Position/Fund Balance

Government-wide Statements - Governmental Activities:		Business - type Activities, Educational Institutions:	
Adjustments		Correction of Errors	
Agency Prior Adjustments	\$ 6,512	GASB84 Implementation - numerous HEI	\$ (628)
Correction of errors - PY	(67,600)	NMISU - Correction of implementation	(173)
Total government-wide adjustments	(61,088)	Rounding	(1)
		Total adjustments, Educ. Inst.	(802)
Governmental fund financial statements:		Corrections Fund - Inventory Adjustment	(11)
Capital Projects - Correction of Errors CY	(1,380)	Miners - error between BTA and Capital Fund	(739)
Capital Projects - Correction of errors PY	3,981	Rounding	1
Capital Projects - Agency Prior Adjustments	66	Business - type Activities	\$ (1,531)
General Fund - Agency Prior Adjustments	114		
General Fund - GASB84 Implementation	76,909	Component Units	
General Fund - Correction of Errors CY	23,455	Change in Accounting Method, Adjustments, & Corrections of Errors:	
General Fund - Correction of Errors PY	(31,152)	NM Mortgage Finance - GASB84 Implementation	(469)
Total Governmental fund adjustments	71,993	NM Hospital Equipment Loan Counsel - new CU	2,847
		Charter Schools - Implementation GASB84	(2,843)
Internal Service - GASB84 Implementation	(419)	Norther NM Foundation - Timing of released audit	175
Internal Service - Correction of Errors	501	Total adjustments, Component Units	\$ (290)
Total Internal Service Fund Adjustments	82		
Total adjustments, Governmental Activities	\$ 10,987		
Fiduciary Funds:			
Private Purpose Trust - GASB84 implement.	(69,062)		
Custodial Funds - GASB84 implementation	30,574		
External Trust Funds - Computation error in FY20	(187)		
Total adjustments, Fiduciary Funds	\$ (38,675)		

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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 Adjustments Beg. Net Position Fund Balances, as Restated Effect on Change in Net Position Fund Balance FYE June 30, 2020	\$ 31,337,317 10,987 \$ 31,348,304 \$ 10,987	\$ 56,656 82 \$ 56,738 \$ 82	\$ 30,952,694 71,993 \$ 31,024,687 \$ 71,993	\$ 4,026,053 69,326 \$ 4,095,379 \$ 69,326	\$ 433,135 - \$ 433,135 \$ -	\$ 1,860,402 2,667 \$ 1,863,069 \$ 2,667	\$ 5,302,828 - \$ 5,302,828 \$ -	\$ 19,330,276 - \$ 19,330,276 \$ -

Business-type Activities:	Net Position - Business-type Activities	Educational Institutions	Unemployment Insurance	Non-Major Enterprise
Beg. Net Position, as Previously Reported Adjustments Beg. Net Position, as Restated Effect on Change in Net Position FYE June 30, 2020	\$ 1,950,575 (1,551) \$ 1,949,024 \$ (1,551)	\$ 1,326,691 (802) \$ 1,327,889 \$ (802)	\$ 168,202 - \$ 168,202 \$ -	\$ 455,682 (749) \$ 452,933 \$ (749)

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 9 (CONTINUED)

Fiduciary and Component Units:	Pension Trust Funds	External Investment Trust Funds	Private Purpose Trusts	Custodial Funds
Beg. Net Position, as Previously Reported	\$ 29,385,712	\$ 849,867	\$ 3,009,605	\$ -
Adjustments	-	(187)	(69,062)	30,574
Beg. Net Position, as Restated	\$ 29,385,712	\$ 849,680	2,940,543	30,574
Effect on Change in Net Position	\$ -	\$ (187)	\$ (69,062)	\$ 30,574
FYE June 30, 2020				

Component Units:

	Major Component Units	Non-Major Component Units
Beg. Net Position, as Previously Reported	\$ 1,312,584	\$ 162,588
Adjustments	(469)	179
Beg. Net Position, as Restated	\$ 1,312,115	\$ 162,767
Effect on Change in Net Position	\$ (469)	\$ 179
FYE June 30, 2020		

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 10

NOTE 10. Leases

Operating Leases

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

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

	Governmental	Business-type	Fiduciary
2022	\$ 67,261	\$ 6,482	\$ 143
2023	62,035	4,624	128
2024	54,372	3,255	132
2025	49,203	2,553	136
2026	36,832	1,007	140
2027 - 2031	39,015	3,679	629
2032 - 2036	5,413	577	-
2037 - 2041	743	355	-
2042 - 2046	-	233	-
Thereafter	136,804	109	-
Total	<u>\$ 451,678</u>	<u>\$ 22,874</u>	<u>\$ 1,308</u>

Operating lease expenditures/expenses for fiscal year 2021 for governmental activities, business-type activities, and fiduciary activities, respectively (in thousands) were \$ 86,309, \$ 9,401, and \$ 147.

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 10 (CONTINUED)

As of June 30, 2021, the State did not have any capital lease obligations for governmental activities. The State does have outstanding capital leases for business type activities. Commitments under capital leases are as follows (in thousands):

	<u>Business-type</u>
2022	\$ 476
2023	373
2024	279
2025	289
2026	12
	<u>1,429</u>
Less Amounts	
Representing Interest	(43)
Present Value of Future	
Minimum Lease Payments	<u>\$ 1,384</u>

The carrying value of assets consisting of office equipment, computer equipment, and land for NMSU acquired under these arrangements is \$1.72 million.

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>
2022	\$ 3,715	\$ 9,432
2023	3,863	7,566
2024	4,016	6,266
2025	4,133	5,255
2026	4,233	4,877
2027 - 2031	-	19,709
2032 - 2036	-	17,836
2037 - 2041	-	5,952
2042-2046	-	3,004
Thereafter	-	2,536
	<u>\$ 19,960</u>	<u>\$ 82,433</u>

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

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 11

NOTE 11. Risk Management

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

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

The State of New Mexico manages its risks internally and sets aside assets for claim settlement through Enterprise Funds within the Risk Management Division (RMD) of the General Services Department. The RMD services all claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and unemployment compensation. The Department has coverage for general liability and civil rights claims through the Public Liability Fund administered by the State of New Mexico's Risk Management Division. The dollar amount "limits" of the insurance coverage are the damages caps set forth in the Tort Claims Act, NMSA Section 41-4-19, which may be amended from time to time by the legislature. All funds, agencies, and authorities of the State participate in Risk Management. Risk Management allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority based on claims history and exposure of each participant. The charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

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

Total insurance claims payable at June 30, 2021, were \$167.3 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, between June 30, 2021 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.

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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, 2020	Incurred (Net of Actuarial Provision)	Payments	Balance June 30, 2021	Current Amount Due
State Unemployment	\$ 3,690	\$ 455	\$ (1,722)	\$ 2,423	\$ 2,423
Local Public Body	812	106	(385)	533	533
Public Property Reserve	3,019	6,002	(5,466)	3,555	2,990
Public Liability	50,788	43,180	(29,681)	64,287	29,128
Surety Bond	3	-	(1)	2	2
Workers Compensation	50,750	11,827	(11,187)	51,390	11,969
Group Insurance Premium	43,330	361,089	(359,273)	45,146	45,146
Total	\$ 152,392	\$ 422,659	\$ (407,715)	\$ 167,336	\$ 92,191

	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

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

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT For the Year Ended June 30, 2021

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).

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, 2021, were (not in thousands):

	PERS*	JRS	MRS	VFRS	EERS
Number of Employers					
State Agencies	121	16	11	363	11
Cities, Towns, Villages	104	-	-	-	-
Counties	47	-	-	-	-
Public Schools	-	-	-	-	89
Universities and Colleges	-	-	-	-	15
Special Schools	-	-	-	-	4
Charter Schools	-	-	-	-	97
Other	42	-	-	-	-
Totals	314	16	11	363	216
Retirees and Beneficiaries					
Receiving Benefits	41,891	193	108	1,537	52,790
Terminated Plan Members					
not yet Receiving Benefits	20,955	27	19	347	51,534
Active Plan Members	48,818	123	62	8,014	58,988

* 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.

Senate Bill 72

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- Increases employer and employee contributions each year by .5 percent for State General Plan employees for fiscal year 2021, 2022, 2023 and 2024, excludes State Police and Adult Correctional Officer Plan 1 and active members with wages under \$25,000.
- For three fiscal years replaced the current compounding annual 2% COLA with a 2% non-compounding additional payment (13th check) and beginning July 1, 2023, changing to a profit sharing COLA tied to investment performance and PERA's total funded ratio.

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,

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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%.

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.

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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 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.

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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. Senate Bill 122, which is effective from 2021 until fiscal year 2026 the Judicial Retirement Fund will receive \$100,000 each month from the Oil and Gas Proceeds and pass-through entity withholding tax.

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. Senate Bill 122, which is effective from 2021 until fiscal year 2026 the Magistrate Retirement Fund will receive \$100,000 each month from the Oil and Gas Proceeds and pass-through entity withholding tax.

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

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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 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 \$24,000 or less are required by statute to contribute 7.9% of their gross salary. For plan members whose annual salary is over \$24,000, they are required to contribute 10.7% of their gross salary to the plan in fiscal year 2021 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:

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- 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.

Section 2-11-23.3, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2019, or who were employed before July 1, 2019 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2019. These members must meet one of the following requirements:

- The member is any age and has 30 years of earned service credit.
- The member is at least 67 years of age and has 5 or more years of earned service credit.
- The sum of member's age and years of earned service credit equals at least eighty.

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

Benefit Options - There are three benefit options available:

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

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

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 and Tier 4):

- 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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

- Tier 3 membership is comprised of employees who became members on or after July 1, 2013, but prior to July 1, 2019
- Tier 4 membership is comprised of employees who became members on or after July 1, 2019

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

Disability Benefit:

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

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, 2020. The total pension liability was rolled forward from the valuation date to the plan year ending June 30, 2021. The net pension liability of each plan as of June 30, 2021, 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	IRB-Educational Employees Retirement System
Total Pension Liability	\$ 23,061,128	\$ 173,894	\$ 59,529	\$ 53,126	\$ 23,448,992
Plan's Fiduciary Net Position	17,813,948	101,227	35,165	84,718	16,361,525
Net Pension Liability	<u>\$ 5,247,180</u>	<u>\$ 72,667</u>	<u>\$ 24,364</u>	<u>\$ (31,591)</u>	<u>\$ 7,087,466</u>
Percentage of Fiduciary Net Position to Total Pension Liability	<u>77.25%</u>	<u>58.21%</u>	<u>59.07%</u>	<u>159.46%</u>	<u>69.77%</u>

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These assumptions were adopted by the Board for use in the June 30, 2020 actuarial valuation.

	PERS	JRS	MRS	VFRS	IFRS
Valuation date	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
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	25 years	30 years	30 years	25 years	Closed 30 years
Asset valuation method					5 Year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.25%	7.25%	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%-11.50%	4.00%	3.25%	N/A	3.38% Inflation, plus .78% Prod. Inc.
Includes Inflation At	2.50%	2.50%	2.50%	2.58%	2.38%
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%	7.25%	7.25%	7.25%	7.88%
Municipal Bond Rate	2.43%	2.43%	2.43%		2.43%
All percentages are stated at an annual rate. Investment rate of return is net of investment expenses.					

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	\$ 8,660,581	\$ 5,747,174	\$ 9,664,391
Single-Employer Funds:			
Judicial	\$ 89,432	72,668	\$ 98,313
Volunteer Firefighters	\$ (24,606)	\$ (31,947)	\$ (16,186)
Magistrate	\$ 29,288	\$ 24,384	\$ 19,388
ERB	\$ 10,635,663	\$ 7,687,466	\$ 4,651,371

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

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 %	

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 2019:

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

Schedule of Asset Allocation Versus Policy Targets		
	Allocation	Policy Target ¹
Equities		
<i>Domestic Equities</i>		
Large cap	15%	14%
Small-mid cap	3%	3%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	0%	0%
Total equities	32%	31%
Fixed Income		
Core Fixed Income	5%	6%
Opportunistic credit	16%	16%
Emerging market debt	2%	2%
Total fixed income	23%	24%
Alternatives		
Real estate - REITS	2%	2%
Private real estate	4%	6%
Private equity	19%	15%
Global asset allocation	2%	2%
Risk parity	5%	3%
Inflation-linked assets	8%	9%
Other	4%	7%
Total alternatives	44%	44%
Cash	1%	1%
Total	100%	100%

1. Long-Term Policy Target approved by the Board on August 2019.

2. Allocations shown here include cash held in separately managed portfolios. Total plan includes Legacy Assets totaling \$5,705. Totals may not add to 100% due to rounding.

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.

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For the year ended June 30, 2021, the annual money-weighted rate of return on the PERA pension plan investments net of investment expense was 25.36%. For the ERB pension plan, it was 28.76%.

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

State – Funded Divisions of PERA

For the fiscal year ended June 30, 2021, 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, 2020.

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 \$209 million for the fiscal year ended June 30, 2021.

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	\$ (4,006,811)
State Police	185,383
Legislative	10,246
Total	<u>\$ (3,811,182)</u>

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

Governmental Activities (including Internal Service Funds)	\$ 3,730,716
Business-type Activities (including Nonmajor enterprise funds and two educational institutions)	80,466
Total	<u>\$ 3,811,182</u>

At June 30, 2021, the State's total proportion of the PERA State Funded Divisions net pension liability was 51.17% percent and at June 30, 2020. Total contributions for State Funded Divisions were \$183.8 million, \$25.4 million, and \$0 for the three divisions respectively. Pension expense was \$141.1 million, \$36.7 million and \$.24 million respectively.

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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, 2020 (in thousands).

	Judicial	Magistrate	Volunteer Firefighters
Net Pension Liability (Asset)	\$ 138,539	\$ 29,547	\$ (16,932)

Contributions – Contributions from the State to the PERA Judicial, Magistrate Retirement and Volunteer Firefighter funds were \$5.6 million, \$2.3 million, and \$.750 million, respectively, for the year ended June 30, 2021.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The State reported liabilities of \$138.5 million and \$29.5 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, 2021, the State recognized \$20.1 million as pension expense for the Judicial Retirement Funds. Also, for the year ended June 30, 2020, the State recognized \$2.2 million as a reduction to pension expense for the Magistrate Retirement Fund, respectively.

The Volunteer Firefighters Retirement Fund reported a plan net position of \$68.8 million and a total pension liability of \$51.9 million for a positive net position asset of \$16.9 million. Therefore, in accordance with accounting guidance, the positive net position is reported as a net pension asset in the financial statements. Pension expense was \$1.6 million.

At June 30, 2021, these plans reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

	Governmental		Business-type	
PERA - State-Funded and Single-Employer Funds (Judicial and Magistrates Funds)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,498	\$ (72,061)	\$ 2,167	\$ (1,369)
Changes of assumptions	89,291	(11,127)	1,433	(11)
Net difference between projected and actual earnings on pension plan investments	495,906	-	9,644	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-	-	-
State contributions subsequent to measurement date	213,022	-	4,189	-
Totals	\$ 905,718	\$ (83,218)	\$ 17,473	\$ (1,380)

The amounts of \$213 million for governmental activities and \$4.2 million 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, 2020, will be recognized as a reduction of the respective net pension liability in the following fiscal year ended June 30, 2021. 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:		
2021	\$	181,481	2021	\$	3,548
2022	\$	145,906	2022	\$	2,853
2023	\$	160,625	2023	\$	3,140
2024	\$	120,866	2024	\$	2,363
2025	\$	-	2025	\$	-
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).

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

	Governmental	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Volunteer Firefighter's Fund		
Differences between expected and actual experiences	\$ -	\$ (6,214)
Changes of assumptions	1,237	(1,730)
Net difference between projected and actual earnings on pension plan investments	5,072	-
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to measurement date	730	-
Totals	\$ 7,059	\$ (7,944)

The amount of \$.75 million, reported as deferred outflows of resources related to pensions resulting from the State's contributions subsequent to the measurement date June 30, 2020, will be recognized as a reduction of the respective net pension liability in the following fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

	Governmental
Year ended June 30	
2021	\$ (239)
2022	\$ 123
2023	\$ 70
2024	\$ 480
2025	\$ (660)
Thereafter	\$ (1,410)

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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, 2021, from the State to the ERB were \$1.2 million for governmental activities and \$ 121 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, 2020. Therefore, the employer's portion was established as of the measurement date June 30, 2020. On June 30, 2021, the State reported a liability of \$ 54.6 million for its proportionate share of the net pension liability covering state employees in governmental activities, and \$5.4 billion for the collective proportionate share of the twelve educational institutions reported as business-type activities. At June 30, 2020, the proportion was .27 percent for governmental activities and 26.8 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, 2020. The contribution amounts were defined by Section 22-11-21, NMSA 1978.

For the year ended June 30, 2021, the State recognized pension expenses of \$13.1 million in governmental activities and \$1.3 billion in business-type activities. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

ERB Fund	Governmental		Business-type	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 339	\$ (210)	\$ 33,717	\$ (20,943)
Changes of assumptions	21,866	-	2,174,367	-
Net difference between projected and actual earnings on pension plan investments	1,853	-	184,425	-
Changes in proportion and differences between State contributions and proportionate share of contributions	328	(1,020)	1,781	(86,803)
State contributions subsequent to measurement date	1,195	-	121,043	-
Totals	\$ 23,581	\$ (1,230)	\$ 2,517,353	\$ (111,846)

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

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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	
2021	\$ 9,244	2021	\$ 890,301
2022	\$ 9,127	2022	\$ 909,988
2023	\$ 4,208	2023	\$ 427,736
2024	\$ 567	2024	\$ 56,419
2025	\$ -	2025	\$ -
Thereafter	\$ -	Thereafter	\$ -

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

Governmental Activities	Net Pension Asset	Net Pension Liability	Governmental Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
PERA - State Divisions	\$ -	\$ 1,733,716	PERA - State Divisions, Judicial & Magistrate	\$ 505,716	\$ (33,818)
PERA - Judicial	-	118,539	PERA - Volunteer Firefighters	7,039	(7,344)
PERA - Magistrate	-	19,547	FRB	25,380	(7,340)
PERA - Volunteer Firefighters	16,901	-	Total Governmental Activities	538,135	(58,802)
FRB	-	34,588	Business-type Activities		
Total Governmental Activities	16,901	1,906,490	PERA - State Divisions	1,453	(1,393)
Business-type Activities			FRB	1,317,533	(111,846)
PERA - State Divisions	-	81,046	Rounding	-	1
FRB	-	1,011,257	Total Business-type Activities	1,318,986	(113,238)
Total Business-type Activities	-	1,092,303	Component Units	259,918	(8,115)
Component Units		187,363			

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 and the Magistrate 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.

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NOTES TO THE FINANCIAL STATEMENTS – NOTE 12 (CONTINUED)

The discount rate for the Judicial fund was 4.34%

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)			
Net Pension Liability	1% Decrease (0.23%)	Current Discount Rate (3.23%)	1% Increase (8.23%)
State-Funded Divisions:	\$ 3,055,273	\$ 3,011,182	\$ 2,776,605
Single-Employer Funds:			
Judicial	(3.34%) \$ 165,488	(4.34%) \$ 138,439	(5.34%) \$ 116,101
Volunteer Firefighters	(6.25%) \$ (10,973)	(7.25%) \$ (10,932)	(8.25%) \$ (21,893)
Magistrate	(6.25%) \$ 35,376	(7.25%) \$ 29,147	(8.25%) \$ 24,596

ERB - A single discount rate of 3.89% was used to measure the total ERB pension liability as of June 30, 2021. This single discount rate was based on the expected long-term rate of return on pension plan investments of 7% and a municipal bond rate of 2.45%. The source of the municipal bond rate as of June 30, 2020 is the rate for Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance payments through the year 2046. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2046 and the municipal bond rate was applied to all benefit payments after that date.

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)			
Net Pension Liability	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
State Employees (Governmental Activities)	\$ 68,913	\$ 54,568	\$ 43,026
Educational Institution Employees (Business-type Activities)	\$ 6,859,138	\$ 5,431,257	\$ 4,282,506
Total Primary Government- ERB	\$ 6,928,051	\$ 5,485,825	\$ 4,325,533

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.

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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.

Plan Membership (Not in Thousands):	
Current Retirees and Surviving Spouses	53,092
Inactive and Eligible for Deferred Benefit	11,754
Current Active Members	92,484
Total	157,330
Active Membership:	
State General	18,691
State Police and Corrections	1,919
Municipal General	20,357
Municipal Police	1,573
Municipal Fire	756
ERB	49,188
Total	92,484
Total Number of Participating Employers	302

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,

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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.

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 4,486, active plan members 7,177 and total plan members 11,663

Total active plan members include 3,453 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, 2021, 1,438 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

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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, 2021, the following employees were covered by the benefit terms: Current retirees receiving benefits – 1,880 and current active members – 1,938.

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 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.

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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, 2021, 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, 2021, 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.

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 seven fully insured medical/prescription plans: Humana PPO, Aetna PPO ESA, Blue Cross Blue Shield HMO I (Enhanced), Blue Cross Blue Shield HMO II (Standard), Presbyterian HMO-POS, Presbyterian HMO-POS, and UHC AARP supplemental. 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

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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 2021 were \$6.5 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.

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, 2021.

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).

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

Investments Measured at NAV Practical Expedient	Fair Value June 30, 2021	Redemption Frequency	Redemption Notice Period
U.S. Large Cap Index Pool	\$ 176,755	Daily	5 business days
Non U.S. Emerging Markets Index Pool	111,487	Daily	6 business days
Non U.S. Developed Markets Index Pool	146,223	Daily	5 business days
Private Equity Pool	140,383	4 times per year	3 months
Credit and Structured Finance Pool	145,760	4 times per year	3 months
Real Estate Pool	95,738	4 times per year	3 months
U.S. Small/Mid Cap Active Pool	25,120	Daily	7 business days
Real Asset Pool	43,040	4 times per year	3 months
Core Bond Pool	190,452	Daily	5 business days
	<u>\$ 1,080,958</u>		

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

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

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

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The actuarial methods and assumptions for the Plan at June 30, 2021, were as follows:

Valuation Date	June 30, 2020
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	2.30% for ERB; 2.50% for PERA
Projected payroll increases	3.25% to 13.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Discount rate	3.62%
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>
2021	22.59%

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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, 2021:

Asset Class	Target Allocations
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:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	0.4%
U.S. equity - large cap	6.0%
Non U.S. - emerging markets	9.2%
Non U.S. - developed equities	7.3%
Private equity	10.6%
Credit and structured finance	3.1%
Real estate	3.7%
Absolute return	2.5%
U.S. equity - small/mid cap	6.6%

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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, 2021. 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 3.62% as of June 30, 2021. 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, 2052. Thus, the 7% assumed investment return on Plan assets, which includes the assumed inflation rate of 2.50%, was used to calculate the net OPEB liability through 2052. Beyond 2052, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 3.62% is the blended discount rate.

The following presents the net OPEB liability, calculated using the discount rate of 3.62%, 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 (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 4,134,248	\$ 3,290,350	\$ 2,633,890

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
\$ 2,646,501	\$ 3,290,350	\$ 3,808,841

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The total OPEB liability, net OPEB liability, and certain sensitivity information presented are based on an actuarial valuation performed as of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the plan year ending June 30, 2021. The component of net OPEB liability as of June 30, 2021, is as follows:

	June 30, 2021
Total OPEB liability	\$ 4,409,849
Plan fiduciary net position	1,119,500
Net OPEB liability	\$ 3,290,350
Plan fiduciary net position as a percentage of the total OPEB liability	25.39%

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, 2021, from the State to the RHCA were \$ 23.4 million for governmental activities and \$ 2.9 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, 2020. Therefore, the employer's portion was established as of the measurement date June 30, 2020. At June 30, 2021, the State reported a liability of \$994.9 million for its proportionate share of the net OPEB liability covering state employees in governmental activities, and \$126.1 million for its proportionate share of the net OPEB liability covering state employees business-type activities. At June 30, 2020, the proportion was 23.69 percent for governmental activities and 3.01 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, 2020.

For the year ended June 30, 2021, the State recognized a reduction to OPEB expense of \$70.1 million in governmental activities and a reduction to OPEB expense of \$9.6 million in business-type activities.

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At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Governmental		Business-type	
RHCA	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ (176,800)	\$ -	\$ (23,404)
Changes of assumptions	195,298	(176,800)	24,367	(23,406)
Net differences between projected and actual earnings on pension plan investments	3,425	-	688	-
Changes in proportion and differences between State contributions and proportionate share of contributions	3,643	(8,403)	7,907	(10,500)
State contributions subsequent to measurement date	23,436	-	2,919	-
Totals	<u>\$ 227,842</u>	<u>\$ (361,837)</u>	<u>\$ 30,986</u>	<u>\$ (55,400)</u>

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

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

Governmental			Business-type		
Year ended June 30:			Year ended June 30:		
2021	\$	(86,671)	2021	\$	(12,964)
2022	\$	(71,267)	2022	\$	(11,010)
2023	\$	(30,118)	2023	\$	(5,718)
2024	\$	(331)	2024	\$	(1,255)
2025	\$	30,915	2025	\$	3,596
Thereafter	\$	-	Thereafter	\$	-

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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 (1.86 percent) or 1-percentage-point higher (3.86 percent) than the current discount rate:

	1% Decrease (1.86%)	Current Discount Rate (2.86%)	1% Increase (3.86%)
Net OPEB Liability			
Governmental Activities	\$ 1,236,611	\$ 994,857	\$ 808,006
Business-type Activities	\$ 156,825	\$ 126,166	\$ 102,470
Total Primary Government- RHCA	\$ 1,393,436	\$ 1,121,023	\$ 910,476

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

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability			
Governmental Activities	\$ 816,592	\$ 994,857	\$ 1,130,076
Business-type Activities	\$ 103,559	\$ 126,166	\$ 143,314
Total Primary Government- RHCA	\$ 920,150	\$ 1,121,023	\$ 1,273,390

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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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020, but adjusted for a change in the discount rate. The components of the net OPEB liability of the University at June 30, 2021 was as follows:

	2021
	<i>In thousands</i>
Total OPEB Liability	\$ 133,034
Plan fiduciary net position	\$ 43,519
University's net OPEB liability	\$ 89,515
Plan fiduciary net pension as a percentage of the total OPEB liability	32.71%

Actuarial assumptions: Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, 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 7.09%, 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 2.21% on the last Friday prior to the measurement date of June 30, 2020. A blended discount rate was calculated based on separating the projected future payments between those paid from the VEBA Trust and those paid from general assets. The VEBA Trust assets were projected using the expected employer and employee payroll contributions and the expected long-term rate of return. Payments from the VEBA Trust were assumed to begin when the projected asset amount is fully-funded and all future projected benefit payments will be paid from the VEBA Trust. The VEBA trust is expected to be fully-funded in the year 2032.

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

The following presents the University's net OPEB liability at June 30, 2021, which was measured using the discount rate of 7.09%, 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 (6.09%) or one percentage point higher (8.09%) than the current discount rate.

	Year Ended June 30, 2021 (in thousands)		
	1% Decrease (6.09%)	Current Discount Rate (7.09%)	1% Increase (8.09%)
Net OPEB liability	106,900	89,515	75,251

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, 2021, 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, 2021 (in thousands)		
	1% Decrease (Pre-Medicare: 4.5% decreasing to 4%, Post- Medicare: 4.4% decreasing to 4%, Dental: 3%)	Current Discount (Pre-Medicare: 5.5% decreasing to 5%, Post- Medicare: 5.4% decreasing to 5%, Dental: 4%)	1% Increase (Pre-Medicare: 6.5% decreasing to 6%, Post- Medicare: 6.4% decreasing to 6%, Dental: 5%)
Net OPEB liability	73,793	89,515	108,832

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the University recognized OPEB income of \$2.9 million. At June 30, 2021 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year Ended June 30, 2021 (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 24,699
Changes of assumptions	\$ 4,949	\$ 11,911
Net difference between projected and actual earnings on OPEB plan investments	1,358	0
Contributions subsequent to the measurement date	5,210	-
Total	\$ 11,517	\$ 36,610

The \$5.2 million reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date of July 1, 2020 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. 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:	
2022	(\$,375)
2023	(\$,366)
2024	(\$,112)
2025	(4,792)
2026	(658)
Thereafter	0
Total	\$ (30,303)

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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 2021:

	Increases (Decreases) in thousands		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Total OPEB Liability - Start of Year (July 1, 2020)	\$ 165,830		\$ 165,830
Changes for the year			
Service cost	6,497	-	6,497
Interest cost	3,745	-	3,745
Differences between expected and actual experience	-		
Changes in assumptions or other inputs	1,339	-	1,339
Benefit payments	(5,718)	-	(5,718)
Net change in total OPEB liability	5,863	-	5,863
Net OPEB Liability - End of Year (June 30, 2021)	\$ 171,693	\$ -	\$ 171,693

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, 2021, conducted in accordance with generally accepted actuarial principles.

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The actuarial methods and assumptions used to determine the total OPEB liability included in the measurement are as follows:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Discount Rate	2.16% per annum 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 5.5% for retirees 65 years of age and under and 4.5% for retirees over 65 years of age and on an ultimate basis at 4.5%. The select trend rates are reduced .5% each year until reaching the ultimate trend.
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 2.16% was used to measure the total OPEB liability as of June 30, 2021.

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.

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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, 2021.

	Year Ended June 30, 2021 (in thousands)		
	1% Decrease	Current Trend	1% Increase
New Mexico State University's net OPEB liability	\$ 147,344	\$ 171,693	\$ 203,086

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 2021. 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, (1.16%) or one percentage point higher, (3.16%) than the single discount rate for June 30, 2021.

	Year Ended June 30, 2021 (in thousands)		
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
New Mexico State University's net OPEB liability	\$ 202,222	\$ 171,693	\$ 147,725

For the year ended June 30, 2021, the University recognized an OPEB expense of \$14.8 million. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(Amounts in thousands)	
	2021 Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 6,464
Changes of assumptions	\$ 17,290	\$ 1,257
Total	\$ 17,290	\$ 7,721

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,	(Amounts in thousands)
2022	4,512
2023	4,468
2024	586
	<u>9,568</u>

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NMIMT

The Institute's net OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021.

The components of the Institute's net OPEB liability at June 30, were as follows:

<i>(Amounts in thousands)</i>	
<u>Components of the Institute's net OPEB liability</u>	<u>June 30, 2021</u>
Total OPEB Liability	11,323
Plan Fiduciary Net Position	<u>4,328</u>
The Institute's net OPEB liability	<u>30,993</u>
Plan fiduciary net position as a percentage of total OPEB liability	10%

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, 2021, 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 3.0% after seven years Medical Post-Medicare: 3% 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 rate were based on the RP-2006 "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 3.16%, 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 2.21% on the last Friday prior to the measurement date of June 30, 2020. A blended discount rate was calculated based on separating the projected future payments between those paid from the Trust and those paid from general assets. The Trust assets were projected using the expected long-term rate of return. Payments from the Trust were assumed to begin when the projected assets value is fully-funded and all future projected benefit payments will be paid from the Trust.

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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, 2021, which was measured using the discount rate of 3.16% 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

Year Ended June 30, 2021 (in thousands)				
	1% Decrease (2.16%)		Current Discount Rate (3.16%)	1% Increase (4.16%)
Net OPEB liability	\$	45,344	\$	36,995
				\$ 30,480

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, 2021, 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, 2021 (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	\$	29,551	\$	36,995
				\$ 46,896

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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, 2021, the Institute recognized OPEB expenses of \$5.9 million. At June 30, 2021, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Amounts in thousands</i>	
	2021	
	Deferred Outflow of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 4,500
Net difference between projected and actual earnings on OPEB plan investment	217	-
Changes of assumptions	4,757	-
Institute contribution subsequent to the measurement date	689	-
Total	<u>\$ 5,663</u>	<u>\$ 4,500</u>

The \$.689 million reported as deferred outflows of resources related to OPEB resulting from Institute contributions subsequent to the measurement date of July 1, 2020 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. 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:	
2022	(107)
2023	(102)
2024	(114)
2025	(135)
2026	(169)
Thereafter	1,100
Total	<u>\$ 474</u>

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS – NOTE 16

[illegible]

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 16 (CONTINUED)

		Educational Institutions													
		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 Activities															
(Continued)															
Operating Expenses:															
\$	66	\$	238	\$	110,262	\$	38,766	\$	55,623	\$	33,232	\$	29,880	\$	2,310,082
	2,247		2,165		9,196		5,026		10,856		2,976		3,970		106,581
	6,378		30,490		40,815		51,830		130,213		21,010		37,742		975,002
Total Operating Expenses															
	8,691		32,893		160,273		95,622		196,692		57,218		71,592		3,391,665
Operating Income (Loss)															
	(8,301)		(8,195)		(120,969)		(64,695)		(126,523)		(47,459)		(47,600)		(1,091,349)
Nonoperating Revenue (Expense)															
Government Grants and															
	-		-		63,003		-		-		-		4,021		258,951
	-		34		12,081		2,813		(14)		14,112		111		78,945
	2		9,101		23,537		(49)		9,379		188		-		(19,116)
	-		-		(4,084)		(1,076)		-		(473)		-		(17,192)
	-		-		8,235		-		1,987		-		-		40,377
	-		-		(71)		-		-		-		472		(423)
Total Nonoperating Income (Expense)															
	2		9,135		102,701		1,688		11,352		13,827		4,604		341,742
Capital Contributions															
	-		-		11,017		-		17,318		443		969		3
	5,955		7,561		242,580		38,093		44,701		32,102		27,191		312,774
Special Item Loss on Discontinuance of Operations															
	-		-		-		-		-		-		-		(7,482)
Change in Net Position															
	(2,344)		7,901		(254,582)		(24,914)		(53,152)		(1,087)		(14,836)		(444,312)
Net Position, Beginning, restated															
	34,169		(23,574)		38,295		15,561		155,543		99,832		9,345		860,504
Net Position, Ending															
\$	31,825	\$	(15,673)	\$	54,245	\$	(9,353)	\$	102,391	\$	98,745	\$	(5,491)	\$	416,192

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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 Cash Flows:									
Net Cash Provided (Used) by:									
Operating Activities	\$ (1,638)	\$ (7,853)	\$ (284,847)	\$ (64,050)	\$ (35,603)	\$ (51,956)	\$ (26,689)	\$ (24,632)	\$ (212,009)
Noncapital Financing Activities	4,200	8,274	317,668	85,594	35,646	52,963	32,151	27,787	586,809
Capital and Related Financing Activities	-	(2,258)	(11,917)	(10,222)	(4,572)	(14,321)	(6,499)	2,494	(196,457)
Investing Activities	-	34	(9,524)	(9,648)	887	1,910	(384)	(2,689)	14,840
Cash and Cash Equivalents at Beginning of Year	927	11,920	179,899	68,588	14,437	65,596	32,924	16,038	593,148
Cash and Cash Equivalents at End of Year	\$ (561)	\$ 10,117	\$ 191,269	\$ 70,262	\$ 10,795	\$ 54,199	\$ 31,503	\$ 18,988	\$ 791,331

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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. 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 2021, 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, 2021, the Component Appropriations Funds report an aggregate investment of \$427.3 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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 18 (CONTINUED) and NOTE 19

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.

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.

New Mexico Hospital Equipment Loan Council

At June 30, 2021, there were three bond issues, for a total of \$ 71.6 million, outstanding for which the financed property was exempt from property tax based on the Hospital Equipment Loan Act. The amount of the abatement is determined by the assessed value of the property and the locale where the property is located.

NOTE 19. Commitments

A. Construction Commitments

The State has active construction projects as of June 30, 2021. The projects include highway construction, university infrastructure, and facilities construction and renovation. At year-end, the State's commitments for construction were \$403.5 million for governmental activities and \$142.9 million for business-type activities.

B. Loan Commitments

New Mexico Environment Department

The New Mexico Environment Department had loan commitments at June 30, 2021 of the following:

Wastewater Loan Construction Fund – the agency has executed binding commitments to disburse \$15.5 million for future loans.

Rural Infrastructure Loan Fund – the agency has executed binding commitments to disburse \$794.0 thousand for loans and grants.

New Mexico Energy, Mineral, and Natural Resources Department

Carlsbad Brine Well remediation estimated cost for project completion is \$71 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, 2021, unfunded commitments to private equity partnerships were approximately \$1.72 billion, and unfunded commitments to real estate and real asset investments

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 19 (CONTINUED) and NOTE 20

were approximately \$2.11 billion. Unfunded commitments to the Credit and Structured Finance Pool were \$1.0 billion. Subsequent to June 30, 2021, the Council approved an additional \$385 million of commitments to private equity, real estate, and real assets partnerships.

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 thousand 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 2021. 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, 2021 and 2020, NMMFA is committed to assume a risk of approximately \$4.7 million and \$6.5 million for the 36 and 38 loans closed, respectively. These loans are considered in the NMMFA's assessment for the allowance for mortgage loan losses. As of September 30, 2021, 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 \$4.5 million risk assumed as of September 30, 2020, the Authority's assumed risk approximated \$209 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, 2021. The NMMFA assumes 10% of the risk of loss and as of September 30, 2021 and 2020, is committed to assume risk of \$106 thousand and \$108 thousand respectively for the one loan closed, respectively.

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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 \$567.7 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 litigation was settled for \$50 million. This settlement will be paid out of TRD's current tax collections, which will reduce the distribution sent to the State General Fund in fiscal year 2022.

New Mexico State University

During the 2021 New Mexico Legislative Session, New Mexico State University Carlsbad was approved to be made into an independent community college known as Southeast New Mexico College. As part of this legislation, all functions, personnel, appropriations, assets and liabilities will be transferred to the new College on April 10, 2022. The effective date of the legislation was July 1, 2021.

Northern New Mexico College

During fiscal year 2021, the Northern New Mexico College accrued an accounts payable in the amount of \$500 thousand related to a litigation settlement, which is expected to be paid in January 2022.

Miner's Colfax Medical Center

Subsequent to year-end, the Medical Center entered into a contract with an unrelated party for a new electronic medical record system. The contract is for ten years with a total cost of approximately \$6.8 million, which includes implementation fees, monthly service fees, and support fees. The Medical Center will be billed monthly for these costs. On November 23, 2021, the Medical Center received a distribution of \$737.2 thousand from the American Rescue Plan Rural Funding, which is administered by the U.S. Department of Health and Human Services. The American Rescue Plan Rural payments have terms and conditions that the Medical Center is required to follow, and these funds are subject to audit. Included in the American Rescue Plan Rural Funding terms and conditions is a potential for repayment of these funds if they are not fully used in line with the terms and conditions.

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 21

NOTE 21. Subsequent Events

A. Bond Issues

New Mexico Mortgage Finance Authority

On October 26, 2021, the Authority issued the Series 2021 JLG Central Apartments Projects multifamily housing revenue tax-exempt bonds in the amount of \$11 million. The proceeds will be used to fund a loan to assist in the acquisition, rehabilitation, and equipping of six multifamily rental housing facilities located in the state of New Mexico.

On November 18, 2021, the Authority issued \$99.99 million (2021 Series D) of Single Family Mortgage Program Class I Bonds under the 2005 General Indenture. The 2021 Series D Bonds will be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the 2021 Series D Bonds was sold at a premium generating \$3.7 million, which will be used to purchase 2021 Series D Certificates, to fund 2021 Series D Participation Loans and to fund a portion of bond expenses.

On February 23, 2022, the Authority issued \$100 million (2022 Series A) of Single Family Mortgage Program Class I Bonds and \$33.5 million (2022 Series B) of MBS Pass-through Program Bonds under the 2005 General Indenture. The 2022 Series A Bonds will be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. The 2022 Series B Bonds combined with funds in the trust estates, will be used to fully refund the Single Family Mortgage Program Bonds 2012 Series A, 2012 Series B, and the 2011A/2015 Series C NIBP Bonds. A portion of the 2022 Series A Bonds was sold at a premium generating \$3.1 million, which will be used to purchase 2022 Series A Certificates, to fund 2022 Series A Participation Loans and to fund a portion of bond expenses.

New Mexico Finance Authority

Summer of 2021, Finance Authority issued \$43 million in bonds.

January 2022, Finance Authority drew \$32 million from a line of credit in anticipation of repaying it with a \$65 million bond being issued in April 2022.

New Mexico Department of Finance and Administration

During FY 2022, the State Board of Finance authorized and sold Severance Tax Notes 2021SC and 2021SD. The sale of the notes resulted in funding of \$285.4 million for future capital projects.

New Mexico Department of Transportation

Series 2021A Revenue Bonds Issued August 2021

The Department issued \$234.6 million NMFA State Transportation Revenue Bonds (Subordinate Lien) Series 2021A in August 2021. The gross proceeds to the Department were \$303.9 million including an original issuance premium of \$69.3 million. The cost of issuance, including the underwriters' discount, was \$1.5 million.

The Bonds are payable solely from and secured by federal funds not otherwise obligated that are paid into the State Road Fund, proceeds of the collection of taxes and fees that are required to be paid into the State Road Fund and not otherwise pledged exclusively to the payment of outstanding bonds and debentures, and taxes and fees required

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

by law to be paid into the Highway Infrastructure Fund. The Bonds were engaged in through the NMFA at the direction of the State Transportation Commission of the State of New Mexico to provide funds for the purpose of financing projects administered by the New Mexico Department of Transportation. Proceeds from the sale of the Series 2021A 5Bonds will be used for the purposes of (i) financing the costs of State Transportation Projects consisting of the 2021A Projects, and (ii) paying the costs of issuance of the Series 2021A Bonds. The 2021A Projects” includes the acquisition of rights of way, planning, design, and construction of those State Transportation Projects for which general fund appropriations were made pursuant to New Mexico Laws of 2020 (1st Special Session), Chapter 3, Section 8, and New Mexico Laws 2021, Chapter 43, Section 5. Principal of the Bonds is payable on June 15 through the year 2030. Interest, with a rate of 5.00% per annum, is payable semi-annually on June 15 and December 15 through the year 2030.

B. Other Events

State of New Mexico

The COVID-19 pandemic continued to impact the state in fiscal year 2021. Measures taken by the State of New Mexico have helped to contain the virus and minimize the impact on the economy and the State General Fund. Without being able to predict the future course of the virus or the state’s response, it is almost impossible to determine what impact this may have on future revenues and the economy.

The Laws of 2020, 1st Special Session, Chapter 5, Section 14 appropriated \$750 million dollars from the federal Coronavirus Aid, Relief and Economic Security relief fund allocation to the State General Fund for statewide COVID relief efforts. The Laws of 2021, Chapter 137, Section 5, Item 33 extended the expiration date of this appropriation to December 31, 2021. As of June 30, 2021, \$667 million of these funds have been transferred to state agencies for expenditure pursuant to guidance provided by the state legislature and federal government.

Taxation and Revenue Department

Refund claims estimated at \$24.0 million are expected to be paid due to a decision from the Court of Appeals that sales of medical cannabis prior to June 29, 2021 are eligible for a gross receipts tax deduction for prescription drugs.

The Department prevailed at the Administrative Hearings Office on a protest involving whether the most recent version of the high wage jobs tax credit statute applies to certain credit claims in the amount of \$18.3 million. Pending appeal, this decision will prevent those refund claims from being paid.

There is a protest backlog which could be reduced by \$84.4 million resulting from a favorable Court of Appeals decision regarding the gross receipts tax deduction for chemicals and reagents.

EXPO New Mexico

Senate Joint Resolution 10 during January 2022 legislative session - Requires the agency to reclassify \$572.8 thousand to a liability account since the Down’s lease agreement was amended per the legislature. Also, EXPO received an IRS assessment totaling \$383.4 thousand. The IRS filed a lien on Expo’s property pertaining to \$110.4 thousand of the total amount. This entire assessment amount is being disputed and in process of being resolved.

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS – NOTE 21 (CONTINUED)

General Service Division

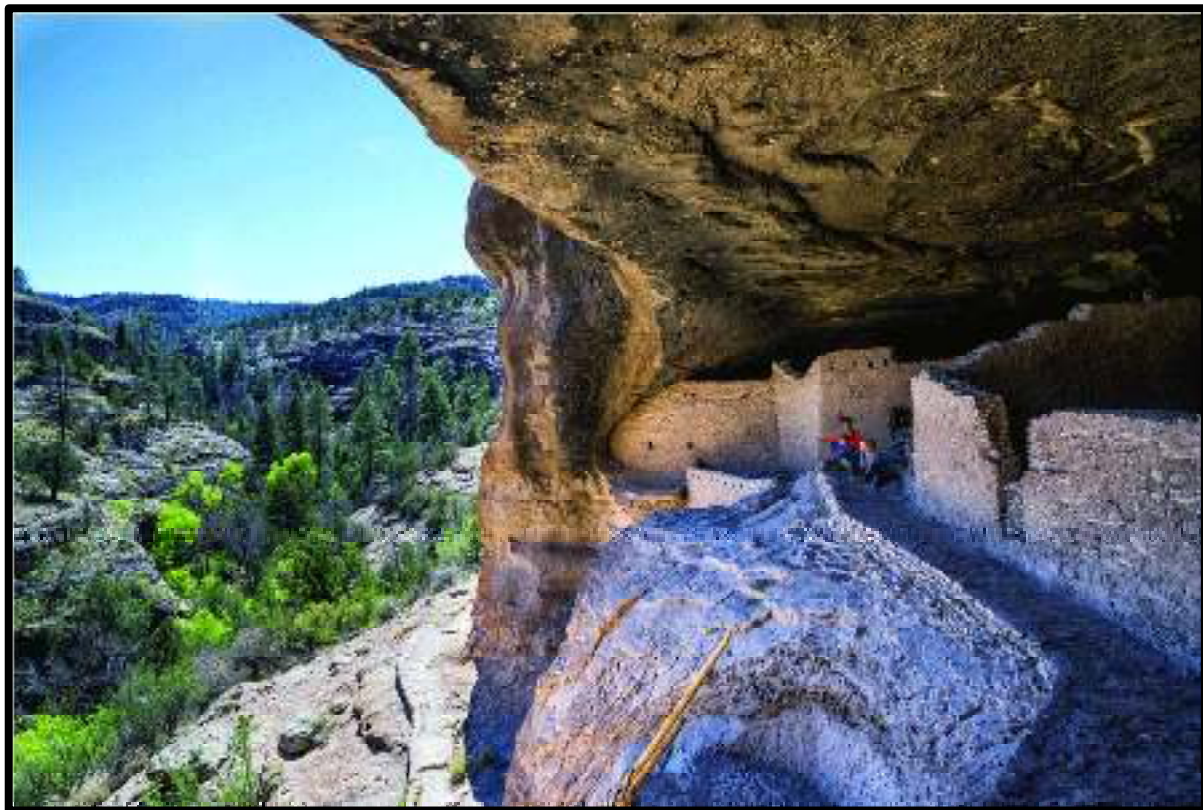
Risk Management Division (RMD) manages the State Unemployment Compensation Reserve (Fund 35300, non-reverting, Section 15-7-2 NMSA 1978) and Local Public Body (LPB) Unemployment Compensation (Fund 35400, non-reverting, Section 15-7-2 NMSA 1978) for the administration of all contributions collected and payments made to beneficiaries pursuant to the Unemployment Compensation Law and compensation benefits paid to public employees of local public bodies of the State of New Mexico who have agreed to participate in the fund activity. RMD paid first quarter and second quarter of FY2022, per Department of Workforce Solutions (DWS) invoices. The Department of Workforce Solutions is having difficulty programming their system to apply the payments in Q1 according to the requirements under the American Rescue Plan Act (ARPA), the federal government has issued a 75% relief on benefit charges this quarter. The State of New Mexico has discontinued its relief, reflecting a remaining balance of 25% of benefit charges due. There may be additional adjustments reflected on invoice for charges prior to 9-5- unemployment rate has triggered the state onto an extended benefit period. The State is responsible for 100% payment on any extended benefits charged in Q1.

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STATE OF NEW MEXICO
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION



GILA CLIFF DWELLINGS, GILA NATIONAL PARK
SOURCE - WWW.EVERYTHINGNEWMEXICO.COM

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Year Ended June 30, 2021

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 716,010	\$ 734,404	\$ 711,904	\$ (25,500)
Federal Revenue	7,245,358	9,355,352	9,454,208	(47,144)
Investment Income	14,218	9,215	187,158	(177,957)
Rentals and Royalties	23,860	23,860	1,252,816	(1,228,956)
Charges for Services	183,430	178,341	175,007	(3,334)
Licenses, Fees, and Permits	111,361	152,813	301,313	(189,502)
Assessments	13,508	13,548	42,387	(28,839)
Miscellaneous and Other	244,707	321,071	161,502	(159,569)
Operating Transfers In	7,280,893	7,437,302	66,854	(7,370,448)
Total Revenues and Other Financing Sources	15,760,767	18,194,167	12,161,758	(5,932,592)
Fund Balance Budgeted	470,350	460,350		
Total	16,231,117	18,654,517		
EXPENDITURES AND OTHER FINANCING USES				
Culture, Recreation, and Natural Resources				
Museums and Monuments	27,313	28,778	31,805	(3,027)
Parkways	1,707	1,707	1,740	(33)
Library Services	5,195	5,507	6,475	(880)
Program Support	4,435	4,091	3,944	(147)
Water Resource Allocation	16,815	17,215	14,017	(3,200)
Wastewater System Compact Compliance and System Development	21,011	21,011	112,111	(91,100)
Litigation and Adjudication	10,818	10,818	6,034	4,784
Program Support	5,070	5,070	4,070	(1,000)
Committed Control Public Lands	18,541	20,815	2,935	(17,880)
Recreation Inspection	8,521	7,187	8,743	(1,556)
Youth Conservation Corps	1,255	1,317	2,373	(1,058)
Office of the Natural Resources Trustee	2,203	2,203	529	(1,674)
Sports Hunting and Fishing	9,811	9,811	9,110	(701)
Conservation Services	23,299	27,831	25,319	(2,512)
Wildlife Depredation and Nuisance Abatement	1,104	1,104	501	(603)
Program Support	7,770	7,770	7,462	(308)
Renewable Energy and Energy Efficiency	3,413	4,077	2,113	(1,964)
Healthy Forests	5,921	23,085	2,652	(20,433)
Parks and Recreation	22,373	29,921	15,154	(14,767)
Mine Reclamation	8,255	8,437	8,252	(185)
Oil and Gas Conservation	13,443	13,443	9,020	(4,423)
Program Leadership and Support	1,101	1,101	4,452	(3,351)
Grants	2,099	2,767	2,543	(224)
Statistical Information	161	161	175	(14)
Special Appropriations	1,277	1,277	3,638	(2,361)
Total Culture, Recreation, and Natural Resources	211,535	265,590	151,658	(109,935)
Education				
Operations	25,500	27,443	20,232	(7,211)
Student Financial Aid	11,211	11,211	10,457	(754)
Administrative Services	4,345	4,345	4,138	(207)
Health Services	30,750	30,750	22,405	(8,345)
Independent Living	1,575	1,611	1,457	(154)
Disability Determination	18,541	18,541	10,648	(7,893)
SDE Operations	13,559	13,559	7,646	(5,913)
Public Schools Facilities Auth	3,252	3,252	4,438	(1,186)
Special Appropriations	3,554,854	3,554,854	3,554,854	
Total Education	3,650,100	3,650,100	3,600,100	(50,000)

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2021

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
General Control				
Policy Development, Budget Oversight and Educational Accountability	\$ 3,513	\$ 3,513	\$ 2,932	\$ 581
Program Support	2,035	2,035	832	1,203
Community Development, Local Government Assistance and Fiscal Oversight	38,585	48,568	42,848	5,721
Fiscal Management and Oversight	99,272	99,272	9,029	75,243
Program Support	21,486	20,786	20,189	697
Tax Administration	34,785	30,768	29,100	1,668
Motor Vehicle	42,879	41,204	29,328	11,876
Property Tax	4,286	4,286	3,324	962
Compliance Enforcement	1,702	1,702	1,576	126
State Purchasing	2,461	2,461	2,309	152
Facilities Management Division	15,036	15,036	15,014	22
Office of the Attorney General	29,001	30,891	21,772	9,079
Medicaid Fraud Program	3,201	3,768	3,075	693
State Auditor	3,978	3,978	3,423	555
State Investment Program	58,227	58,227	25,374	32,853
Criminal & Juvenile Justice	1,341	1,341	939	402
Governor	4,412	4,412	3,623	789
Lieutenant Governor	579	579	438	141
Records Info & Archival Mgmt.	2,586	2,597	2,375	222
Secretary of State	3,821	4,214	4,159	55
New Mexico State Personnel	4,147	4,147	3,425	722
State Treasurer	4,088	4,088	3,750	338
Public Employees Labor Relations Board	244	244	238	6
Enterprise Services	-	-	-	-
Elections	7,309	11,723	9,160	2,563
Compliance and Project Management	836	2,338	835	1,503
Administrative Hearings Office	2,032	2,032	1,927	105
Special Appropriations	478,350	478,350	74,488	403,862
Total General Control	855,172	856,491	314,551	541,940
Health and Human Services				
Administration	15,638	83,814	77,055	6,759
Financial Oversight	169,047	175,809	149,609	26,200
Epidemiology and Response	30,394	116,427	81,740	34,687
Laboratory Services	13,706	17,255	14,684	2,571
Program Area 6 - Facilities	151,277	151,277	144,031	7,246
Developmental Disabilities Support	167,690	167,909	27,389	140,521
Health Certification, Licensing and Oversight	15,499	15,682	13,528	2,154
Program Support	61,058	62,895	59,055	3,841
Child Support Enforcement	32,509	35,944	29,246	6,698
Medical Assistance Program	5,389,687	6,754,057	6,699,225	54,832
Income Support Program	945,325	1,871,379	1,707,360	164,019
Resource Management	8,488	8,721	7,358	1,363
Water Quality	27,739	28,569	19,223	9,346
Environmental Health	15,276	18,230	12,143	4,087
Environmental Protection	24,310	26,464	21,667	4,797
Program Support	17,425	18,718	18,904	(182)
Juvenile Justice Facilities	71,742	75,109	68,019	7,090
Protective Services	171,039	196,763	173,945	22,818
Program Support	5,218	5,218	5,061	157

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Year Ended June 30, 2021

(In Thousands)

	Budgetary Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Health and Human Services (Continued)				
Consumer and Elder Rights	\$ 4,941	\$ 5,604	\$ 4,691	\$ 913
Adult Protective Services	13,554	13,554	10,898	2,656
Community Involvement	42,264	47,777	43,502	4,275
Administration	5,429	6,098	5,099	1,029
Family Support & Early Intervention	30,099	30,768	20,642	12,126
Early Childhood Services	929,629	967,101	910,604	56,497
Public Pre-Kindergarten	40,067	40,067	3,092	45,925
Office of African American Affairs	1,031	1,031	796	245
Commission For Deaf and Hard of Hearing	6,606	6,606	1,411	5,195
Martin Luther King Jr., Commission	343	343	213	130
Blind Services Program	8,254	8,254	6,428	1,826
Indian Affairs Department	3,871	3,891	3,322	569
Workers' Compensation Administration	11,999	11,999	9,283	2,722
Governor's Commission On Disability	1,732	1,732	1,440	296
Brain Injury Advisory Council	195	195	192	3
Veterans' Services Department	5,972	6,074	4,921	1,153
Developmental Disabilities Planning Council	1,316	1,316	1,225	91
Office of Guardianship	5,540	5,540	5,161	379
Medicaid Behavioral Health	520,073	699,326	609,395	15,991
Behavioral Health Services	73,388	89,069	69,205	19,864
Workforce Transition Services	10,367	15,258	14,080	1,178
Labor Relations	4,394	4,394	4,045	349
Workforce Technology	17,006	25,496	22,707	2,789
Business Services	14,471	18,980	18,100	780
Program Support	29,497	64,097	32,135	31,961
Uninsured Employers Fund	922	922	780	142
Early Childhood Services	-	-	-	-
Early Childhood Services	3,273	5,300	4,473	827
Early Childhood Services	42,948	46,596	36,969	9,627
Special Revenue	4,982	4,982	-	4,982
Early Childhood Services	45,194	45,301	10,201	35,100
Veterans Retirement Facility	-	-	-	-
Special Appropriations	108,700	107,175	48,032	59,143
Total Health and Human Services	9,281,219	11,517,601	10,707,390	810,211
Highways & Transportation				
Construction Program	610,932	1,210,416	584,145	629,271
Maintenance Program	251,515	308,804	256,343	50,461
Program Support	44,700	76,300	49,688	23,212
MODAL	74,231	157,766	60,766	37,000
Total Highways and Transportation	981,138	1,756,886	950,942	805,944
Judicial				
Supreme Court Law Library	-	-	-	-
New Mexico Compilation Commission	1,540	1,540	1,022	526
Judicial Standards Commission	879	879	874	5
Court of Appeals	6,571	6,571	6,543	28
Supreme Court	6,268	6,268	6,122	147
Supreme Court Building Commission	-	-	-	-
First Judicial District Court	11,602	11,688	11,691	461
Second Judicial District Court	30,974	31,006	29,606	1,400
Third Judicial District Court	11,409	11,427	11,278	151
Fourth Judicial District Court	4,147	4,294	4,200	94
Fifth Judicial District Court	11,277	11,301	10,978	323
Sixth Judicial District Court	5,693	5,693	5,643	50
Seventh Judicial District Court	4,509	4,509	4,270	239
Eighth Judicial District Court	4,903	4,950	4,833	117
Ninth Judicial District Court	5,796	5,811	5,737	74

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2021

(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	\$ 1,808	\$ 1,808	\$ 1,806	\$ 4
Eleventh Judicial District Court	11,339	11,706	11,393	343
Twelfth Judicial District Court	5,410	5,428	5,301	127
Thirteenth Judicial District Court	12,047	12,122	11,566	558
Bernalillo County Metropolitan Court	29,593	29,067	27,390	1,677
First Judicial District Attorney	6,390	6,840	6,305	535
Second Judicial District Attorney	27,211	27,471	26,483	988
Third Judicial District Attorney	6,313	5,995	5,924	71
Fourth Judicial District Attorney	3,577	3,577	3,569	8
Fifth Judicial District Attorney	6,440	6,440	6,432	8
Sixth Judicial District Attorney	3,483	3,483	3,488	5
Seventh Judicial District Attorney	2,871	2,871	2,831	40
Eighth Judicial District Attorney	3,222	3,222	3,178	44
Ninth Judicial District Attorney	3,549	3,549	3,544	5
Tenth Judicial District Attorney	1,570	1,570	1,561	9
Eleventh Judicial District Attorney-Division I	5,417	5,432	5,219	218
Twelfth Judicial District Attorney	4,161	4,265	4,141	124
Thirteenth Judicial District Attorney	6,110	6,110	5,874	138
Administrative Office of the District Attorneys	2,839	3,119	2,663	506
Eleventh Judicial District Attorney-Division II	3,048	3,048	2,629	420
Administrative Support	16,239	17,820	16,464	4,356
Administrative Support	10,492	11,092	9,165	2,907
Statewide Judiciary Automation	14,212	14,212	12,363	1,849
Special Court Services	-	-	-	-
Administrative Support	56,758	56,770	55,892	878
Special Appropriations	18,968	19,063	19,752	8,311
Total Judicial	367,412	371,937	344,191	27,746
Legislative				
Leg Analyst/Dwight Program	4,434	4,434	4,379	55
Education Study Committee	1,394	1,394	1,190	204
Special Appropriations	13,553	13,553	10,816	2,737
Total Legislative	19,381	19,381	16,385	2,996
Public Safety				
Program Support	7,924	10,224	6,571	3,653
Law Enforcement	128,756	130,229	128,228	2,001
Program Support	10,385	10,438	12,694	742
Inmate Management and Control	299,284	299,845	290,035	9,810
Community Offender Management	40,010	40,015	36,482	3,533
Parole Board	593	593	486	107
Juvenile Parole Board	8	8	2	6
Victim Compensation	7,506	7,506	7,747	159
Federal Grant Administration	17,349	22,573	14,634	7,939
National Guard Support	27,757	27,849	21,169	6,680
Crisis Response	-	-	-	-
Homeland Security and Emergency Management Department	28,685	32,730	14,089	18,641
Motor Transportation Program	-	-	-	-
State Law Enforcement Support Program	21,499	22,253	9,855	12,398
Special Appropriations	6,239	6,491	6,036	455
Total Public Safety	599,438	614,752	548,048	66,104

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2021

(In Thousands)

	Budgetary Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget
EXPENDITURES AND OTHER FINANCING USES (CONT.)				
Regulation and Licensing				
Administration	\$ 948	\$ 948	\$ 746	\$ 202
Economic Development	8,452	34,224	12,050	22,174
Film	638	1,058	659	399
Program Support	3,061	3,061	3,048	13
Job Creation & Job Growth	-	-	-	-
Program Support	1,308	1,308	1,285	23
Outreach	2,308	2,367	2,233	134
Marketing and Promotion	14,765	14,765	14,573	192
Construction Industries and Manufactured Housing	8,443	8,443	8,136	307
Financial Institutions and Securities	4,946	4,946	2,438	2,508
Alcohol and Gaming	1,103	1,103	1,080	23
Program Support	4,106	4,106	3,818	288
Policy and Regulation	8,114	8,114	7,232	882
Public Safety	78,324	96,004	76,985	19,019
Program Support	1,567	1,567	1,552	15
Special Revenues	78,465	80,125	-	80,125
Board of Examiners for Architects	412	433	330	103
New Mexico Border Authority	512	512	444	68
Medical Board	2,337	2,337	1,977	360
Board of Nursing	3,162	3,162	2,383	779
ASDIPEPS	1,156	1,156	702	454
Gaming Control Board	5,480	5,480	5,422	58
State Racing Commission	4,103	4,103	1,984	2,119
Board of Veterinary Medicine	474	474	405	69
Office of Military Base Planning and Support	247	247	202	45
Program Thirty-three	-	-	-	-
Program Thirty-four	-	-	-	-
Spaceport Authority	11,981	12,381	6,902	5,479
Special Revenue	6,637	6,667	-	6,667
Insurance Operations Program	11,319	12,374	10,172	2,202
Patient Compensation Program	-	-	-	-
Boards and Commission	17,814	17,814	6,759	11,055
Securities Division	2,256	2,256	1,467	789
Outdoor Recreation	451	626	601	25
Special Appropriations	70,343	70,343	24,856	45,487
Total Regulation and Licensing	353,430	403,804	201,621	202,183
Total Expenditures and Other Financing Uses	15,173,134	19,335,614	16,658,769	\$ 2,676,845
Net Change in Fund Balance	\$ (6,571,074)	\$ (40,843)	\$ (4,276,951)	

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2021

(In Thousands)

Budget Basis to GAAP Basis Reconciliation

Net Change in Fund Balance (Budgetary Basis)	\$	(4,276,991)

Differences:

Taxes - Bud Refs other than 120 and 320	6,328,681
Investment Income - Bud Refs 120 and 320	5,348
Rent and Royalties - Bud Refs other than 120 and 320	811,489
Charges for Services - Bud Refs other than 120 and 320	683
Licenses, Fees and Permits - Bud Refs other than 120 and 320	35,161
Assessments - Bud Refs other than 120 and 320	829
Misc. and Other Revenue - Bud Refs other than 120 and 320	20,053
Federal Revenue - Bud Refs other than 120 and 320	1,534,826
Transfers In - Bud Refs other than 120 and 320	1,128,218
Non Budgeted - Transfers In - Component Units	51,732
Transfers In - Bud Refs other than 120 and 320 (Ref, Bond Proceeds)	-
NonBudgeted Revenue - Bond Issuances & Premiums	-
NonBudgeted Revenue - Sale of Capital Assets	1,057
NonBudgeted Revenue - Tobacco Settlement - 497101	36,277
Expenses - Bud Refs other than 120 and 320	(1,354,401)
Transfers Out - Bud Refs other than 120 and 320	(10,358,356)
NonBudgeted Expenditure - 569000 In-Kind Expenditure	(31,813)
NonBudgeted Expenditure - 565200 Distr. To Beneficiaries	(9,108)
NonBudgeted Expenditure - 566100 & 566109 (Reversions)	23,048
Non Budgeted Expenditure - 555102 (OFU - NonBudgeted)	-
Non Budgeted Expenditure - 555210 (OFU CU-NonBudgeted)	(4,714)
NonBudgeted Expenditure Adj. - 577100 (General Fund Allotments)	7,004,072
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	-
Function Exclusions - Expenditures	187
A Code Expenditures not included in Budgetary Comparison Actuals	(7,839)

Total Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances

\$	938,649

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION NOTES TO BUDGETARY REPORTING

For the Year Ended June 30, 2021

(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, 2021

(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, 2021, there were none of the State agency's P-codes reporting expenses/expenditures exceeding budget authority.

STATE OF NEW MEXICO

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

For the Last Ten Years (a) Ending June 30,
(In Thousands)

	Fiscal Year Ended June 30, 2021	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	\$ 409,342	\$ 401,166	\$ 403,879	\$ 376,310	\$ 405,561	\$ 390,221	\$ 389,053	\$ 418,996
Interest	1,556,071	1,347,097	1,404,991	1,462,669	1,432,723	1,393,337	1,335,930	1,286,996
Benefit Charges	-	(730,227)	-	-	-	-	-	-
Difference Between Expected and Actual Experience	310,352	213,521	(34,005)	113,712	(384,186)	330,751	59,112	-
Changes of Assumptions	-	(222)	-	545,510	(62,778)	424,792	-	(91,857)
Benefit Payments	(1,314,820)	(1,255,018)	(1,193,943)	(1,133,418)	(1,084,818)	(1,024,399)	(966,237)	(905,329)
Refunds of Contributions	(40,354)	(44,903)	(54,337)	(50,288)	(44,396)	(44,938)	(46,010)	(47,377)
Net Change in Total Pension Liability	920,491	151,414	606,585	1314,495	82,106	1,469,984	771,868	661,429
Total Pension Liability - Beginning	22,140,637	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	23,061,128	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 - Employee	379,185	368,425	339,676	319,499	332,473	324,752	317,164	370,765
Contributions - Member	309,952	297,153	281,643	282,847	272,829	265,329	258,920	174,037
Special Fund Appropriation	-	35,000	-	-	-	-	-	-
Net Investment Income	3,799,141	(225,545)	935,561	1,004,227	1,500,759	47,445	251,488	2,118,285
Benefit Payments	(1,314,820)	(1,255,018)	(1,193,944)	(1,133,418)	(1,084,818)	(1,024,399)	(966,236)	(905,329)
Administrative Expenses	(12,750)	(34,318)	(13,583)	(12,667)	(11,506)	(10,754)	(9,886)	(10,336)
Refunds of Contributions	(40,354)	(44,903)	(54,337)	(50,288)	(44,396)	(44,938)	(46,010)	(47,377)
Other	1,591	1,646	2,047	2,110	471	12,338	25,296	17,006
Net Change in Plan Net Position	3,121,954	(815,560)	297,063	412,310	965,812	(430,047)	(169,264)	1,717,051
Plan Net Position - Beginning	14,691,984	15,507,545	15,210,482	14,798,917	13,836,658	14,255,328	14,424,793	12,707,741
Prior Period Adjustments	-	-	-	(745)	6,447	1,177	-	-
Plan Net Position - beginning, rotated	14,691,984	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	17,813,938	14,691,984	15,507,545	15,210,482	14,798,917	13,826,658	14,255,729	14,424,792
Net Pension Liability - Ending	\$ 5,247,190	\$ 7,448,653	\$ 6,481,679	\$ 6,172,157	\$ 5,269,227	\$ 6,159,380	\$ 4,260,326	\$ 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, 2021	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	\$ 6,281	\$ 5,286	\$ 4,282	\$ 4,488	\$ 5,492	\$ 3,243	\$ 3,344	\$ 3,795
Interest	9,424	10,211	10,341	9,867	9,066	10,238	9,900	10,798
Benefit Changes	-	-	-	-	-	-	-	(16,019)
Difference Between Expected and								
Actual Experience	4,692	(5,401)	7,420	(13,58)	(2,614)	4,737	755	-
Changes of Assumptions	(57,672)	18,409	19,033	(2,892)	(17,241)	46,153	-	(1,004)
Benefit Payments	(12,538)	(12,613)	(11,352)	(10,585)	(10,096)	(9,813)	(9,373)	(8,770)
Refunds of Contributions	(1)	(1)	(100)	-	(11)	(45)	(40)	(22)
Net Change in Total Pension Liability	(49,514)	17,975	20,624	(400)	(15,244)	54,517	4,586	(11,284)
Total Pension Liability - Beginning	223,409	205,433	175,811	176,291	191,535	137,038	132,452	143,746
Total Pension Liability - Ending	173,895	223,409	205,433	175,811	176,291	191,555	137,038	132,462
Plan Net Position								
Contributions - Employer	5,626	4,683	6,731	4,723	4,524	4,237	4,396	3,741
Contributions - Member	1,838	1,783	1,692	1,532	1,636	1,582	1,379	1,086
Net Investment Income	21,502	(1,252)	5,526	6,020	9,012	232	1,512	13,197
Benefit Payments	(12,238)	(12,013)	(11,331)	(10,585)	(10,096)	(9,813)	(9,373)	(8,770)
Administrative Expenses	(71)	(82)	(76)	(75)	(69)	(64)	(60)	(64)
Refunds of Contributions	(1)	(8)	(100)	-	(11)	(45)	(40)	(25)
Other	-	-	10	-	-	72	33	486
Net Change in Plan Net Position	16,356	(6,889)	430	1,715	4,996	(3,793)	(2,153)	9,623
Plan Net Position - Beginning	84,872	91,761	91,331	89,516	84,912	88,989	91,142	81,519
Plan Net Position - Ending	101,228	84,872	91,761	91,331	89,908	85,196	88,989	91,142
Net Pension Liability - Ending	\$ 72,667	\$ 138,538	\$ 113,674	\$ 84,480	\$ 86,375	\$ 106,603	\$ 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, 2021	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	\$ 1,258	\$ 1,656	\$ 1,466	\$ 1,354	\$ 1,537	\$ 1,118	\$ 948	\$ 1,428
Interest	4,092	3,436	3,494	3,487	3,192	3,452	3,445	3,689
Benefit Changes	-	-	-	-	-	-	-	(7,328)
Difference Between Expected and Actual Experience	(95)	(1,288)	2,209	(257)	(1,539)	1,571	6,703	-
Changes of Assumptions	-	(18,414)	5,255	2,874	(8,114)	8,832	-	(7,644)
Benefit Payments	(4,294)	(4,204)	(4,026)	(3,951)	(3,966)	(3,976)	(3,956)	(3,690)
Refunds of Contributions	(50)	-	(56)	(63)	-	(15)	(5)	(15)
Net Change in Total Pension Liability	911	(18,812)	8,342	3,464	(8,890)	10,982	3,135	(13,760)
Total Pension Liability - Beginning	58,618	77,434	69,092	65,628	74,518	63,536	56,401	70,161
Total Pension Liability - Ending	59,529	58,618	77,434	69,092	65,628	74,518	63,536	56,401
Plan Net Position								
Contributions - Employer	2,348	1,293	1,236	1,232	1,282	1,280	937	793
Contributions - Member	652	650	640	580	603	587	490	266
Net Investment Income	7,463	(437)	1,938	2,156	3,280	70	579	5,199
Benefit Payments	(4,294)	(4,204)	(4,026)	(3,951)	(3,966)	(3,977)	(3,956)	(3,690)
Administrative Expenses	(25)	(28)	(28)	(27)	(25)	(24)	(23)	(24)
Refunds of Contributions	(50)	-	(56)	(63)	-	(15)	(5)	(15)
Other	-	-	-	14	3	27	(19)	217
Net Change in Plan Net Position	6,094	(2,727)	(296)	(59)	1,187	(2,052)	(1,997)	2,746
Plan Net Position - Beginning	29,071	31,798	32,094	32,226	31,038	33,187	35,185	32,439
Prior Period Adjustments	-	-	-	(73)	-	(98)	-	-
Plan Net Position - beginning, restated	29,071	31,798	32,094	32,153	31,038	33,089	35,185	32,439
Plan Net Position - Ending	35,165	29,071	31,798	32,094	32,226	31,038	33,187	35,185
Net Pension Liability - Ending	\$ 24,364	\$ 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, 2021	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	\$ 2,040	\$ 2,250	\$ 2,194	\$ 2,204	\$ 2,337	\$ 1,440	\$ 1,251	\$ 1,254
Interest	3,665	3,715	3,594	3,555	3,584	3,376	3,105	2,872
Benefit Changes	-	-	-	-	-	-	-	-
Difference Between Expected and Actual Experience	(1,725)	(2,143)	(1,373)	(2,504)	(4,101)	(498)	874	-
Changes of Assumptions	-	(1,853)	-	1,363	-	1,976	-	408
Benefit Payments	(2,758)	(2,626)	(2,457)	(2,319)	(2,221)	(1,836)	(1,633)	(1,419)
Refunds of Contributions	-	-	-	-	(2,031)	-	-	-
Net Change in Total Pension Liability	1,221	(655)	1,758	2,289	(433)	4,458	3,597	3,115
Total Pension Liability - Beginning	51,905	52,560	50,802	48,503	48,936	44,478	40,881	37,766
Total Pension Liability - Ending	53,126	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	750
Contributions - Member	-	-	-	-	-	-	-	-
Net Investment Income	17,950	(1,057)	4,318	4,512	6,682	206	1,094	8,920
Benefit Payments	(2,758)	(2,626)	(2,457)	(2,319)	(2,031)	(1,835)	(1,633)	(1,419)
Administrative Expenses	(60)	(67)	(63)	(58)	(52)	(47)	(43)	(44)
Refunds of Contributions	-	-	-	-	-	-	-	-
Other	-	-	1	1	1	51	12	404
Net Change in Plan Net Position	15,882	(3,000)	2,549	2,886	5,350	(875)	180	8,611
Plan Net Position - Beginning	68,836	71,836	69,287	66,399	61,049	62,103	61,923	53,312
Prior Period Adjustments	-	-	-	-	-	(179)	-	-
Plan Net Position - beginning, restated	68,836	71,836	69,287	66,399	61,049	61,924	61,923	53,312
Plan Net Position - Ending	84,718	68,836	71,836	69,287	66,399	61,049	62,103	61,923
Net Pension Liability - Ending	\$ (31,591)	\$ (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, 2021	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	\$ 916,076	\$ 388,501	\$ 521,132	\$ 494,876	\$ 357,631	\$ 356,874	\$ 346,956	\$ 350,248
Interest	1,268,041	1,501,193	1,396,376	1,375,676	1,421,586	1,367,647	1,321,048	1,254,710
Benefit Changes	-	-	(4,381,849)	-	-	-	-	-
Difference Between Expected and Actual Experience	685,735	177,184	(112,652)	(184,090)	(202,789)	42,492	(86,722)	(114,508)
Changes of Assumptions	(11,462,883)	11,316,976	-	659,768	4,371,980	-	299,085	-
Benefit Payments	(1,263,064)	(1,230,261)	(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	(3,330,090)	12,163,093	(3,138,638)	1,248,899	4,493,255	754,282	923,182	582,226
Total Pension Liability - Beginning	31,285,087	21,121,996	24,861,634	23,622,825	18,728,272	11,974,989	17,051,807	16,488,551
Total Pension Liability - Ending	27,443,992	33,285,087	21,721,996	24,881,634	23,822,825	11,739,272	17,974,989	17,051,807
Plan Net Position								
Contributions - Employer	452,872	451,256	406,549	388,724	393,844	396,989	393,130	362,463
Contributions - Member	330,007	329,725	303,442	287,524	292,809	295,946	294,561	271,514
Net Investment Income	3,834,540	(75,480)	1,037,883	990,132	1,350,389	364,571	429,738	1,444,233
Benefit Payments	(1,263,064)	(1,230,261)	(1,164,645)	(1,107,441)	(1,052,675)	(1,012,731)	(957,183)	(907,214)
Administrative Expenses	(12,083)	(10,873)	(9,326)	(9,906)	(9,848)	(9,661)	(10,598)	(10,619)
Refunds of Contributions	-	-	-	-	-	-	-	-
Other	-	343	487	2,116	-	-	-	-
Net Change in Plan Net Position	3,342,327	(325,494)	574,390	460,947	976,519	35,115	151,648	1,154,377
Plan Net Position - Beginning	11,019,199	13,544,692	12,970,303	12,599,357	11,535,839	11,497,724	11,346,076	10,191,699
Prior Period Adjustments	-	-	-	-	-	-	-	-
Plan Net Position - beginning, restated	11,019,199	13,544,692	12,970,303	12,599,357	11,535,839	11,497,724	11,346,076	10,191,699
Plan Net Position - Ending	14,361,526	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	\$ 1,082,466	\$ 20,265,891	\$ 3,577,302	\$ 11,891,331	\$ 11,315,488	\$ 1,196,433	\$ 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, 2021	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Total OPEB Liability					
Service Cost	\$ 171,993	\$ 123,905	\$ 156,598	\$ 188,372	\$ 265,229
Interest	147,283	169,239	203,666	199,584	187,363
Benefit Changes	802	6,624	14,004	-	-
Difference Between Expected and Actual Experience	57,770	(150,335)	(754,197)	(143,324)	(210,436)
Changes of Assumptions	(894,202)	989,793	(535,457)	(225,363)	(958,756)
Claims and Premiums	(102,376)	(109,584)	(96,487)	(122,199)	(113,698)
Net Change in Total OPEB Liability	(618,731)	1,029,442	(1,006,873)	(105,130)	(830,098)
Total OPEB Liability - Beginning	5,028,581	3,999,139	5,006,012	5,111,142	5,941,240
Total OPEB Liability - Ending	4,409,850	5,028,581	3,999,139	5,006,012	5,111,142
Plan Net Position					
Contributions - Employer	96,585	96,504	83,516	85,402	85,858
Contributions - Member	225,347	226,584	216,528	210,650	196,393
Net Investment Income	217,737	10,837	41,663	49,738	67,760
Claims and Premiums	(315,956)	(316,936)	(296,417)	(321,480)	(294,393)
Administrative Expenses	(3,404)	(3,687)	(4,148)	(3,672)	(4,180)
Other	69,519	59,821	57,949	17,530	35,556
Net Change in Plan Net Position	289,828	72,021	88,091	78,188	106,094
Plan Net Position - Beginning	829,673	756,750	657,657	579,469	472,475
Prior Period Adjustments	-	579,469	-	-	-
Plan Net Position - beginning, restated	829,673	1,336,219	657,657	579,469	472,475
Plan Net Position - Ending	1,119,501	828,673	736,730	637,637	579,469
Net OPEB Liability - Ending	\$ 3,290,349	\$ 4,198,908	\$ 3,242,389	\$ 4,348,335	\$ 4,531,673

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, 2021	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	\$ 23,061,128	\$ 22,140,637	\$ 21,989,225	\$ 21,382,639	\$ 20,068,143	\$ 19,986,038	\$ 18,516,055	\$ 17,744,187
Plan Net Position	17,813,948	14,691,984	15,507,546	15,210,483	14,798,918	13,826,658	14,255,529	14,424,793
Net Pension Liability	\$ 5,247,180	\$ 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	77.29%	66.36%	70.52%	71.13%	73.74%	69.18%	76.08%	81.29%
Covered Payroll	\$ 2,481,249	\$ 2,339,923	\$ 2,287,712	\$ 2,265,016	\$ 2,193,889	\$ 2,326,943	\$ 2,248,254	\$ 2,102,265
Net Pension Liability as a Percentage of Covered Payroll	211.39%	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, 2021	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	\$ 173,884	\$ 223,409	\$ 205,435	\$ 175,810	\$ 176,291	\$ 191,555	\$ 137,038	\$ 132,472
Plan Net Position	101,227	84,871	91,760	91,331	89,616	84,932	88,988	91,141
Net Pension Liability	\$ 72,657	\$ 138,538	\$ 113,675	\$ 84,479	\$ 86,675	\$ 106,623	\$ 48,050	\$ 41,331
Percentage of Plan Net Position to Total Pension Liability	58.11%	37.99%	44.67%	51.95%	50.33%	44.34%	64.94%	68.81%
Covered Payroll	\$ 16,955	\$ 16,090	\$ 16,292	\$ 15,126	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
Net Pension Liability as a Percentage of Covered Payroll	427.85%	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, 2021	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	\$ 59,329	\$ 58,618	\$ 77,431	\$ 69,090	\$ 65,628	\$ 74,519	\$ 63,536	\$ 56,401
Plan Net Position	35,165	29,071	31,798	32,093	32,225	31,038	33,187	35,185
Net Pension Liability	\$ 24,164	\$ 29,547	\$ 45,633	\$ 36,997	\$ 33,403	\$ 43,481	\$ 30,349	\$ 21,216
Percentage of Plan Net Position to Total Pension Liability	59.07%	49.59%	41.07%	46.45%	49.10%	41.65%	52.23%	62.38%
Covered Payroll	\$ 6,092	\$ 6,025	\$ 6,025	\$ 5,638	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
Net Pension Liability as a Percentage of Covered Payroll	399.93%	490.38%	757.37%	656.17%	592.97%	829.19%	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, 2021	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 Plan Net Position	\$ 53,126 84,718	\$ 51,905 68,837	\$ 52,561 71,836	\$ 50,802 69,287	\$ 48,503 66,401	\$ 48,936 61,050	\$ 44,478 62,103	\$ 40,881 61,923
Net Pension Liability	\$ (31,591)	\$ (16,932)	\$ (19,275)	\$ (18,485)	\$ (17,898)	\$ (13,114)	\$ (17,625)	\$ (21,042)
Percentage of Plan Net Position to Total Pension Liability	149.47%	132.63%	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	\$ 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	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, 2021	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	\$ 23,448,992	\$ 33,283,087	\$ 21,121,994	\$ 24,881,652	\$ 23,622,824	\$ 38,729,271	\$ 17,974,989	\$ 17,051,807
Plan Net Position	16,361,526	13,019,197	13,544,692	12,970,301	12,509,356	11,332,838	11,497,723	11,346,076
Net Pension Liability	\$ 7,087,466	\$ 20,263,890	\$ 7,577,302	\$ 11,891,351	\$ 11,113,468	\$ 7,396,433	\$ 6,477,266	\$ 5,705,731
Percentage of Plan Net Position to Total Pension Liability	69.77%	39.11%	64.13%	52.17%	53.95%	61.58%	63.97%	66.54%
Covered Payroll	\$ 3,057,979	\$ 3,048,664	\$ 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	231.77%	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, 2021	Ended June 30, 2020	Ended June 30, 2019	Ended June 30, 2018	Ended June 30, 2017
Total OPEB Liability	\$ 4,409,850	\$ 5,028,581	\$ 3,999,138	\$ 5,006,012	\$ 5,111,142
Plan Net Position	<u>1,119,501</u>	<u>829,673</u>	<u>756,749</u>	<u>657,657</u>	<u>579,469</u>
Net OPEB Liability	<u>\$ 3,290,349</u>	<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>25.39%</u>	<u>16.50%</u>	<u>18.92%</u>	<u>13.14%</u>	<u>11.34%</u>
Covered Payroll	<u>\$ 4,614,244</u>	<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>71.31%</u>	<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)

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	1,891	3,267	3,501	3,526	3,019
Interest	892	10,640	10,007	9,469	9,058
Changes of benefit terms	-	-	-	-	-
Differences between expected & actual experience	-	(38,575)	-	-	-
Changes of assumptions	(6,534)	7,729	(7,105)	(6,444)	7,114
Benefit payments	(5,296)	5,298	(4,913)	(4,841)	(4,818)
Net change in total OPEB liability	(1,018)	(22,236)	1,490	1,710	14,373
Total OPEB liability- beginning	134,053	156,289	154,799	153,089	138,715
Total OPEB liability- ending (a)	133,035	134,053	156,289	154,799	153,089
Plan fiduciary net position					
Contributions- employer	7,460	7,513	7,322	7,467	7,675
Contributions- member	2,164	2,215	2,408	2,625	2,856
Net investment income	1,854	2,111	2,080	1,615	895
Benefit payments	(5,296)	(5,298)	(4,913)	(4,841)	(4,818)
Administrative expense	(3)	(3)	(3)	-	-
Net change in plan fiduciary net position	6,179	6,536	6,892	6,866	6,608
Plan fiduciary net position- beginning	37,341	30,805	23,913	17,045	10,435
Plan fiduciary net position- ending (b)	43,520	37,341	30,805	23,913	17,045
University's net OPEB liability- ending (a)-(b)	89,515	96,712	125,484	130,886	136,044
Plan fiduciary net position as a percentage of the total OPEB liability	32.71%	27.86%	19.71%	15.45%	11.13%
Covered-employee payroll	288,544	295,345	321,166	350,452	383,432
University's net OPEB liability as a percentage of covered-employee payroll	31.02%	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. There is no change in the Total OPEB Liability from the fiscal year ended June 30, 2020 to the fiscal year ended June 30, 2021 due to differences in expected and actual 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. The \$6.5 million decrease in the liability from the fiscal year ended June 30, 2020 to the fiscal year ended June 30, 2021 is due to the increase in the assumed discount rate as of the measurement date.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY NEW MEXICO STATE UNIVERSITY

For the Last Ten Years (a) Ending June 30,
(Amounts are in Thousands)

	2021	2020	2019	2018
Total OPEB liability				
Service cost	6,497	5,787	5,127	4,936
Interest	3,745	5,208	5,268	5,291
Current Recognized deferred outflows/(inflows):				
Difference between expected and actual experience	-	(13,724)	-	-
Changes in assumptions or other inputs	1,340	28,160	7,135	(5,357)
Benefit payments	(5,718)	(5,274)	(5,758)	(5,523)
Net change in total OPEB liability	5,864	20,157	11,772	(653)
Total OPEB liability- beginning	165,829	145,672	133,899	134,552
Total OPEB liability- ending	171,693	165,829	145,672	133,899
 Covered-employee payroll	 135,947	 131,987	 153,961	 150,205
 University's net OPEB liability as a percentage of covered-employee payroll	 126%	 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)

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	2,182	1,999	2,317	2,697	2,149
Interest cost	1,388	1,518	1,377	1,225	1,194
Changes of benefit terms	-	-	-	-	-
Differences between expected & actual experience	-	(5,898)	-	-	-
Changes of assumptions	6,895	2,050	(1,486)	(3,354)	3,706
Benefit payments	(1,273)	(61)	(649)	(1,490)	(930)
Net change in total OPEB liability	9,192	(392)	1,559	(922)	6,119
Total OPEB liability- beginning	32,131	32,523	30,964	31,886	25,765
Total OPEB liability- ending (a)	41,323	32,131	32,523	30,964	31,886
Plan fiduciary net position					
Contributions- employer	703	2,239	3,997	4,998	4,936
Contributions- member	650	1,632	3,386	3,706	3,628
Net investment income	85	149	173	208	29
Benefit payments	(1,273)	(61)	(649)	(1,490)	(930)
Administrative expense	(88)	(306)	(359)	(378)	(388)
Other	6	(3,714)	(5,800)	(6,132)	(5,063)
Net change in plan fiduciary net position	85	(61)	649	912	1,312
Plan fiduciary net position- beginning	4,243	4,304	3,653	2,743	1,431
Plan fiduciary net position- ending (b)	4,328	4,243	4,304	3,655	2,743
University's net OPEB liability- ending (a)-(b)	36,995	27,888	28,219	27,309	29,143
Plan fiduciary net position as a percentage of the total OPEB liability	10.5%	13.2%	13.2%	11.8%	8.6%
Covered-employee payroll	30,619	29,916	28,337	28,142	27,938
University's net OPEB liability as a percentage of covered-employee payroll	121%	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. The \$392 thousand decrease in liability from the fiscal year ending June 30, 2019 to the fiscal year ending June 30, 2020 is due to the increase in the assumed discount rate, changes to the mortality table and trend rates. The \$9.1 million increase in

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				
	2021	2020	2019	2018	2017
Statutory Required Contributions	\$ 379,185	\$ 368,425	\$ 339,676	\$ 319,499	\$ 332,473
Actual Employer Contributions	379,185	368,425	339,676	319,499	332,473
Annual Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,482,249	\$ 2,339,923	\$ 2,287,712	\$ 2,265,036	\$ 2,193,889
Annual Contribution as a Percentage of Covered Payroll	15.28%	15.75%	14.85%	14.11%	15.15%

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				
	2016	2015	2014	2013	2012
Statutory Required Contributions	\$ 324,752	\$ 317,164	\$ 370,766	\$ 285,560	\$ 274,906
Actual Employer Contributions	324,752	317,164	370,766	285,560	274,906
Annual Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,326,943	\$ 2,248,254	\$ 2,102,265	\$ 2,049,738	\$ 1,994,280
Annual Contribution as a Percentage of Covered Payroll	13.96%	14.11%	17.64%	13.93%	13.78%

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				
	2021	2020	2019	2018	2017
Statutory Required Contributions	\$ 5,858	\$ 6,045	\$ 5,881	\$ 4,908	\$ 4,975
Actual Employer Contributions	5,626	4,683	4,731	4,723	4,524
Annual Contribution Deficiency (Excess)	\$ 232	\$ 1,362	\$ 1,150	\$ 185	\$ 451
Covered Payroll	\$ 16,985	\$ 16,090	\$ 16,292	\$ 15,126	\$ 15,493
Annual Contribution as a Percentage of Covered Payroll	33.12%	29.11%	29.04%	31.22%	29.20%

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				
	2016	2015	2014	2013	2012
Statutory Required Contributions	\$ 4,816	\$ 4,919	\$ 6,413	\$ 7,235	\$ 5,835
Actual Employer Contributions	4,237	4,196	3,741	3,527	3,266
Annual Contribution Deficiency (Excess)	\$ 579	\$ 723	\$ 2,672	\$ 3,708	\$ 2,569
Covered Payroll	\$ 15,612	\$ 15,084	\$ 13,163	\$ 13,226	\$ 12,691
Annual Contribution as a Percentage of Covered Payroll	27.14%	27.82%	28.42%	26.67%	25.74%

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				
	2021	2020	2019	2018	2017
Statutory Required Contributions	\$ 1,106	\$ 1,923	\$ 1,862	\$ 1,588	\$ 1,576
Actual Employer Contributions	2,348	1,293	1,236	1,232	1,282
Annual Contribution Deficiency (Excess)	\$ (1,242)	\$ 630	\$ 626	\$ 356	\$ 294
Covered Payroll	\$ 6,092	\$ 6,025	\$ 6,025	\$ 5,638	\$ 5,633
Annual Contribution as a Percentage of Covered Payroll	38.53%	21.45%	20.52%	21.85%	22.76%

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				
	2016	2015	2014	2013	2012
Statutory Required Contributions	\$ 1,463	\$ 1,967	\$ 1,992	\$ 2,286	\$ 1,793
Actual Employer Contributions	1,280	937	793	805	676
Annual Contribution Deficiency (Excess)	\$ 183	\$ 1,030	\$ 1,199	\$ 1,481	\$ 1,117
Covered Payroll	\$ 5,243	\$ 5,066	\$ 3,516	\$ 3,137	\$ 3,214
Annual Contribution as a Percentage of Covered Payroll	24.42%	18.49%	22.56%	25.67%	21.04%

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				
	2021	2020	2019	2018	2017
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				
	2016	2015	2014	2013	2012
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			
	2021	2020	2019	2017
Statutory Required Contributions	\$ 656,732	\$ 586,452	\$ 587,331	\$ 546,593
Actual Employer Contributions	452,872	451,556	406,549	388,724
Annual Contribution Deficiency (Excess)	\$ 203,860	\$ 134,896	\$ 180,782	\$ 157,869
Covered Payroll	\$ 3,057,979	\$ 3,048,404	\$ 2,797,686	\$ 2,678,215
Annual Contribution as a Percentage of Covered Payroll	14.81%	14.81%	14.53%	14.51%
				\$ 2,728,362

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				
	2016	2015	2014	2013	2012
Statutory Required Contributions	\$ 465,341	\$ 450,951	\$ 479,884	\$ 480,700	\$ 400,461
Actual Employer Contributions	396,989	395,130	362,463	299,658	253,845
Annual Contribution Deficiency (Excess)	\$ 68,352	\$ 55,821	\$ 117,421	\$ 181,042	\$ 146,616
Covered Payroll	\$ 2,740,527	\$ 2,730,320	\$ 2,718,101	\$ 2,706,170	\$ 2,495,300
Annual Contribution as a Percentage of Covered Payroll	14.49%	14.47%	13.34%	11.07%	10.17%

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				
	2021	2020	2019	2018	2017
Statutory Required Contributions	\$ 96,585	\$ 96,504	\$ 88,516	\$ 85,402	\$ 85,858
Actual Employer Contributions	<u>96,585</u>	<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>	<u>\$ -</u>
Covered Payroll	<u>\$ 4,614,244</u>	<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>2.09%</u>	<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)

	2021	2020	2019	2018	2017
Actuarially determined contribution	5,210	7,459	7,513	7,322	7,467
Contributions in relation to the actuarially determined contribution	5,210	7,459	7,513	7,322	7,467
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	272,863	288,544	295,345	321,166	350,452
Contributions as a percentage of payroll	1.91%	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 65

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)

	2021	2020	2019	2018	2017
Actuarially determined contribution	689	3,952	2,239	3,997	4,998
Contributions in relation to the actuarially determined contribution	689	3,952	2,239	3,997	4,998
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	31,793	30,619	14,433	28,337	28,142
Contributions as a percentage of payroll	2.2%	12.9%	15.5%	14.1%	17.8%

Notes to Schedule:

Valuation date January 1, 2020

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	RP-2006 headcount-weighted mortality table with fully generation 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					
	2021	2020	2019	2018	2017	2016
	2015	2014				
Annual Money-weighted Rate of Return, Net of Investment Expenses	25.36%	-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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Annual Money-weighted Rate of Return										
Net of Investment Expenses	28.76%	-0.97%	7.29%	8.33%	11.91%	2.68%	4.06%	14.71%	11.12%	1.87%

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				
	2021	2020	2019	2018	2017
Annual Money-weighted Rate of Return, Net of Investment Expenses	22.59%	1.43%	6.53%	9.06%	13.98%

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,

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	26.04%	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,

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	36.75%	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, 2021

(In Thousands)

	PERS	JRS	MRS	VFRS	EERS
Valuation date	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
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	25 years	30 years	30 years	25 years	Closed 30 years
Asset valuation method					5 Year Smoothed Market
Actuarial Assumptions:					
Investment Rate of Return	7.25%	7.25%	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 .70% 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%	7.25%	7.25%	7.25%	7.00%
Municipal Bond Rate	2.45%	2.45%	2.45%		2.45%

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, 2021
(In Thousands)

Valuation Date	June 30, 2020
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	2.30% for ERB; 2.50% for PERA
Projected payroll increases	3.25% to 13.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Discount rate	3.62%
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, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State proportion of the net pension liability	51.17%	51.20%	52.79%	52.12%	51.25%	52.70%
State proportionate share of the net pension liability	\$ 3,811,182	\$ 3,324,619	\$ 3,255,419	\$ 2,767,431	\$ 3,150,185	\$ 2,243,905
State covered payroll (b)	\$ 1,111,517	\$ 1,024,186	\$ 987,851	\$ 1,030,651	\$ 1,192,158	\$ 1,184,830
State proportionate share of the net pension liability as a percentage of its covered payroll	342.88%	324.62%	329.55%	268.11%	264.11%	189.39%
Plan fiduciary net position as a percentage of the total pension liability	66.36%	70.52%	71.15%	73.14%	69.18%	76.99%
						81.29%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

PERA - Judicial Fund	Measurement Date						
	June 30, 2020	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%	100.00%
State proportionate share of the net pension liability	\$ 138,539	\$ 113,675	\$ 84,479	\$ 86,675	\$ 106,623	\$ 48,050	\$ 41,311
State covered payroll (b)	\$ 16,090	\$ 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	861.03%	697.78%	558.50%	559.45%	682.95%	318.54%	313.83%
Plan fiduciary net position as a percentage of the total pension liability	37.99%	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)

PERA - Magistrate Fund	Measurement Date									
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
State proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
State proportionate share of the net pension liability	\$ 29,547	\$ 45,634	\$ 36,998	\$ 33,403	\$ 43,481	\$ 30,349	\$ 21,216	\$ 15,116	\$ 11,116	\$ 8,116
State covered payroll (b)	\$ 6,025	\$ 6,025	\$ 5,638	\$ 5,633	\$ 5,243	\$ 5,046	\$ 3,516	\$ 2,516	\$ 1,516	\$ 1,016
State proportionate share of the net pension liability as a percentage of its covered payroll	490.41%	757.41%	656.23%	592.99%	829.29%	599.09%	603.49%	599.09%	599.09%	599.09%
Plan fiduciary net position as a percentage of the total pension liability	49.59%	41.07%	46.45%	49.10%	41.65%	52.23%	62.38%	62.38%	62.38%	62.38%

(a) The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

PERA - Volunteer Firefighters Fund	Measurement Date						
	June 30, 2020	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 (asset)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
State proportionate share of the net pension liability	\$ (16,932)	\$ (19,276)	\$ (18,485)	\$ (17,898)	\$ (12,114)	\$ (17,625)	\$ (21,042)
State covered payroll (b)	x	*	x	*	x	*	*
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	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	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, 2020	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	0.27%	0.29%	0.29%	0.27%	0.30%	0.34%	0.34%
State proportionate share of the net pension liability	\$ 54,568	\$ 22,005	\$ 34,028	\$ 30,486	\$ 21,580	\$ 22,015	\$ 19,127
State covered payroll (b)	\$ 8,601	\$ 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	634.44%	259.22%	425.35%	356.10%	223.35%	238.26%	206.96%
Plan fiduciary net position as a percentage of the total pension liability	39.11%	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 completed, the State will only present information for those years for which information is available.

(b) Covered payroll is presented for the prior fiscal year to match the measurement date of the pension liability.

STATE OF NEW MEXICO

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE STATE OF NEW MEXICO'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

For the Last Ten Years (a) Ending June 30,
(In Thousands)

ERB - Educational Institutions	Measurement Date									
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
State proportion of the net pension liability	26.80%	27.87%	28.73%	28.80%	28.65%	28.85%	29.19%	29.53%	30.00%	30.47%
State proportionate share of the net pension liability	\$ 5,431,257	\$ 2,111,751	\$ 3,416,362	\$ 3,200,504	\$ 2,061,616	\$ 1,868,432	\$ 1,665,276	\$ 1,462,112	\$ 1,259,000	\$ 1,055,888
State covered payroll (b)	\$ 856,014	\$ 814,496	\$ 802,777	\$ 818,187	\$ 819,993	\$ 804,471	\$ 930,167	\$ 930,167	\$ 930,167	\$ 930,167
State proportionate share of the net pension liability as a percentage of its covered payroll	634.48%	259.27%	425.57%	391.17%	251.42%	232.26%	179.03%	156.12%	135.34%	114.58%
Plan fiduciary net position as a percentage of the total pension liability	39.11%	64.13%	52.17%	52.95%	61.58%	63.97%	66.54%	69.11%	71.68%	74.25%

(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>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
State proportion of the net OPEB liability	24.03%	24.22%	24.13%	24.12%
State proportionate share of the net OPEB liability	\$ 1,008,906	\$ 735,869	\$ 1,049,291	\$ 1,093,162
State covered payroll (b)	\$ 1,149,050	\$ 1,035,350	\$ 1,030,100	\$ 1,035,550
State proportionate share of the net OPEB liability as a percentage of its covered payroll	87.80%	75.88%	101.85%	105.56%
Plan fiduciary net position as a percentage of the total OPEB liability	16.50%	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)

Retirees Health Care - Educational Institutions	Measurement Date			
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
State proportion of the net OPEB liability	2.67%	2.73%	2.86%	2.89
State proportionate share of the net OPEB liability	\$ 112,118	\$ 88,334	\$ 124,400	\$ 130,893
State covered payroll (b)	\$ 121,700	\$ 122,700	\$ 128,727	\$ 123,997
State proportionate share of the net OPEB liability as a percentage of its covered payroll	87.80%	72.17%	96.69%	105.56%
Plan fiduciary net position as a percentage of the total OPEB liability	16.50%	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	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
Contractually Required contribution	\$ 209,237	\$ 200,231	\$ 181,674	\$174,957	\$ 184,801	\$ 171,144	\$ 176,397
Contributions in relation to contractually required contributions	\$ 209,237	200,231	181,674	174,957	184,801	171,144	176,397
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State covered payroll	\$1,135,523	\$ 1,111,517	\$1,024,186	\$987,851	\$1,030,651	\$1,192,558	\$1,184,830
Contributions as a percentage of covered payroll	18.43%	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	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Contractually Required contribution	\$ 5,858	\$ 6,045	\$ 5,881	\$ 4,908	\$ 4,975	\$ 4,816	\$ 4,919	\$ 6,413
Contributions in relation to contractually required contributions	5,626	4,683	4,731	4,723	4,524	4,237	4,196	3,741
Contribution deficiency	<u>\$ 232</u>	<u>\$ 1,362</u>	<u>\$ 1,150</u>	<u>\$ 185</u>	<u>\$ 451</u>	<u>\$ 579</u>	<u>\$ 723</u>	<u>\$ 2,672</u>
State covered payroll	\$ 16,985	\$ 16,090	\$ 16,292	\$ 15,126	\$ 15,493	\$ 15,612	\$ 15,084	\$ 13,163
Contributions as a percentage of covered payroll	33.13%	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	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Contractually Required contribution	\$ 1,106	\$ 1,923	\$ 1,862	\$ 1,588	\$ 1,576	\$ 1,463	\$ 1,967	\$ 1,992
Contributions in relation to contractually required contributions	2,348	1,293	1,236	1,232	1,282	1,280	937	793
Contribution deficiency	<u>\$ (1,242)</u>	<u>\$ 630</u>	<u>\$ 626</u>	<u>\$ 356</u>	<u>\$ 294</u>	<u>\$ 183</u>	<u>\$ 1,030</u>	<u>\$ 1,199</u>
State covered payroll	\$ 6,092	\$ 6,025	\$ 6,025	\$ 5,638	\$ 5,633	\$ 5,243	\$ 5,066	\$ 3,516
Contributions as a percentage of covered payroll	38.54%	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	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014
Statutorily determined contribution *	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Contributions in relation to statutorily determined contributions	750	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	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	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
Contractually Required contribution	\$ 1,194	\$ 1,217	\$ 1,180	\$ 1,112	\$ 1,190	\$ 1,343	\$ 1,215
Contributions in relation to contractually required contributions	1,194	1,217	1,180	1,112	1,190	1,343	1,215
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State covered payroll	8,438	8,601	8,489	8,000	8,561	9,662	9,240
Contributions as a percentage of covered payroll	14.15%	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)

ERB - Educational Institutions	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	FY2015
Contractually Required contribution	\$121,043	\$121,126	\$113,215	\$111,586	\$111,728	\$113,979	\$105,788
Contributions in relation to contractually required contributions	121,043	121,126	113,215	111,586	111,728	113,979	105,788
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Educational Institutions' covered payroll	855,418	856,014	814,496	802,777	814,187	819,993	804,471
Contributions as a percentage of covered payroll	14.15%	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	FY2021	FY2020	FY2019	FY2018
Contractually Required contribution	\$ 23,808	\$ 22,981	\$ 20,707	\$ 20,602
Contributions in relation to contractually required contribution	23,808	22,981	20,707	20,602
Contribution deficiency	\$ -	\$ -	\$ -	\$ -
State covered payroll	\$1,190,400	\$1,149,050	\$1,035,350	\$1,030,100
Contributions as a percentage of covered payroll	2.00%	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	FY2021	FY2020	FY2019	FY2018
Contractually Required contribution	\$ 2,587	\$ 2,554	\$ 2,454	\$ 2,575
Contributions in relation to contractually required contributions	2,587	2,554	2,454	2,575
Contribution deficiency	\$ -	\$ -	\$ -	\$ -
State covered payroll	\$ 129,350	\$ 127,700	\$ 122,700	\$ 128,727
Contributions as a percentage of covered payroll	2.00%	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 COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION



CITY OF SANTA FE
SOURCE - PLANETWARE.COM

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION **NONMAJOR PROPRIETARY FUNDS COMBINING FINANCIAL STATEMENTS**

Enterprise Funds

Enterprise funds report the activities for which fees are charged to external users for goods and services. Enterprise Funds are presented beginning on page 279.

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 291.

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, 2021

(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	\$ -	\$ -	\$ 2,287	\$ -
Cash and Cash Equivalents - Restricted	-	-	-	-	-	-
Investment in the State General Fund	171	1,963	181,540	1,274	695	10,982
Investment Pool						
Investment in the Local Government	-	-	-	-	106,540	-
Investment Pool	-	-	-	104	256	-
Prepaid Expenses and Other Assets	14	877	13,807	102	14,426	93
Receivables, Net	-	710	-	-	-	-
Inventories	-	-	-	-	-	-
Total Current Assets	185	3,552	195,347	1,480	124,204	11,075
Noncurrent Assets:						
Loans Receivable	-	-	189,359	-	-	11,174
Investments	-	-	-	-	37,900	-
Nondepreciable Capital Assets	-	-	-	-	237	-
Capital Assets, Net	-	499	-	-	20	-
Total Noncurrent Assets	-	499	189,359	-	38,157	11,174
Total Assets	185	4,051	384,706	1,480	162,361	22,249
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - OPEB	17	191	-	107	127	-
Deferred Outflows - Pension	63	800	-	405	481	-
Total Deferred Outflows	80	991	-	512	608	-

STATE OF NEW MEXICO

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

June 30, 2021

(In Thousands)

ASSETS	Miners' Cotifax Medical Center	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
Current Assets:					
Cash and Cash Equivalents	\$ 1,313	\$ -	\$ -	\$ -	3,602
Cash and Cash Equivalents - Restricted	-	916	-	-	916
Investment in the State General Fund					
Investment Pool	8,804	-	816	396	206,841
Investment in the Local Government					
Investment Pool	-	-	-	10,345	116,885
Prepaid Expenses and Other Assets	-	-	-	-	360
Receivables, Net	3,292	3,490	-	160	36,261
Inventories	982	-	-	-	1,692
Total Current Assets	14,391	4,406	816	11,101	366,557
Noncurrent Assets					
Loans Receivable	-	-	-	-	200,533
Investments	1,002	-	-	-	38,902
Nondepreciable Capital Assets	891	1,078	-	-	2,206
Capital Assets, Net	20,939	38,159	443	-	60,060
Total Noncurrent Assets	22,832	39,237	443	-	301,701
Total Assets	37,223	43,643	1,259	11,101	668,258
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows - OPEB	2,374	347	-	54	3,217
Deferred Outflows - Pension	8,969	1,312	-	204	12,234
Total Deferred Outflows	11,343	1,659	-	258	15,451

STATE OF NEW MEXICO

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

June 30, 2021

(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	1	628	-	213	166	-
Accrued Liabilities	4	42	-	38	42	-
Unearned Revenue	-	10	-	35	115	-
Due to Higher Education	-	-	-	-	-	-
Funds Held for Others	-	-	-	-	-	-
Bonds Payable - Current Portion	-	-	-	-	-	-
Other Liabilities - Current Portion	-	65	-	795	30,658	-
Total Current Liabilities	5	745	-	1,071	30,981	-
Noncurrent Liabilities:						
Bonds Payable	-	-	-	-	-	-
Net Pension Liability	269	3,442	-	1,742	2,070	-
Net OPEB Liability	72	832	-	468	556	-
Other Liabilities	-	-	-	58	84,605	-
Total Noncurrent Liabilities	341	4,274	-	1,268	87,231	-
Total Liabilities	346	5,019	-	1,339	118,212	-
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - OPEB	26	303	-	170	202	-
Deferred Inflows - Pension	5	65	-	33	39	-
Deferred Inflows - Other	-	-	-	-	-	-
	31	368	-	203	241	-
NET POSITION						
Net Investment in Capital Assets	-	499	-	-	256	-
Restricted for:						
Loans	-	-	384,706	-	-	-
Other Purposes	181	2,807	-	-	46,070	22,249
Unrestricted (Deficit)	(293)	(3,651)	-	(1,550)	(1,810)	-
Total Net Position	\$ (112)	\$ (345)	\$ 384,706	\$ (1,550)	\$ 44,516	\$ 22,249

STATE OF NEW MEXICO

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

June 30, 2021
(In Thousands)

	Miners' Colfax Medical Center	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
LIABILITIES					
Current Liabilities:					
Deficiency in SGFIP	\$ -	\$ 1,477	-	-	\$ 1,477
Accounts Payable	1,184	803	2	189	3,186
Accrued Liabilities	657	91	-	12	876
Unearned Revenue	-	48	-	-	208
Due to Higher Education	58	-	-	-	58
Funds Held for Others	53	169	-	-	222
Bonds Payable - Current Portion	1,085	-	-	-	1,085
Other Liabilities - Current Portion	1,765	249	-	27	33,559
Total Current Liabilities	4,802	2,837	2	228	40,671
Noncurrent Liabilities:					
Bonds Payable	5,850	-	-	-	5,850
Net Pension Liability	38,186	5,646	-	876	52,631
Net OPEB Liability	10,367	1,517	-	235	14,047
Other Liabilities	140	-	-	-	84,803
Total Noncurrent Liabilities	54,943	7,163	-	1,111	157,331
Total Liabilities	59,745	10,000	2	1,339	198,002
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - OPEB	3,771	552	-	86	5,110
Deferred Inflows - Pension	723	106	-	16	987
Deferred Inflows - Other	-	2,819	-	-	2,819
	4,494	3,477	-	102	8,916
NET POSITION					
Net Investment in Capital Assets	14,648	39,237	443	-	55,083
Restricted for:					
Loans	-	-	-	-	384,706
Other Purposes	1,986	1,053	-	10,874	85,220
Unrestricted (Deficit)	(32,307)	(8,465)	814	(956)	(48,218)
Total Net Position	\$ (15,673)	\$ 31,825	\$ 1,257	\$ 9,918	\$ 476,791

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, 2021

(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	\$ 5,664	\$ 6,748	\$ -	\$ 1,719	\$ 403,369	\$ -
Federal Revenues	-	-	-	-	-	-
Loan and Other Income	-	-	2,088	-	-	226
Other Operating Revenues	33	-	-	-	-	-
Total Operating Revenues	<u>5,697</u>	<u>6,748</u>	<u>2,088</u>	<u>1,719</u>	<u>403,369</u>	<u>226</u>
OPERATING EXPENSES						
Benefits, Claims, and Premiums	-	-	-	-	5,591	-
General and Administrative Expenses	62	606	2,638	2,177	398,452	-
Depreciation Expenses	5	56	-	-	6	-
Other Operating Expenses	5,561	4,985	-	10	-	-
Total Operating Expenses	<u>5,628</u>	<u>5,647</u>	<u>2,638</u>	<u>2,187</u>	<u>404,049</u>	<u>-</u>
Operating Income (Loss)	<u>69</u>	<u>1,101</u>	<u>(550)</u>	<u>(468)</u>	<u>(680)</u>	<u>226</u>
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Income	-	3	5	-	8,306	15
Government Grants and Contracts	-	-	7,780	-	-	-
Other Revenue (Expenses)	-	99	3,256	161	31	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>102</u>	<u>11,041</u>	<u>161</u>	<u>8,337</u>	<u>15</u>
Income (Loss) Before Transfers	<u>69</u>	<u>1,203</u>	<u>10,491</u>	<u>(307)</u>	<u>7,657</u>	<u>241</u>
TRANSFERS						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	(852)	-	-	-
Total Transfers	<u>-</u>	<u>-</u>	<u>(852)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>69</u>	<u>1,203</u>	<u>9,639</u>	<u>(307)</u>	<u>7,657</u>	<u>241</u>
Net Position - Beginning, as Restated	<u>(181)</u>	<u>(1,548)</u>	<u>375,067</u>	<u>(1,243)</u>	<u>36,859</u>	<u>22,008</u>
Net Position - Ending	<u>\$ (112)</u>	<u>\$ (345)</u>	<u>\$ 384,706</u>	<u>\$ (1,550)</u>	<u>\$ 44,516</u>	<u>\$ 22,249</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2021

(In Thousands)

	Miners' Colfax Medical Center	State Fair Commission	Dept. of Cultural Affairs	Education Trust Board	Total
OPERATING REVENUES					
Charges for Services	\$ 17,859	\$ 390	\$ 14	\$ 2,780	\$ 438,543
Federal Revenue	6,239	-	-	-	6,239
Loan and Other Income	-	-	-	-	2,314
Other Operating Revenues	-	-	-	-	33
Total Operating Revenues	24,098	390	14	2,780	447,129
OPERATING EXPENSES					
Benefits, Claims, and Premiums	-	-	-	-	5,591
General and Administrative Expenses	30,490	6,378	42	2,884	443,729
Depreciation Expense	2,165	2,247	89	-	4,568
Other Operating Expenses	238	66	-	2	10,862
Total Operating Expenses	32,893	8,691	131	2,886	464,750
Operating Income (Loss)	(8,795)	(8,301)	(117)	(106)	(17,621)
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	34	-	-	22	8,385
Government Grants and Contracts	8,824	-	-	-	16,604
Other Revenue (Expenses)	277	2	-	-	3,826
Total Nonoperating Revenues (Expenses)	9,135	2	-	22	28,815
Income (Loss) Before Transfers	340	(8,299)	(117)	(84)	11,194
TRANSFERS					
Transfers In	7,561	5,955	-	-	13,516
Transfers Out	-	-	-	-	(852)
Total Transfers	7,561	5,955	-	-	12,664
Change in Net Position	7,901	(2,344)	(117)	(84)	23,858
Net Position - Beginning, as Restated	(23,574)	34,169	1,374	10,002	452,933
Net Position - Ending	\$ (15,673)	\$ 31,825	\$ 1,257	\$ 9,918	\$ 476,791

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2021

(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	\$ 5,698	\$ 7,201	\$ 1,943	\$ 1,636	\$ 388,871	\$ -
Gifts, Grants, and Contracts	-	-	-	-	-	-
Loan and Note Payments	-	-	12,343	-	-	69
Other Sources	-	126	247	-	-	223
Cash Payments to or for:						
Suppliers	(5,578)	(5,486)	(14,659)	(1,340)	(404,903)	-
Employees	(85)	(1,505)	-	(893)	-	-
Other Payments	-	(163)	(5,403)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>5</u>	<u>378</u>	<u>(5,823)</u>	<u>(587)</u>	<u>(5,032)</u>	<u>312</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	(952)	-	-	-
Gifts for Other Than Capital Purposes	-	-	-	-	-	-
Intergovernmental Receipts	-	-	7,780	-	-	-
Other - Capital Asset Transfer In	-	-	-	-	-	-
Other Noncapital Financing	-	-	3,270	-	31	-
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>10,198</u>	<u>-</u>	<u>31</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	-	(102)	-	-	-	-
Capital Debt Service Payments - Principal	-	-	-	-	-	-
Other Capital Financing	-	-	-	161	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(102)</u>	<u>-</u>	<u>161</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts of Interest and Dividends on Investments	-	102	5	-	304	15
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>102</u>	<u>5</u>	<u>-</u>	<u>304</u>	<u>15</u>
Net Increase (Decrease) in Cash	<u>5</u>	<u>346</u>	<u>4,574</u>	<u>(426)</u>	<u>(5,697)</u>	<u>327</u>
Cash and Cash Equivalents at Beginning of Year	<u>186</u>	<u>1,619</u>	<u>175,956</u>	<u>1,700</u>	<u>16,219</u>	<u>10,686</u>
Cash and Cash Equivalents at End of Year	<u>\$ 191</u>	<u>\$ 1,965</u>	<u>\$ 180,540</u>	<u>\$ 1,274</u>	<u>\$ 10,522</u>	<u>\$ 11,013</u>
Cash and Cash Equivalents						
Unrestricted	\$ -	\$ 2	\$ -	\$ -	\$ 2,287	\$ -
Restricted	-	-	-	-	-	-
Investment in State Gen. Fund Investment Pool	171	1,963	180,540	1,274	635	10,582
Investment in Local Government Invest Pool	-	-	-	-	10,540	-
Deficiency in SGFIP	-	-	-	-	-	-
Total Cash and Cash Equivalents	<u>\$ 171</u>	<u>\$ 1,965</u>	<u>\$ 180,540</u>	<u>\$ 1,274</u>	<u>\$ 10,522</u>	<u>\$ 11,013</u>

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2021

(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	\$ 24,740	\$ 248	\$ 14	\$ -	\$ 449,251
Gifts, Grants, and Contracts	-	-	-	2,764	2,764
Loan and Note Repayments	-	-	-	-	12,432
Other Sources	127	-	-	-	722
Cash Payments to or for:					
Suppliers	(12,551)	(1,682)	(144)	(2,374)	(448,717)
Employees	(20,179)	(4,254)	-	(48)	(27,154)
Other Payments	-	-	-	-	(5,563)
Net Cash Provided (Used) by Operating Activities	(7,853)	(5,688)	(130)	(28)	(25,254)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	7,561	4,200	-	-	11,761
Transfers Out	-	-	-	-	(852)
Gifts for Other Than Capital Purposes	713	-	-	-	713
Intergovernmental Receipts	-	-	-	-	7,790
Other - Capital Asset Transfer In	-	1,755	-	-	1,755
Other Noncapital Financing	-	(1,755)	-	-	1,546
Net Cash Provided by Noncapital Financing Activities	8,274	4,200	-	-	22,703
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(1,198)	-	-	-	(1,330)
Capital Debt Service Payments - Principal	(1,060)	-	-	-	(1,060)
Other Capital Financing	-	-	-	-	161
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,258)	-	-	-	(2,229)
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts of Interest and Dividends of Investments	34	-	-	16	476
Net Cash Provided (Used) by Investing Activities	34	-	-	16	476
Net Increase (Decrease) in Cash	(1,803)	(1,488)	(130)	(12)	(4,304)
Cash and Cash Equivalents at Beginning of Year	11,920	927	948	10,950	331,071
Cash and Cash Equivalents at End of Year	\$ 10,117	\$ (561)	\$ 818	\$ 10,938	\$ 326,767
Cash and Cash Equivalents					
Unrestricted	\$ 1,311	\$ -	\$ -	\$ -	\$ 3,602
Restricted	-	916	-	-	916
Investment in State Gen. Fund Investment Pool	8,804	-	818	536	206,841
Investment in Local Government Invest Pool	-	-	-	10,345	116,685
Deficiency in SGFIP	-	(1,477)	-	-	(1,477)
Total Cash and Cash Equivalents	\$ 10,117	\$ (561)	\$ 818	\$ 10,941	\$ 326,767

STATE OF NEW MEXICO

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

For the Year Ended June 30, 2021

(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)	\$ 69	\$ 1,101	\$ (550)	\$ (469)	\$ (580)	\$ 226
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	5	50	-	-	0	-
Change in net pension liability	(45)	(800)	-	(59)	(202)	-
Change in net OPEB liability	(23)	(382)	-	(54)	(18)	-
Change in deferred inflows of resources	-	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-	-
Net Changes in Assets and Liabilities Related to Operating Activities:						
Receivables/Due From Other Funds	3	579	17	(30)	(4,497)	-
Notes/Loans	-	-	(5,096)	-	-	86
Inventories	-	(4)	-	-	-	-
Prepaid Items/Other Assets	-	-	-	(29)	-	-
Accounts Payable/Accounts/Liabilities Due To Other Funds	(3)	(203)	-	62	(6,098)	-
Loss Adjustments	-	-	-	-	5,591	-
Unearned Revenue	-	-	-	(9)	(34)	-
Net Cash Provided (Used) by Operating Activities	\$ 5	\$ 376	\$ (5,629)	\$ (587)	\$ (6,032)	\$ 312

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS (CONTINUED)

For the Year Ended June 30, 2021

(In Thousands)

	Miners' Cottas 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)	\$ (8,795)	\$ (8,301)	\$ (117)	\$ (106)	\$ (17,621)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)					
by Operating Activities:					
Depreciation	2,165	2,247	89	-	4,568
Change in net pension liability	(950)	55	-	119	(1,782)
Change in net OPEB liability	(1,001)	(70)	-	34	(1,587)
Change in deferred inflows of resources	-	2,819	-	-	2,819
Bad Debt Expense	1,411	-	-	-	1,411
Net Changes in Assets and Liabilities Related to Operating Activities:					
Receivables/Due From Other Funds	(2,183)	(2,917)	-	(16)	(5,045)
Notes/Loans	-	-	-	-	(5,010)
Inventories	(126)	-	-	-	(130)
Prepaid Items/Other Assets	-	-	-	-	(29)
Accounts Payable/Accrued Liabilities/Due To Other Funds	1,526	443	(102)	(59)	(4,134)
Loss Adjustments	-	-	-	-	5,591
Unearned Revenue	-	39	-	-	(4)
Net Cash Provided (Used) by Operating Activities	<u>\$ (7,853)</u>	<u>\$ (5,888)</u>	<u>\$ (130)</u>	<u>\$ (28)</u>	<u>\$ (23,754)</u>

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION **NONMAJOR INTERNAL SERVICE FUNDS COMBINING FINANCIAL** **STATEMENTS** **June 30, 2021**

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, 2021

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Eliminations	Total
ASSETS							
Current Assets:							
Investment in the State General Fund							
Investment Pool	\$ 4,328	\$ 123,474	\$ 2,553	\$ 16,571	\$ 44,014	\$ -	\$ 190,940
Due From Other Funds	-	-	-	-	7,434	(7,434)	-
Receivables, Net	8	10,860	74	8,239	2	-	19,183
Inventories and Other Assets	-	-	-	-	9	-	9
Total Current Assets	4,336	134,334	2,627	24,810	51,459	(7,434)	210,132
Noncurrent Assets:							
Nondepreciable Capital Assets	-	-	-	10,292	38	-	10,325
Capital Assets, Net	7,287	-	504	30,020	20,390	-	58,201
Total Noncurrent Assets	7,287	-	504	40,312	20,423	-	68,526
Total Assets	11,623	134,334	3,131	65,122	71,882	(7,434)	278,658
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Outflows - OPEB	237	582	871	1,199	682	-	3,571
Deferred Outflows - Pension	897	2,199	3,290	4,527	2,578	-	13,491
Total Deferred Outflows	1,134	2,781	4,161	5,726	3,260	-	17,062
LIABILITIES							
Current Liabilities:							
Accounts Payable	301	9,980	341	721	857	-	12,207
Accrued Liabilities	46	127	138	359	59	-	729
Unearned Revenue	-	331	1	-	-	-	332
Due to Other Funds	-	-	-	7,434	-	(7,434)	-
Due To Higher Educational Institution	-	-	-	5	-	-	5
Other Liabilities	127	92,457	287	802	122	-	93,795
Total Current Liabilities	481	102,895	767	9,321	1,038	(7,434)	107,068
Noncurrent Liabilities:							
Net Pension Liability	3,858	9,463	14,154	19,479	11,092	-	58,046
Net OPEB Liability	1,036	2,542	3,803	5,234	2,980	-	15,595
Other Liabilities	1	75,145	10	-	-	-	75,157
Total Noncurrent Liabilities	4,895	87,150	17,967	24,713	14,072	-	148,798
Total Liabilities	5,377	190,045	18,734	34,034	15,110	(7,434)	255,866
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflows - OPEB	877	925	1,383	1,904	1,084	-	5,673
Deferred Inflows - Pension	72	177	265	365	207	-	1,086
Total Deferred Inflows	449	1,102	1,648	2,269	1,291	-	6,759
NET POSITION							
Net Investment in Capital Assets	7,287	-	504	40,312	20,424	-	68,527
Restricted for Other Purposes	-	-	-	13,488	30,420	-	65,908
Unrestricted (Deficit)	(354)	(54,032)	(13,594)	(21,215)	(12,103)	-	(101,340)
Total Net Position	\$ 6,931	\$ (54,032)	\$ (13,090)	\$ 34,543	\$ 38,741	\$ -	\$ 33,093

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, 2021
(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Eliminations	Total
OPERATING REVENUES							
Charges for Services	\$ 8,260	\$ 447,438	\$ 2,268	\$ 51,853	\$ 11,054	\$ -	\$ 520,873
Total Operating Revenues	8,260	447,438	2,268	51,853	11,054	-	520,873
OPERATING EXPENSES							
General and Administrative Expenses	6,740	478,006	7,075	42,104	7,053	-	540,980
Depreciation Expense	2,171	-	166	7,434	3,119	-	13,890
Other Operating Expenses	-	3,742	-	2	-	-	3,744
Total Operating Expenses	8,911	481,748	7,241	49,540	10,174	-	557,614
Operating Income (Loss)	(651)	(34,310)	(973)	2,313	880	-	(36,741)
NONOPERATING REVENUES (EXPENSES)							
Interest and Investment Income	-	207	-	-	31	-	238
Gain (Loss) on Sale of Capital Assets	112	-	99	-	-	-	211
Nonoperating Revenues (Expenses)	37	2,065	1	40	-	-	2,143
Total Nonoperating Revenues (Expenses)	149	2,270	100	40	31	-	2,590
Income (Loss) Before Transfers	(502)	(32,040)	(873)	2,353	911	-	(34,151)
TRANSFERS							
Transfers In	(73)	7,857	4,524	13,900	7,764	(11,654)	21,308
Transfers Out	(290)	(4,785)	(20)	(7,434)	(10,935)	11,654	(11,800)
Total Transfers	(363)	3,072	4,504	6,466	(3,171)	-	10,508
Change in Net Position	(855)	(28,968)	(369)	8,819	(2,260)	-	(23,643)
Net Position - Beginning, as Restated	7,796	(25,064)	(12,721)	25,726	61,001	-	56,738
Net Position - Ending	\$ 6,941	\$ (54,032)	\$ (13,090)	\$ 34,545	\$ 58,741	\$ -	\$ 33,095

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CASH FLOWS NONMAJOR INTERNAL SERVICE FUNDS

June 30, 2021

(In Thousands)

	Fleet Operations	Risk Management	Printing and Records	Communication Services	Information Processing	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash Received from:							
Fees for Services	\$ 9,286	\$ 416,862	\$ 1,274	\$ 60,495	\$ 1,054	\$ -	\$ 488,971
Cash Payments for or for:							
Supplies	(4,949)	(55,879)	(2,648)	(30,459)	(3,960)	-	(97,935)
Employees	(1,888)	(4,610)	(1,843)	(12,403)	(2,077)	-	(24,821)
Claims	-	(407,715)	-	-	-	-	(407,715)
Net Cash Provided (Used) by Operating Activities	149	(31,242)	(4,217)	7,623	4,978	-	(21,540)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers In	(682)	7,857	4,504	-	7,623	(11,664)	7,627
Transfers Out	(290)	(4,047)	-	(7,434)	-	11,664	(107)
Other Noncapital Financing	183	2,063	100	33	186	-	2,565
Net Cash Provided (Used) by Noncapital Financing Activities	(989)	5,873	4,604	(7,395)	7,809	-	10,101
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from Sale of Capital Assets	(37)	-	-	-	-	-	(37)
Other - Capital Asset Transfer In	628	-	20	10,000	141	-	10,691
Other - Capital Asset Transfer Out	-	(700)	(20)	-	(10,005)	-	(10,725)
Other Capital Financing	-	-	20	8,479	(8,840)	-	(142)
Acquisition of Capital Assets	(1,189)	-	(46)	(10,000)	(173)	-	(11,408)
Net Cash Provided (Used) by Capital and Related Financing Activities	(718)	(738)	(26)	8,479	(18,608)	-	(12,603)
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts of Interest and Dividends of Investments	-	207	-	-	31	-	238
Net Cash Provided (Used) by Investing Activities	-	207	-	-	31	-	238
Net Increase (Decrease) in Cash	(100)	(25,900)	266	8,707	(6,790)	-	(23,800)
Cash and Cash Equivalents at Beginning of Year, as Restated	4,428	149,374	2,287	7,864	50,795	-	214,748
Cash and Cash Equivalents at End of Year	\$ 4,328	\$ 123,474	\$ 2,553	\$ 16,571	\$ 44,005	\$ -	\$ 190,940
Cash and Cash Equivalents	4,328	123,474	2,553	16,571	44,005	-	190,940
Investment in the State General Fund Investment Pool	-	-	-	-	-	-	-
Total Cash and Cash Equivalents	\$ 4,328	\$ 123,474	\$ 2,553	\$ 16,571	\$ 44,005	\$ -	\$ 190,940
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating Income (Loss)	\$ (65)	\$ (34,310)	\$ (4,573)	\$ 2,310	\$ 880	\$ -	\$ (36,748)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	2,171	-	165	7,434	3,120	-	12,891
Change in net pension liability	(18)	1,243	434	285	727	-	2,681
Change in net OPEB liability	(73)	348	(63)	(222)	109	-	99
Net Changes in Assets and Liabilities Related to Operating Activities:							
Prepaid/Ret Due From Other Funds	(5)	(10,576)	6	(1,368)	1,046	-	(10,897)
Prepaid/Ret Due To Other Funds	-	(73)	-	-	-	-	(73)
Insurance Claims Payable	-	14,244	-	-	-	-	14,244
Accounts Payable/Accounts Receivable Due To Other Funds	(4)	(2,818)	12	(800)	(804)	-	(4,414)
Net Cash Provided (Used) by Operating Activities	\$ 149	\$ (21,242)	\$ (4,217)	\$ 7,623	\$ 4,978	\$ -	\$ (21,540)

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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, 2021

(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	\$ 1,057,778	\$ 236,149	\$ -	\$ -	\$ 1,293,927
Investment in State General Fund Investment Pool	19,132	8,781	50,356	53	78,322
Investment in Local Government Investment Pool	-	106	-	-	106
Investments:					
U.S. Gov't. and Agency Securities	323,873	380,940	-	-	704,813
International Securities	312,829	2,480,708	257,711	-	3,051,248
Corporate Equity Securities	3,800,145	3,235,512	201,875	-	7,237,532
Corporate and Municipal Bonds	2,000,602	406,780	190,452	-	2,597,834
Partnerships and Other Investments	10,612,481	9,509,805	430,920	-	20,553,206
Securities Lending Collateral Invest.	312,517	-	-	-	312,517
Deferred Comp. Plan Invest.	-	-	-	800,886	800,886
Receivables:					
Brokers	1,174,522	138,513	-	-	1,313,035
Accrued Interest and Other	-	10,740	-	-	10,740
Accounts Receivable	26,387	103,663	19,290	25	149,365
Participant Loans	-	-	60	11,294	11,354
Long Term Receivables	-	-	680	-	680
Capital Assets, Net	10,297	2,320	1,185	-	13,802
Total Assets	<u>19,650,563</u>	<u>16,514,017</u>	<u>1,152,529</u>	<u>812,258</u>	<u>38,129,367</u>
LIABILITIES					
Accounts Payable	14,572	4,112	8,948	-	27,632
Accrued Liabilities	237	206	88	2	533
Due to Brokers	1,285,454	146,013	-	-	1,431,467
Unearned Revenue	-	-	578	-	578
Deposits Held in Trust	2,263	49	-	-	2,312
Other Liabilities	312,981	2,113	23,416	9	338,519
Total Liabilities	<u>1,615,507</u>	<u>152,493</u>	<u>33,030</u>	<u>11</u>	<u>1,801,041</u>
NET POSITION					
Restricted for:					
Pension Benefits	18,035,056	16,361,524	-	-	34,396,580
Other Employee Benefits	-	-	1,119,499	-	1,119,499
Defined Contribution	-	-	-	812,247	812,247
Net Position	<u>\$ 18,035,056</u>	<u>\$ 16,361,524</u>	<u>\$ 1,119,499</u>	<u>\$ 812,247</u>	<u>\$ 36,328,326</u>

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

For the Year Ended June 30, 2021

(In Thousands)

	Public Employees Retirement	Educational Employees Retirement System	New Mexico Retiree Health Care Authority	Deferred Compensation (IRC 457) Plan	Eliminations	Total
ADDITIONS						
Contributions:						
Employee Contributions	\$ 309,958	\$ 327,540	\$ 177,055	\$ 42,905	\$ -	\$ 857,458
Employer Contributions	387,975	455,462	144,935	-	-	988,372
Other	8	-	-	-	(8)	-
Total Contributions	697,941	783,002	321,990	42,905	(8)	1,845,830
Investment Income (Loss):						
Net Increase in Fair Value of Investments	3,757,095	3,923,664	217,684	145,258	-	8,043,701
Interest and Dividends	176,007	95,784	53	18,789	-	290,633
	3,933,102	4,019,448	217,737	164,047	-	8,334,334
Less Investment Expense	87,047	185,999	-	-	-	273,046
Net Investment Income	3,846,055	3,833,449	217,737	164,047	-	8,061,288
Other Additions:						
Other Operating Revenues	4,053	1,030	69,461	105	-	74,649
Total Other Additions	4,053	1,030	69,461	105	-	74,649
Total Additions	4,548,049	4,617,481	609,188	207,057	(8)	9,981,767
DEDUCTIONS						
Benefits and Claims	1,334,410	1,217,645	-	55,089	-	2,607,144
Refunds	40,405	45,419	318	-	-	86,142
General and Administrative Expenses	12,261	11,915	318,982	1,804	-	344,962
Other Operating Expenses	679	173	61	-	(8)	905
Total Deductions	1,387,755	1,275,152	319,361	56,893	(8)	3,039,153
Change in Net Position	3,160,294	3,342,329	289,827	150,164	-	6,942,614
Net Position - Beginning, as Restated	14,874,762	13,019,195	829,672	662,083	-	29,385,712
Net Position - Ending	\$ 18,035,056	\$ 16,361,524	\$ 1,119,499	\$ 812,247	\$ -	\$ 36,328,326

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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 Government 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, 2021

(In Thousands)

	State Investment Council	State Treasurer	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,341	\$ -	\$ 3,341
Investment in Local Government			
Investments	120,395	901,293	1,021,688
Receivables	2,835	49,238	52,073
Total Assets	126,571	950,531	1,077,102
LIABILITIES			
Other Liabilities	4,686	16,340	21,026
Total Liabilities	4,686	16,340	21,026
NET POSITION			
Held in Trust for			
External Investment Pool Participants	121,885	934,191	1,056,076
Net Position	\$ 121,885	\$ 934,191	\$ 1,056,076

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, 2021
(In Thousands)

	State Investment Council	State Treasurer	Total
ADDITIONS			
Pool Participant Deposits	\$ 18,419	\$ 732,574	\$ 750,993
Investment Income (Loss):			
Net Increase (Decrease) in			
Fair Value of Investments	-	416	416
Interest and Dividends	32,765	-	32,765
Total Additions	51,184	732,990	784,174
DEDUCTIONS			
General and Administrative Expenses	-	-	-
Distributions	18,742	559,036	577,778
Total Deductions	18,742	559,036	577,778
Change in Net Position	32,442	173,954	206,396
Net Position - Beginning, as Restated	89,443	760,237	849,680
Net Position - Ending	<u>\$ 121,885</u>	<u>\$ 934,191</u>	<u>\$ 1,056,076</u>

* The pool participant deposits reported for the State Treasurer above is net of actual pool participant deposits and withdrawals.

** Includes reduction of interfund investments.

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STATE OF NEW MEXICO

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.

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.

Office of Superintendent of Insurance – This fund is comprised of 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.

Affordable Housing Charitable Trust - The New Mexico Mortgage Finance Authority board of directors approved the creation of the New Mexico Affordable Housing Charitable Trust, a 501(c)3 entity. The purpose of the Trust is to support the purposes and programs of the Authority, to seek gifts and grants of property, to borrow money, and to lend, lease, sell, exchange, or otherwise transfer or distribute property for affordable housing

STATE OF NEW MEXICO

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

June 30, 2021

(In Thousands)

	Scholarship	Higher Education Savings	Bartlett Trust	Office of State Insurance	Affordable Housing Charitable Trust	Total
ASSETS						
Cash and Cash Equivalents	\$ 20	\$ 9,000	\$ -	\$ 1,064	\$ 863	10,947
Investment in State General Fund Investment Pool	49	-	113	65,192	-	65,354
Investments:						
Investment Pools	-	2,688,282	-	613,637	-	3,311,919
Receivables:						
Accrued Interest and Other	-	8	-	-	-	8
Other Assets	-	-	-	-	23	23
Total Assets	69	2,697,290	113	619,893	886	3,388,251
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows of Resources	-	-	-	518	-	518
Total Deferred Outflows of Resources	-	-	-	518	-	518
LIABILITIES						
Accounts Payable	-	-	-	3,682	-	3,682
Accrued Liabilities	-	1,802	-	6	-	1,808
Other Liabilities	-	131	-	117,935	10	188,076
Total Liabilities	-	1,933	-	191,623	10	193,566
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows of Resources	-	-	-	11,834	-	11,834
Total Deferred Inflows of Resources	-	-	-	11,834	-	11,834
NET POSITION						
Held in Trust for	69	2,695,357	113	486,954	876	3,183,369
Other Purposes	-	-	-	-	-	-
Net Position	\$ 69	\$ 2,695,357	\$ 113	\$ 486,954	\$ 876	\$ 3,183,369

STATE OF NEW MEXICO

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

June 30, 2021

(In Thousands)

	Scholarship	Higher Education Savings	Bartlett Trust	Office of State Insurance	Affordable Housing Charitable Trust	Total
ADDITIONS						
Member Contributions	\$ -	\$ 199,463	\$ -	\$ 149,550	\$ -	\$ 349,013
Total Contributions	-	199,463	-	149,550	-	349,013
Investment Income:						
Net Increase (Decrease) in						
Fair Value of Investments	-	350,465	-	(16,461)	-	334,004
Interest and Dividends	-	37,359	-	102	-	37,461
	-	387,824	-	(16,359)	-	371,465
Less Investment Expense	-	2,168	-	-	-	2,168
Net Investment Income	-	385,656	-	(16,359)	-	369,297
Other Additions:						
Other Operating Revenues	-	-	-	45,792	511	46,303
Total Other Additions	-	-	-	45,792	511	46,303
Total Additions	-	585,119	-	178,983	511	764,613
DEDUCTIONS						
Distributions	-	300,759	-	138,928	-	439,687
General and Administrative Expenses	-	9,357	-	72,640	104	82,101
Total Deductions	-	310,116	-	211,568	104	521,788
Change in Net Position	-	275,003	-	(32,585)	407	242,825
Net Position - Beginning, as Restated	69	2,420,354	113	519,539	469	2,940,544
Net Position - Ending	\$ 69	\$ 2,695,357	\$ 113	\$ 486,954	\$ 876	\$ 3,183,369

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STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION **COMBINING STATEMENT OF NET POSITION** **NON-MAJOR COMPONENT UNITS** **June 30, 2021** (In Thousands)

Non-major Component Units

There were seventeen non-major component units at June 30, 2021. 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; 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; State-chartered Charter Schools; and New Mexico Hospital Equipment Loan Council.

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS

June 30, 2021

(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM- Anderson Schools of Mgt. Foundation	New Mexico Tech Foundation	New Mexico Highlands University Foundation	Western New Mexico University Foundation	Eastern New Mexico University Foundation	ENMU - Roswell Foundation
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 1,174	\$ 4,067	\$ 1,189	\$ 442	\$ 1,132	\$ 734	\$ 234	\$ 25
Investment in Local Government								
Investment Pool	-	-	-	-	-	-	-	-
Restricted Cash and Cash Equivalents	-	-	-	-	-	742	-	-
Investments	10,423	-	3,133	27,634	-	-	-	-
Due From Primary Government	-	-	144	42	-	-	-	-
Receivables, Net	-	9	-	1,094	44	4	14	1
Prepaid Expenses	29	20	-	-	-	41	6	-
Inventory	-	-	-	-	-	-	-	-
Total Current Assets	11,626	4,096	4,466	29,212	1,176	1,521	254	26
Noncurrent Assets:								
Restricted Cash and Cash Equivalents	-	-	-	-	1,715	627	-	-
Restricted Investments	-	-	-	7,018	-	-	-	-
Loans Receivable, Net	-	-	-	3,240	-	-	-	-
Investments	-	-	-	-	11,461	11,431	28,289	15,229
Other Noncurrent Assets	-	-	-	-	106	989	-	-
Nondepreciable Capital Assets	-	-	-	776	6,300	275	148	-
Other Capital Assets, Net	-	-	-	553	923	17	-	-
Total Noncurrent Assets	-	-	-	11,587	20,505	13,339	28,437	15,229
Total Assets	11,626	4,096	4,466	40,799	21,681	14,860	28,691	15,255
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)

(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	NM Hospital Equipment Loan Council	Total Nonmajor Component Units
ASSETS										
Current Assets:										
Cash and Cash Equivalents	\$ 279	\$ 326	\$ 39	\$ 31	\$ 2,744	\$ 255	\$ 250	\$ 75,772	\$ 140	88,833
Investment in Local Government										
Investment Pool	-	-	-	-	-	126	11,087	-	-	11,213
Restricted Cash and Cash Equivalents	-	1,303	823	-	-	-	-	6,701	-	9,569
Investments	-	-	-	-	-	-	10,704	130	-	52,024
Due From Primary Government	-	-	-	-	412	-	-	10,983	-	11,581
Receivables, Net	7	26	72	-	940	-	10,640	1,504	129	14,484
Prepaid Expenses	-	-	3	-	27	1	14	297	1	439
Inventory	-	-	-	-	215	-	-	-	-	215
Total Current Assets	286	1,655	937	31	4,338	382	32,695	95,387	270	188,358
Noncurrent Assets:										
Restricted Cash and Cash Equivalents	-	-	-	-	-	61	-	-	-	2,403
Restricted Investments	-	-	55,003	-	-	-	-	-	-	62,021
Loans Receivable, Net	-	-	-	-	-	-	62,554	-	-	65,794
Investments	290	4,102	23,727	194	-	-	2,202	-	2,719	99,644
Other Noncurrent Assets	-	-	1,829	-	-	-	-	-	-	2,924
Nondepreciable Capital Assets	-	-	-	-	897	-	-	52,098	-	60,494
Other Capital Assets, Net	-	-	1	-	15,198	-	-	85,752	-	102,444
Total Noncurrent Assets	290	4,102	80,560	194	16,095	61	64,756	137,850	2,719	395,724
Total Assets	576	5,757	81,497	225	20,433	443	97,451	233,237	2,989	584,082
DEFERRED OUTFLOWS OF RESOURCES										
Deferred Outflows - OPEB	-	-	-	-	-	-	-	29,833	-	29,833
Deferred Outflows - Pension	-	-	-	-	-	-	-	259,918	-	259,918
Total Deferred Outflows	-	-	-	-	-	-	-	289,751	-	289,751

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS

June 30, 2021

(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM- Anderson Schools of Mgt. Foundation	New Mexico Tech Foundation	New Mexico Highlands University Foundation	Western New Mexico University Foundation	Eastern New Mexico University Foundation	ENMU - Roswell Foundation
LIABILITIES								
Current Liabilities:								
Accounts Payable	18	1	-	-	31	14	31	-
Accrued Liabilities	-	-	-	-	-	-	115	-
Unearned Revenue	-	-	-	-	-	-	-	-
Due to Primary Government	-	1,310	-	-	-	334	-	-
Funds Held for Others	-	-	-	-	-	433	-	-
Other Liabilities	-	-	-	-	17	-	-	-
Total Current Liabilities	18	1,311	-	-	48	781	146	-
Noncurrent Liabilities:								
Net Pension Liability	-	-	-	-	-	-	-	-
Net OPEB Liability	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	3,701	-	-	-
Total Noncurrent Liabilities	-	-	-	-	3,701	-	-	-
Total Liabilities	18	1,311	-	-	3,749	781	146	-
DEFERRED INFLOWS OF RESOURCES								
Unearned Revenue	-	632	-	-	-	-	-	-
Deferred Inflows - OPEB Liability	-	-	-	-	-	-	-	-
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	-
Total Deferred Inflows	-	632	-	-	-	-	-	-
NET POSITION								
Net Investment in Capital Assets	-	-	-	1,329	6,600	292	148	-
Restricted:								
Nonexpendable	-	-	-	11,352	5,341	13,047	11,122	1,990
Expendable:								
Other Purposes	-	-	951	4,115	5,292	309	15,976	6,467
Unrestricted Net Position (Deficit)	11,608	2,153	3,515	24,003	699	431	1,299	6,798
Total Net Position (Deficit)	\$ 11,608	\$ 2,153	\$ 4,466	\$ 40,799	\$ 17,932	\$ 14,079	\$ 28,545	\$ 15,255

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF NET POSITION NON-MAJOR COMPONENT UNITS

June 30, 2021

(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	NM Hospital Equipment Loan Council	Total Nonmajor Component Units
LIABILITIES										
Current Liabilities:										
Accounts Payable	17	-	4	-	429	24	1	3,553	122	4,245
Accrued Liabilities	-	-	-	-	125	-	-	13,835	-	14,075
Unearned Revenue	-	-	-	-	1,612	116	-	175	-	1,903
Due to Primary Government	-	569	199	3	-	-	640	135	-	3,190
Funds Held for Others	-	-	-	-	-	-	-	-	-	433
Other Liabilities	-	-	494	-	1,178	16	-	297	-	2,002
Total Current Liabilities	17	569	697	3	3,344	156	641	17,995	122	25,848
Noncurrent Liabilities:										
Net Pension Liability	-	-	-	-	-	-	-	507,563	-	507,563
Net OPEB Liability	-	-	-	-	-	-	-	69,407	-	69,407
Other Liabilities	-	-	-	-	-	-	-	121,210	-	124,911
Total Noncurrent Liabilities	-	-	-	-	-	-	-	698,180	-	701,881
Total Liabilities	17	569	697	3	3,344	156	641	716,175	122	727,729
DEFERRED INFLOWS OF RESOURCES										
Unearned Revenue	-	-	-	-	71	-	-	-	-	703
Deferred Inflows - OPEB Liability	-	-	-	-	-	-	-	29,121	-	29,121
Deferred Inflows - Pension Liability	-	-	-	-	-	-	-	8,115	-	8,115
Total Deferred Inflows	-	-	-	-	71	-	-	37,236	-	37,939
NET POSITION										
Net Investment in Capital Assets	-	-	-	-	16,095	-	-	28,640	-	53,104
Restricted:										
Nonexpendable	180	4,425	27,929	-	-	-	-	37,788	-	113,174
Expendable:										
Other Purposes	165	981	28,457	194	-	287	96,810	-	-	160,004
Unrestricted Net Position (Deficit)	214	(218)	24,414	28	923	-	-	(296,851)	2,867	(218,117)
Total Net Position (Deficit)	\$ 559	\$ 5,188	\$ 80,800	\$ 222	\$ 17,018	\$ 287	\$ 96,810	\$ (230,423)	\$ 2,867	108,165

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS (CONTINUED)

(In Thousands)

	UNM Alumni Association	UNM Lobo Club	UNM Anderson Schools of Mgt. Foundation	New Mexico Tech Foundation	New Mexico Highlands University Foundation	Western New Mexico University Foundation	Eastern New Mexico University Foundation	ENMU - Roswell Foundation
Expenses	\$ 625	\$ 2,517	\$ 186	\$ 2,592	\$ 1,018	\$ 772	\$ 1,287	\$ 273
Program Revenues:								
Charges for Services	4	-	-	-	-	-	-	-
Operating Grants and Contributions	601	3,375	117	6,909	2,375	386	193	630
Capital Grants and Contributions	-	-	-	-	-	-	-	-
Total Program Revenues	605	3,375	117	6,909	2,375	386	193	630
Nonoperating Revenues:								
Grant Revenue	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	(20)	858	(69)	4,317	1,357	(386)	(1,094)	357
Other Revenues & Expenses:								
Payment from State of New Mexico	-	-	-	-	-	-	-	-
Payment to State of New Mexico	-	-	-	-	-	-	-	-
Other	189	-	-	-	(8)	344	1,745	11
Investment Income	1,736	12	348	8,111	1,695	3,056	5,733	2,715
Total General Revenues	1,925	12	348	8,111	1,687	3,400	7,478	2,726
Special Item								
Gain (Loss) on Discontinuance of Operat	-	-	562	-	-	-	-	-
Change in Net Position	1,905	870	841	12,428	3,044	3,014	6,384	3,083
Net Position - Beginning, as Restated	9,703	1,283	3,625	28,371	14,888	11,065	22,161	12,172
Net Position - Ending (Deficit)	\$ 11,608	\$ 2,153	\$ 4,466	\$ 40,799	\$ 17,932	\$ 14,079	\$ 28,545	\$ 15,255

STATE OF NEW MEXICO

OTHER SUPPLEMENTARY INFORMATION COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS (CONTINUED) (In Thousands)

	ENNBU - Fundoso Foundation	Northern New Mexico College Foundation	New Mexico Military Institute Foundation	New Mexico School for Visually Impaired Foundation	Cumtires & Tobtec Socratic ER Commission	NM Renewable Transmission Authority	NM Small Business Investment Corp.	Charter Schools	NM Hospital Equipment Loan Council	Total Nonmajor Component Units
Expenses	\$ 52	\$ 269	\$ 2,136	\$ 13	\$ 5,284	\$ 715	\$ 383	\$ 311,002	\$ 133	\$ 330,157
Program Revenues:										
Charges for Services	-	-	337	-	2,552	-	-	575	159	3,627
Operating Grants and Contributions	124	710	578	17	479	350	-	26,485	-	43,329
Capital Grants and Contributions	-	-	-	-	1,362	-	-	15,640	-	17,002
Total Program Revenues	124	710	915	17	4,393	350	-	42,700	159	63,958
Nonoperating Revenues:										
Grant Revenue	-	-	-	-	-	-	-	-	-	-
Net (Expenses) Revenues	72	441	(1,211)	4	(891)	(365)	(383)	(269,202)	26	(266,199)
Other Revenues & Expenses:										
Payment from State of New Mexico	-	-	-	-	-	250	-	151,731	-	151,981
Payment to State of New Mexico	-	-	-	-	-	-	(640)	-	-	(640)
Other	20	-	-	-	65	-	-	14,827	(7)	17,186
Investment Income	64	472	17,145	43	3	1	1,316	-	1	42,449
Total General Revenues	84	472	17,145	43	68	251	676	166,558	(6)	210,976
Special Item										
Gain (Loss) on Discontinuance of Operations	-	-	-	-	-	-	-	59	-	621
Change in Net Position										
Net Position - Beginning, as Restated	156	913	15,912	47	(823)	(114)	293	(102,585)	20	(54,602)
Net Position - Ending (Deficit)	403	4,275	64,878	175	17,841	401	96,517	(127,338)	2,847	161,767
Net Position - Ending (Deficit)	\$ 559	\$ 5,188	\$ 80,890	\$ 222	\$ 17,018	\$ 287	\$ 96,810	\$ (250,423)	\$ 2,867	\$ 108,165

STATE OF NEW MEXICO
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

STATISTICAL SECTION



HATCH CHILE
SOURCE – NEW MEXICO MAGAZINE

STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

INDEX TO STATISTICAL SECTION

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

Financial Trends Information

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

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STATE OF NEW MEXICO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

INDEX TO STATISTICAL SECTION

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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				
	2021	2020	2019	2018	2017
Governmental Activities					
Net Investment in Capital Assets	\$ 6,212,235	\$ 5,971,617	\$ 5,826,283	\$ 5,866,806	\$ 5,904,225
Restricted	37,944,662	30,024,134	27,579,790	25,740,851	23,268,593
Unrestricted	(4,103,700)	(4,658,434)	(3,216,115)	(4,690,920)	(3,311,309)
Total Governmental Activities Net Position	<u>\$ 40,053,197</u>	<u>\$ 31,337,317</u>	<u>\$ 30,189,958</u>	<u>\$ 26,916,737</u>	<u>\$ 25,861,508</u>
Business-type Activities					
Net Investment in Capital Assets	\$ 1,845,399	\$ 1,808,184	\$ 1,770,690	\$ 1,755,991	\$ 1,742,099
Restricted	1,519,236	1,113,160	1,386,077	1,319,357	1,251,369
Unrestricted	(1,891,399)	(970,769)	(1,905,986)	(1,547,653)	(846,457)
Total Business-type Activities Net Position	<u>\$ 1,473,236</u>	<u>\$ 1,950,575</u>	<u>\$ 1,250,781</u>	<u>\$ 1,527,697</u>	<u>\$ 2,147,011</u>
Primary Government					
Net Investment in Capital Assets	\$ 8,057,634	\$ 7,779,801	\$ 7,596,973	\$ 7,622,797	\$ 7,646,323
Restricted	39,463,898	31,137,294	28,965,865	27,060,209	24,519,962
Unrestricted	(5,995,099)	(5,629,204)	(5,122,101)	(6,238,579)	(4,157,768)
Total Primary Government Net Position	<u>\$ 41,526,433</u>	<u>\$ 33,287,891</u>	<u>\$ 31,440,739</u>	<u>\$ 28,444,427</u>	<u>\$ 28,008,517</u>

* Implementation of GASB 68 - Effective FY15

STATE OF NEW MEXICO

SCHEDULE A-1

(Accrual Basis of Accounting)

	Fiscal Year				2012 as Restated
	2016	2015	2014	2013	
Governmental Activities					
Net Investment in Capital Assets	\$ 5,930,820	\$ 5,356,468	\$ 5,164,435	\$ 5,552,572	\$ 6,463,198
Restricted	18,511,421	12,658,737	6,925,810	4,774,368	5,542,541
Unrestricted	(326,978)	7,158,005	1,464,494	2,417,608	430,731
Total Governmental Activities Net Position	<u>\$ 23,915,263</u>	<u>\$ 25,173,210</u>	<u>\$ 13,554,739</u>	<u>\$ 12,744,548</u>	<u>\$ 12,436,470</u>
Business-type Activities					
Net Investment in Capital Assets	\$ 1,654,692	\$ 1,589,677	\$ 1,517,364	\$ 1,507,921	\$ 1,488,738
Restricted	1,317,251	987,021	2,919,404	2,143,068	1,471,752
Unrestricted	(975,829)	(827,718)	139,334	697,511	1,256,024
Total Business-type Activities Net Position	<u>\$ 1,996,114</u>	<u>\$ 1,748,980</u>	<u>\$ 4,576,102</u>	<u>\$ 4,348,500</u>	<u>\$ 4,216,514</u>
Primary Government					
Net Investment in Capital Assets	\$ 7,585,511	\$ 6,946,145	\$ 6,681,799	\$ 7,060,493	\$ 7,951,936
Restricted	19,628,672	13,645,758	9,845,304	6,917,436	7,014,293
Unrestricted	(1,302,806)	6,330,287	1,603,828	3,115,119	1,706,755
Total Primary Government Net Position	<u>\$ 25,911,377</u>	<u>\$ 26,922,190</u>	<u>\$ 18,130,931</u>	<u>\$ 17,093,048</u>	<u>\$ 16,672,984</u>

* Implementation of GASB 68 - Effective FY15

STATE OF NEW MEXICO

CHANGES IN NET POSITION

Last Ten Fiscal Years

(In Thousands)

SCHEDULE A-2

(Accrual Basis of Accounting)

	Fiscal Year				2017 as Restated
	2021	2020	2019	2018	
Program Expenses					
<i>Governmental Activities:</i>					
General Control	\$ 2,091,970	\$ 946,145	\$ 949,925	\$ 1,244,170	\$ 1,722,398
Culture, Recreation, and Natural Resources	260,481	294,254	263,383	247,368	247,510
Highway and Transportation	871,871	952,604	876,159	805,736	824,522
Judicial	313,217	367,458	341,818	306,806	304,097
Legislative	24,595	26,741	28,024	24,068	26,834
Public Safety	519,118	593,994	548,909	534,228	552,421
Regulation and Licensing	434,683	207,749	194,956	175,084	124,269
Health and Human Services	10,784,332	9,447,582	7,864,173	7,982,533	8,008,413
Education	3,989,681	3,929,465	3,483,071	3,167,364	3,286,148
Interest	132,809	112,126	130,183	123,439	115,594
<i>Special Items</i>					
Reduction of Receivable, Internal Service Fund	-	-	-	-	-
Total Governmental Activities Expenses	19,422,757	16,878,118	14,680,602	14,610,793	15,212,206
<i>Business-type Activities:</i>					
Educational Institutions	4,881,052	2,602,997	3,844,396	3,645,245	3,383,288
Public Schools Insurance	404,049	397,157	370,389	354,996	383,282
Environmental Loans	2,638	1,387	2,726	1,526	1,949
Miners' Colfax Medical Center	32,893	40,490	37,506	34,807	33,180
Unemployment Insurance	2,716,542	1,547,564	137,995	166,040	178,334
State Fair	8,691	15,007	15,919	16,357	16,124
Other Business-type Activities	16,479	19,248	22,845	20,536	18,869
<i>Special Items - Expo</i>	-	-	-	-	-
Total Business-type Activity Expenses	8,062,344	4,623,850	4,431,776	4,239,508	4,015,026
Total Primary Government Expenses	\$ 27,485,101	\$ 21,701,968	\$ 19,112,379	\$ 18,850,302	\$ 19,227,232

STATE OF NEW MEXICO

SCHEDULE A-2 (CONTINUED)

(Actual Basis of Accounting)

	Fiscal Year				
	2016	2015	2014 as Restated	2013 as Restated	2012 as Restated
Program Expenses					
Governmental Activities:					
General Control	\$ 1,706,181	\$ 993,220	\$ 918,870	\$ 1,254,250	\$ 1,311,355
Culture, Recreation, and Natural Resources	239,104	203,319	228,000	187,209	308,748
Highway and Transportation	987,512	1,051,567	1,230,707	1,023,696	945,406
Judicial	315,829	255,761	242,449	235,363	230,465
Legislative	23,184	29,626	23,751	25,774	24,047
Public Safety	498,391	480,286	457,119	469,359	441,675
Regulation and Licensing	118,405	126,917	112,770	104,919	145,748
Health and Human Services	8,008,413	7,401,005	6,284,737	5,777,302	5,603,724
Education	3,554,909	4,024,669	3,223,837	3,215,643	3,117,733
Interest	123,083	131,154	127,001	110,413	119,779
Special Items					
Reduction of Receivable, Internal Service Fund	-	977	-	-	101,735
Total Governmental Activities Expenses	<u>15,575,011</u>	<u>14,698,501</u>	<u>12,849,241</u>	<u>12,403,928</u>	<u>12,350,415</u>
Business-type Activities:					
Educational Institutions	3,126,892	3,041,713	2,901,959	2,845,355	2,768,492
Public Schools Insurance	395,579	363,373	349,589	331,783	322,904
Environmental Loans	2,266	441	294	673	874
Miners' Colfax Medical Center	31,295	24,967	29,650	23,229	22,608
Unemployment Insurance	195,506	193,479	261,763	356,558	546,600
State Fair	14,841	15,417	14,671	14,613	16,115
Other Business-type Activities	16,524	18,199	11,409	9,934	10,387
Special Items - Expo	<u>866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type Activity Expenses	<u>3,783,769</u>	<u>3,657,589</u>	<u>3,569,335</u>	<u>3,582,145</u>	<u>3,687,980</u>
Total Primary Government Expenses	<u>\$ 19,358,780</u>	<u>\$ 18,356,090</u>	<u>\$ 16,418,576</u>	<u>\$ 15,986,073</u>	<u>\$ 16,038,395</u>

- Implementation of GASB 68 – Effective FY15

STATE OF NEW MEXICO

SCHEDULE A-2 (CONTINUED)

(Accrual Basis of Accounting)

	Fiscal Year				2017
	2021	2020	2019	2018	as Restated
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Control	\$ 1,170,449	\$ 2,227,030	\$ 2,795,908	\$ 1,958,862	\$ 1,581,393
Culture, Recreation, and Natural Resources	1,297,090	66,086	57,330	70,071	64,956
Highway and Transportation	116,341	108,044	115,639	111,792	109,835
Judicial	12,505	15,655	17,873	17,706	17,011
Public Safety	8,273	11,753	44,304	12,641	9,326
Regulation and Licensing	80,805	44,733	41,915	41,178	34,304
Health and Human Services	219,276	199,137	167,077	173,479	159,894
Education	7,383	6,464	6,474	6,862	7,346
Operating Grants and Contributions	10,609,948	7,750,233	6,453,390	6,850,440	6,595,050
Capital Grants and Contributions	480,552	462,264	376,591	-	-
Total Governmental Activities	14,002,622	10,891,399	10,076,501	9,243,031	8,579,115
Program Revenues	14,002,622	10,891,399	10,076,501	9,243,031	8,579,115
Business-type Activities:					
Charges for Services:					
Educational Institutions	1,976,449	1,768,685	1,732,441	1,665,364	1,642,869
Public Schools Insurance	403,369	393,010	375,555	373,489	378,957
Environmental Loans	2,088	-	-	-	-
Miners' Colfax Medical Center	17,859	13,001	16,875	22,031	21,396
Unemployment Insurance	780,811	121,004	189	243	235
State Fair	390	10,239	12,182	11,469	11,722
Other Business-type Activities	17,184	18,814	22,099	20,666	17,280
Nonmajor Enterprise Funds					
Operating Grants and Contributions	2,908,576	1,919,974	663,285	697,032	896,071
Capital Grants and Contributions	31,836	7,751	23,997	12,437	11,607
Total Business-type Activities	6,138,562	4,252,478	2,846,623	2,802,731	2,980,137
Program Revenues	6,138,562	4,252,478	2,846,623	2,802,731	2,980,137
Total Primary Government					
Program Revenues	\$ 20,141,184	\$ 15,143,877	\$ 12,923,124	\$ 12,045,762	\$ 11,559,252
Net (Expense)/Revenue					
Governmental Activities	\$ (5,420,135)	\$ (5,986,719)	\$ (4,693,510)	\$ (5,367,765)	\$ (6,633,091)
Business-type Activities	(1,923,782)	(571,372)	(1,585,154)	(1,436,776)	(1,034,889)
Total Primary Government Net Expense	\$ (7,343,917)	\$ (6,558,090)	\$ (6,278,664)	\$ (6,804,541)	\$ (7,667,980)

STATE OF NEW MEXICO

SCHEDULE A-2 (CONTINUED)

(Accrual Basis of Accounting)

	Fiscal Year				
	2016	2015	2014 as Restated	2013 as Restated	2012 as Restated
Program Revenues					
Governmental Activities:					
Charges for Services					
General Control	\$ 1,457,352	\$ 1,880,869	\$ 796,337	\$ 784,337	\$ 305,992
Culture, Recreation, and Natural Resources	63,474	59,392	94,694	89,063	134,163
Highway and Transportation	110,754	105,215	301,126	185,593	268,612
Judicial	15,620	6,243	5,040	109,660	177,156
Public Safety	9,345	9,162	26,711	263,568	363,078
Regulation and Licensing	35,218	45,558	75,308	65,646	95,278
Health and Human Services	147,373	135,431	365,016	133,060	167,230
Education	7,362	8,726	7,535	5,329	4,899
Operating Grants and Contributions	6,855,527	6,356,248	4,932,895	4,777,647	4,578,609
Capital Grants and Contributions	-	-	400,212	210,500	447,962
Total Governmental Activities					
Program Revenues	<u>8,702,025</u>	<u>8,606,844</u>	<u>7,004,874</u>	<u>6,624,403</u>	<u>6,542,979</u>
Business-type Activities:					
Charges for Services					
Educational Institutions	1,521,460	1,567,129	1,380,232	1,359,673	1,289,871
Public Schools Insurance	363,949	351,731	342,725	321,549	322,593
Environmental Loans	-	-	3,905	4,423	4,384
Miners' Colfax Medical Center	26,672	17,430	25,025	21,784	23,455
Unemployment Insurance	361	-	215,699	223,057	216,824
State Fair	11,928	11,556	12,142	12,142	13,831
Other Business-type Activities	13,954	16,304	10,523	10,562	10,260
Nonmajor Enterprise Funds					
Operating Grants and Contributions	595,057	627,067	771,706	751,861	1,041,706
Capital Grants and Contributions	6,906	12,524	25,541	8,392	16,132
Total Business-type Activities					
Program Revenues	<u>2,540,287</u>	<u>2,603,761</u>	<u>2,787,498</u>	<u>2,713,445</u>	<u>2,939,056</u>
Total Primary Government					
Program Revenues	<u>\$ 11,242,312</u>	<u>\$ 11,210,605</u>	<u>\$ 9,792,372</u>	<u>\$ 9,337,848</u>	<u>\$ 9,482,035</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (6,872,986)	\$ (6,091,657)	\$ (5,844,367)	\$ (5,779,525)	\$ (5,807,436)
Business-type Activities	<u>(1,243,482)</u>	<u>(1,053,828)</u>	<u>(781,837)</u>	<u>(868,700)</u>	<u>(748,924)</u>
Total Primary Government Net Expense	<u>\$ (8,116,468)</u>	<u>\$ (7,145,485)</u>	<u>\$ (6,626,204)</u>	<u>\$ (6,648,225)</u>	<u>\$ (6,556,360)</u>

STATE OF NEW MEXICO

SCHEDULE A-2 (CONTINUED)

(Accrual Basis of Accounting)

	Fiscal Year				
	2021	2020	2019	2018	2017 as Restated
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,837,492	\$ 1,715,499	\$ 1,713,643	\$ 1,581,590	\$ 1,418,070
Corporate Income Tax	147,434	63,000	179,781	(67,093)	76,274
Gross Receipts Taxes	3,000,606	3,115,214	2,869,466	2,541,586	2,168,168
Business Privilege	3,069,393	2,530,032	2,331,119	2,212,070	1,863,053
Unemployment Insurance	-	-	18,310	14,529	7,200
Other Taxes	15,087	35,080	4,849	7,154	3,545
Investment Income	6,671,245	316,768	1,407,043	1,949,319	2,548,331
Capital Gain	139	7,703	7,792	404	-
Non Operating Investment Income and Other	-	-	-	153	68
Other Revenue (Expense)	298,326	298,789	201,773	234,541	629,959
Special Item - Potential Loss SCFIP	-	-	-	-	-
Special Item - Indian Water Rights Settlement	-	(15)	-	-	-
Special Item - A.Z. Water Settlement	-	-	-	-	9,040
Transfers	(914,694)	(940,448)	(843,055)	(727,311)	(1,084,495)
Total Governmental Activities	14,125,028	7,141,622	8,090,920	7,746,944	7,639,216
Business-type Activities:					
Taxes					
Other Taxes	-	-	126,103	167,973	203,143
Non-Operating Grants and Contracts	-	-	-	-	-
Investment Income (Loss)	125,456	22,741	23,776	14,276	13,742
Non Operating Investment Income and Other	-	34,408	50,206	27,865	47,929
Other Revenue	415,326	275,299	258,532	260,061	123,959
Special Item loss of Discontinuance	(7,482)	-	-	-	-
Transfers	914,694	940,448	843,055	727,311	833,243
Total Business-type Activities	1,447,994	1,272,896	1,301,673	1,197,489	1,222,016
Total Primary Government	\$ 15,573,022	\$ 8,414,517	\$ 9,392,593	\$ 8,944,432	\$ 8,861,232
Change in Net Position					
Governmental Activities	8,704,893	1,354,903	3,397,410	2,379,179	1,006,124
Business-type Activities	(475,785)	701,524	(283,431)	(239,287)	187,127
Total Primary Government	\$ 8,229,108	\$ 1,856,427	\$ 3,113,979	\$ 2,139,892	\$ 1,193,251

STATE OF NEW MEXICO

SCHEDULE A-2 (CONTINUED)

(Accrual Basis of Accounting)

	Fiscal Year				
	2016	2015	2014 as Restated	2013 as Restated	2012 as Restated
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Individual Income Tax	\$ 1,320,154	\$ 1,451,288	\$ 1,236,674	\$ 1,236,015	\$ 1,189,273
Corporate Income Tax	118,502	262,600	196,762	277,029	270,118
Gross Receipts Taxes	2,109,889	4,238,670	2,133,540	1,985,601	522,847
Business Privilege	1,622,313	-	-	-	-
Unemployment Insurance	18,970	-	-	-	-
Other Taxes	7,055	33,424	2,043,944	1,736,620	3,362,391
Investment Income	909,846	1,212,060	1,351,182	1,208,035	708,673
Capital Gain	-	-	-	-	-
Non-Operating Investment Income and Other	34	-	-	-	-
Other Revenue (Expense)	629,959	129,035	355,202	271,525	304,819
Special Item - Potential Loss SGFIP	-	100,000	(30,000)	-	-
Special Item - Indian Water Rights Settlement	(12,436)	(13,561)	-	-	(91,400)
Special Item - AZ Water Settlement	9,040	9,040	-	-	-
Transfers	(1,084,495)	(797,559)	(687,979)	(647,222)	(544,880)
Total Governmental Activities	<u>3,649,032</u>	<u>6,622,997</u>	<u>6,804,323</u>	<u>6,067,603</u>	<u>5,721,841</u>
Business-type Activities:					
Taxes					
Other Taxes	342,488	269,593	-	-	-
Non-Operating Grants and Contracts	-	-	-	-	-
Investment Income (Loss)	9,838	9,292	220,411	214,413	70,774
Non-Operating Investment Income and Other	21,465	-	-	-	-
Other Revenue	242,772	244,201	140,737	139,051	27,713
Special Item loss of Discontinuance	-	-	-	-	-
Transfers	831,243	797,559	687,979	647,222	629,645
Total Business-type Activities	<u>1,447,806</u>	<u>1,320,645</u>	<u>1,049,127</u>	<u>1,000,686</u>	<u>728,132</u>
Total Primary Government	<u>\$ 7,096,838</u>	<u>\$ 7,943,642</u>	<u>\$ 7,853,452</u>	<u>\$ 7,068,289</u>	<u>\$ 6,449,973</u>
Change in Net Position					
Governmental Activities	(1,223,955)	531,340	759,958	288,078	(85,595)
Business-type Activities	<u>204,324</u>	<u>266,817</u>	<u>267,290</u>	<u>131,986</u>	<u>(20,792)</u>
Total Primary Government	<u>\$ (1,019,629)</u>	<u>\$ 798,157</u>	<u>\$ 1,027,248</u>	<u>\$ 420,064</u>	<u>\$ (106,387)</u>

STATE OF NEW MEXICO

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
General Fund					
Nonspendable	\$ 32,380	\$ 46,026	\$ 47,309	\$ 61,378	\$ 39,626
Restricted	4,536,671	3,389,316	1,389,340	1,139,344	833,483
Committed	48,082	43,460	33,332	38,294	388,090
Assigned	23,065	12,923	15,472	11,572	9,088
Unassigned	326,122	332,328	1,607,072	882,513	4,891
Total General Fund	\$ 5,035,200	\$ 4,020,051	\$ 3,094,743	\$ 2,133,101	\$ 1,297,122
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	34,773,091	26,933,416	26,689,046	24,609,102	22,303,741
Committed	20	-	-	314	1,939
Assigned	-	41	130	-	-
Unassigned (Deficit)	(21,337)	(6,817)	(3)	9,333	(3,329)
Total All Other Governmental Funds	\$ 34,751,754	\$ 26,926,640	\$ 26,689,103	\$ 24,619,169	\$ 22,302,371
All Governmental Funds					
Nonspendable	\$ 32,380	\$ 46,026	\$ 47,309	\$ 61,378	\$ 39,626
Restricted	39,309,762	30,322,731	28,078,386	25,768,646	23,339,224
Committed	48,082	43,460	33,332	38,808	389,989
Assigned	23,065	12,964	15,622	11,572	9,088
Unassigned (Deficit)	334,785	523,513	1,607,071	891,886	1,366
Total All Governmental Funds	\$ 39,390,234	\$ 30,932,694	\$ 29,783,939	\$ 26,772,270	\$ 23,799,483

STATE OF NEW MEXICO

SCHEDULE A-3

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2016	2015	2014	2013 as Restated	2012 as Restated
General Fund					
Nonspendable	\$ 64,166	\$ 32,433	\$ 34,809	\$ 5,988	\$ 6,157
Restricted	190,206	936,201	864,339	67,315	194,988
Committed	250,021	695,182	220,535	21,159	10,082
Assigned	9,989	16,395	9,881	488	293
Unassigned	(120,451)	189,932	626,317	769,738	604,813
Total General Fund	\$ 1,093,931	\$ 1,870,143	\$ 1,775,901	\$ 868,688	\$ 816,333
All Other Governmental Funds					
Nonspendable	\$ -	\$ 10,000,000	\$ 3,687,834	\$ 5,006,506	\$ 4,651,829
Restricted	20,781,582	10,987,671	318,808	540,083	821,792
Committed	11,315	30,758	1,190,318	1,413,633	1,320,787
Assigned	-	-	-	989	-
Unassigned (Deficit)	(9,342)	-	-	18,242	(43,407)
Total All Other Governmental Funds	\$ 20,783,555	\$ 20,998,429	\$ 7,196,960	\$ 6,979,433	\$ 6,751,001
All Governmental Funds					
Nonspendable	\$ 64,166	\$ 10,032,433	\$ 3,742,643	\$ 5,012,474	\$ 4,657,986
Restricted	21,673,788	11,903,872	1,183,167	607,378	1,016,780
Committed	261,336	705,940	1,410,853	1,436,792	1,330,869
Assigned	9,989	16,395	9,881	1,477	293
Unassigned (Deficit)	(129,793)	189,932	626,317	787,980	561,406
Total All Governmental Funds	\$ 21,879,486	\$ 22,868,572	\$ 8,972,861	\$ 7,846,101	\$ 7,567,334

STATE OF NEW MEXICO

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017 as Restated
Revenues					
Taxes	\$ 3,060,034	\$ 2,406,204	\$ 2,000,137	\$ 3,431,707	\$ 5,472,106
Federal	1,058,854	820,707	8,234,425	8,848,354	8,785,847
Interest and Other Investment Income (Loss)	6,871,007	31,027	(402,273)	1,948,254	2,540,517
Rentals and Royalties	2,054,447	(87,338)	2,246,843	1,403,151	,002,692
Charges for Services	177,882	183,893	368,362	173,087	141,682
Licenses, Fees, and Permits	300,765	300,474	310,490	313,220	254,400
Assessments	43,115	46,289	14,937	12,803	13,897
Other Revenues	255,083	321,683	388,654	257,380	781,248
Total Revenues	23,629,997	18,637,475	18,370,240	17,264,072	18,865,289
Expenditures					
Current					
Culture, Recreation, and Natural Resources	353,873	271,588	243,938	223,875	210,478
Education	3,955,787	3,326,395	3,480,990	3,168,488	3,285,298
General Control	1,546,468	414,39	467,422	550,302	88,27
Health and Human Services	11,850,703	9,416,748	7,555,836	7,475,738	7,737,21
Highways and Transportation	579,270	580,756	500,031	420,625	440,401
Housing	345,780	347,700	705,644	300,507	260,204
Legislation	28,532	87,555	22,731	23,959	28,737
Public Safety	527,020	574,544	540,558	515,112	535,834
Regulation and Licensing	437,261	200,98	388,271	189,112	116,252
Land Grant	-	-	-	-	-
Debt Service Tax	-	-	-	-	-
Capital Outlay	849,771	543,508	487,536	403,338	352,204
Debt Service	-	-	-	-	-
Finance	730,374	892,63	567,644	382,549	295,168
Interest	14,205	70,162	320,421	1,07,112	121,111
Bond Issuance Costs	-	-	-	-	-
Provision for Potential Losses in the State General Fund Investment Pool	-	-	-	-	-
Total Expenditures	23,017,825	17,275,895	18,826,36	17,228,708	17,134,007
Excess (Deficiency) of Revenues Over Expenditures	612,172	1,361,580	(456,120)	1,035,364	1,731,282
Other Financing Sources (Uses)					
Bonds Issued	374,808	701,709	310,118	533,370	40,380
Bond Premium	130,009	17,547	7,170	154,128	5,463
Refunding Bond Issue	1,172,416	-	-	420,186	-
Proceeds from the Sale of Capital Assets	1,057	1,036	15,77	1,751	1,231
Operating Transfers In	1,005,754	15,00,540	2,172,675	8,004,050	1,000,400
Operating Transfers Out	(4,705,147)	(2,445,223)	(5,715,190)	(3,376,218)	(5,733,687)
Payment to Refunded Bond Escrow Agent	(1,3803)	-	-	(450,885)	-
Nonoperating Revenues (Expenditures)	-	-	-	-	-
Total Other Financing Sources (Uses)	179,021	(126,282)	(327,690)	(36,881)	(186,687)
Special Item					
Reversion of Funds Contingency	-	-	-	-	-
Native American Water Rights Settlement	-	-	-	-	-
Gibson Water Settlement	-	-	-	-	-
Total Special Items	-	-	-	-	-
Total Other Financing and Special Items	179,021	(126,282)	(327,690)	(36,881)	(186,687)
Net Change in Fund Balances	\$ 791,193	\$ 1,235,298	\$ (783,810)	\$ 998,483	\$ 1,544,595
Debt Service as a Percentage of Noncapital Expenditures	4.3%	5.0%	4.8%	4.1%	3.2%

STATE OF NEW MEXICO

SCHEDULE A-4

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2016	2015	2014	2013 as Restated	2012 as Restated
Revenues					
Taxes	\$ 5,197,084	\$ 5,923,849	\$ 5,626,421	\$ 5,235,786	\$ 5,321,538
Federal	6,856,707	6,363,684	5,338,059	4,981,084	5,035,279
Interest and Other Investment Income (Loss)	912,262	1,211,998	1,531,022	1,247,937	708,470
Rentals and Royalties	888,424	1,281,002	647,438	568,227	651,576
Charges for Services	119,509	124,674	162,757	160,931	155,089
Licenses, Fees, and Permits	307,532	295,282	364,594	364,371	361,671
Assessments	14,389	-	-	-	-
Other Revenues	633,628	202,935	363,411	332,323	212,326
Total Revenues	14,919,333	15,403,424	14,023,702	12,890,639	12,443,949
Expenditures					
Current:					
Culture, Recreation, and Natural Resources	223,328	210,368	183,317	193,639	223,838
Education	3,554,249	4,023,302	3,220,213	3,214,923	3,117,042
General Control	1,600,674	487,468	403,590	494,668	413,807
Health and Human Services	7,996,609	7,333,734	6,270,002	5,736,374	5,623,669
Highways and Transportation	740,977	462,267	391,824	398,836	330,374
Judicial	306,727	250,360	236,573	229,403	223,942
Legislative	23,022	27,696	21,810	23,934	22,381
Public Safety	482,338	470,406	440,897	454,250	428,331
Regulation and Licensing	111,747	121,567	108,442	101,355	108,457
Land Grant	-	-	-	37,757	43,003
Severance Tax	-	-	183,216	176,173	183,423
Capital Outlay	118,018	444,308	507,433	583,782	612,136
Debt Service:					
Principal	282,120	284,766	407,074	317,991	139,847
Interest	109,886	128,197	150,738	130,753	249,343
Bond Insurance Costs	-	-	-	-	204
Provision for Potential Loss in the State General Fund Investment Pool	-	-	-	-	191,735
Total Expenditures	15,549,915	14,268,439	12,727,133	12,114,062	11,825,776
Excess (Deficiency) of Revenues Over Expenditures	(630,582)	1,134,985	1,296,569	776,577	618,173
Other Financing Sources (Uses)					
Bonds Issued	474,018	141,635	371,440	137,220	105,780
Bond Premium	82,239	43,146	50,051	45,400	27,668
Refunding Bond Issues	181,395	79,405	-	220,400	75,715
Proceeds from the Sale of Capital Assets	1,803	1,156	2,053	1,950	5,208
Operating Transfers In	7,182,543	7,233,253	6,789,132	6,133,227	6,414,978
Operating Transfers Out	(7,918,883)	(8,035,458)	(7,483,788)	(6,774,851)	(7,033,153)
Payment to Refunded Bond Escrow Agent	(208,143)	(96,083)	-	(261,769)	(88,898)
Nonoperating Revenues (Expenditures)	-	-	-	(5,211)	-
Total Other Financing Sources (Uses)	(205,028)	(632,966)	(271,112)	(501,634)	(492,702)
Special Item					
Reduction of Loss Contingency	-	93,479	(30,000)	-	-
Native American Water Rights Settlement	(12,436)	-	-	-	-
Arizona Water Settlement	(9,040)	-	-	-	-
Total Special Items	(21,476)	93,479	(30,000)	-	-
Total Other Financing and Special Items	(226,504)	(539,487)	(301,112)	(501,634)	(492,702)
Net Change in Fund Balances	\$ (846,584)	\$ 595,498	\$ 995,457	\$ 274,943	\$ 127,471
Debt Service as a Percentage of Noncapital Expenditures	2.3%	3.0%	4.6%	3.9%	3.9%

STATE OF NEW MEXICO

SCHEDULE OF REVENUES, STATE GENERAL FUND

SCHEDULE B-1

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2021	2020	2019	2018 as restated	2017
REVENUES					
Taxes and License Fees					
General and Selective Sales Taxes:					
Gross Receipts	\$ 2,799,239	\$ 2,942,128	\$ 2,669,415	\$ 2,381,082	\$ 2,013,548
Compensating	63,893	63,578	78,380	56,102	48,529
Tobacco (Luxury)	90,529	88,809	75,424	78,368	77,887
Alcoholic Beverage	24,575	24,610	25,295	23,811	7,376
Insurance	292,664	262,329	216,347	213,597	227,464
Fire Protection	-	-	-	1,020	-
Racing	-	-	765	1,084	1,096
Private Car	762	552	931	860	663
Motor Vehicle and Other Excise Tax	174,061	137,769	152,523	154,008	145,238
Gaming Tax	24,656	46,005	64,886	62,054	59,523
Leased Vehicles Gross Receipts and Surcharge	3,099	4,711	5,727	5,528	5,489
Gasoline Tax	851	596	971	358	(380)
Telecommunications Relay Surcharge	203	113	66	58	59
Boat Excise Tax	441	290	282	347	325
Other Tax	-	-	-	-	-
Total General and Selective Sales Tax	3,474,972	3,571,491	3,291,012	2,978,277	2,586,817
Income Taxes					
Gross Withholding	159,802	100,329	166,318	923,665	872,299
Final Settlements	1,643,505	1,577,189	1,500,831	614,620	504,741
Less:					
Transfer - Retiree Health Care	-	-	(26,256)	(26,256)	(28,306)
Transfer - Reversions	(533,719)	(382,946)	(371,724)	(376,467)	(364,244)
Net Personal Income Taxes	1,269,585	1,294,572	1,269,169	1,135,562	984,490
Corporate Taxes	149,666	63,198	22,808	106,601	70,156
Net Corporate Income Taxes	149,666	63,198	22,808	106,601	70,156
Estate Taxes	-	-	-	-	-
Fiduciary Taxes	3,107	14,343	4,865	7,180	3,635
Total Income Taxes	1,422,358	1,372,113	1,296,842	1,249,343	1,058,281
Severance Taxes					
Oil and Gas School Tax	763,113	388,671	555,336	450,787	304,262
7% Oil Conservation	39,597	29,510	28,702	22,885	17,368
Resources Excise	6,751	7,148	7,834	8,569	9,649
Natural Gas Processors	10,504	14,764	15,125	10,841	10,307
Total Severance Taxes	819,965	440,093	607,017	493,082	341,586
Total Taxes	5,717,295	5,383,697	5,194,871	4,720,702	3,986,684

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

	Fiscal Year				
	2016	2015	2014	2013	2012
REVENUES					
Taxes and License Fees					
General and Selective Sales Taxes:					
Gross Receipts	\$ 1,975,416	\$ 2,095,153	\$ 1,992,035	\$ 1,917,660	\$ 1,928,469
Compensating	46,882	71,840	78,271	50,911	62,066
Tobacco (Luxury)	79,819	82,148	78,479	86,058	85,360
Alcoholic Beverage	6,732	26,263	26,357	26,240	26,129
Insurance	207,904	189,953	115,067	107,520	114,076
Fire Protection	15,069	15,156	16,082	18,316	18,812
Racing	1,130	670	821	942	852
Private Car	703	660	620	563	553
Motor Vehicle and Other Excise Tax	150,395	138,701	133,275	125,504	114,707
Gaming Tax	63,050	70,409	66,455	63,073	65,527
Leased Vehicles Gross Receipts and Surcharge	5,536	5,236	5,204	5,125	5,366
Gasoline Tax	867	(1,152)	1,227	(4,516)	5,539
Telecommunications Relay Surcharge	69	123	86	91	98
Boat Excise Tax	195	184	184	257	453
Other Tax	-	-	99	4	19
Total General and Selective Sales Tax	2,553,767	2,695,544	2,514,262	2,397,748	2,428,026
Income Taxes					
Gross Withholding	1,200,151	1,179,123	1,116,249	1,077,952	1,151,866
Final Settlements	508,566	535,298	506,245	517,862	355,734
Less:					
Transfer - Retiree Health Care	(29,519)	(26,678)	(24,141)	(21,876)	(19,853)
Transfer - Reversions	(359,043)	(355,541)	(351,365)	(340,381)	(346,289)
Net Personal Income Taxes	1,320,155	1,332,202	1,246,988	1,233,557	1,141,458
Corporate Taxes	118,502	254,477	196,762	267,157	281,047
Net Corporate Income Taxes	118,502	254,477	196,762	267,157	281,047
Estate Taxes	1	1	32	-	-
Fiduciary Taxes	7,053	7,510	7,951	7,388	9,011
Total Income Taxes	1,445,711	1,594,190	1,451,733	1,508,102	1,431,516
Severance Taxes					
Oil and Gas School Tax	236,818	375,423	500,659	379,899	399,589
7% Oil Conservation	11,375	20,091	27,244	20,775	21,452
Resources Excise	11,203	13,345	13,013	13,486	12,018
Natural Gas Processors	20,354	18,594	16,197	24,197	23,343
Total Severance Taxes	279,750	427,453	557,113	438,357	456,402
Total Taxes	4,279,228	4,717,187	4,523,108	4,344,207	4,315,944

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

	Fiscal Year				
	2021	2020	2019	2018 as restated	2017
REVENUES (CONTINUED)					
Taxes and License Fees (Continued)					
License Fees					
Manufactured Housing	\$ -	\$ 70	\$ 462	\$ 432	\$ 419
Trade and Professions License	-	23,457	-	-	-
Corporate Filing	4,278	4,176	3,881	4,042	3,437
Alcoholic Beverages and Gaming	-	-	4,960	4,075	4,186
Financial Institutions	-	3,396	3,747	3,564	3,480
Corporate Special	-	-	-	-	2,984
Construction Industries	-	4,890	4,909	5,543	4,700
Gaming License and Permit Fees	299	313	373	6,365	577
Securities Receipts	-	2,531	22,340	22,267	22,399
Public Utilities	17,067	11,464	14,493	14,538	11,021
Pipeline Fees	164	170	242	207	137
Motor Vehicles Miscellaneous Fees	368	228	596	401	-
Total License Fees	<u>22,176</u>	<u>50,695</u>	<u>56,003</u>	<u>61,434</u>	<u>53,340</u>
Total Taxes and License Fees	<u>5,739,472</u>	<u>5,434,392</u>	<u>5,250,874</u>	<u>4,782,136</u>	<u>4,040,024</u>
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund Income	-	-	-	-	-
Earnings on State Balances	5,348	91,751	86,880	5,945	(3,230)
Severance Tax Permanent Fund Earnings	-	-	-	-	-
Total Interest Earnings	<u>5,348</u>	<u>91,751</u>	<u>86,880</u>	<u>5,945</u>	<u>(3,230)</u>
Rents and Royalties					
Federal Mineral Leasing	811,496	817,116	1,146,800	564,232	435,692
Land Office	-	69,858	132,454	111,845	71,490
Total Rents and Royalties	<u>811,496</u>	<u>886,974</u>	<u>1,279,254</u>	<u>676,077</u>	<u>507,182</u>

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

	Fiscal Year				
	2016	2015	2014	2013	2012
REVENUES (CONTINUED)					
Taxes and License Fees (Continued)					
License Fees					
Manufactured Housing	\$ 375	\$ 753	\$ 357	\$ 336	\$ 420
Trade and Professions License	-	-	-	-	-
Corporate Filing	3,327	4,020	4,262	3,151	2,864
Alcoholic Beverages and Gaming	4,028	3,931	3,770	4,544	3,856
Financial Institutions	3,455	3,556	3,195	3,107	2,917
Corporate Special	2,955	3,308	3,672	3,963	4,096
Construction Industries	6,092	6,199	3,902	4,034	5,052
Gaming License and Permit Fees	353	416	373	362	392
Securities Receipts	22,016	21,267	20,201	19,065	18,765
Public Utilities	12,040	12,129	11,759	11,275	11,056
Pipeline Fees	153	196	65	50	41
Motor Vehicles Miscellaneous Fees	20	100	111	125	136
Total License Fees	54,814	55,875	51,667	50,012	49,595
Total Taxes and License Fees	4,334,042	4,773,062	4,574,775	4,394,219	4,365,539
Other Revenue Sources					
Investment Income					
State Land Grant Permanent Fund Income	555,103	502,757	449,382	440,876	461,737
Earnings on State Balances	25,224	24,160	42,293	35,925	17,618
Severance Tax Permanent Fund Earnings	193,510	182,723	170,473	176,173	183,424
Total Interest Earnings	773,837	709,640	662,148	652,974	662,779
Rents and Royalties					
Federal Mineral Leasing	47,817	42,235	569,860	459,631	502,574
Land Office	390,005	542,184	47,481	44,632	92,508
Total Rents and Royalties	437,822	584,419	617,341	504,263	595,082

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

	Fiscal Year				
	2021	2020	2019	2018 as restated	2017
Miscellaneous Receipts and Fees					
Environment Department Filing Fees	\$ 1,847	\$ 677	\$ 1,082	\$ 1,260	\$ 747
Administrative Fees	2,728	-	-	-	-
Tribal Revenue Sharing	48,166	51,677	78,430	68,092	62,717
Media Lease Payments	-	-	-	-	22
MVD Penalty Assessments	3,323	3,771	4,484	4,632	4,271
Fines and Forfeitures	2,528	3,107	3,563	3,932	4,241
Birth and Death Certificates	1,232	1,192	1,175	1,260	1,184
District Judge Receipts	893	1,010	1,095	1,146	1,096
Notary Public Fees	653	46	683	658	743
Legislative Receipts	591	9	22	13	26
Workmen's Compensation Fees	751	884	699	390	7
Health Care Quality Surcharge	78	1,096	-	-	-
Law Enforcement Protection	-	-	-	-	-
Small County Assistance	-	-	-	-	-
Supreme Court Fees	-	-	1	1	1
Unclaimed Property	29,481	15,565	28,089	20,113	23,030
Restitution Payments	251	204	91	80	176
Total Miscellaneous Receipts and Fees	<u>92,523</u>	<u>79,238</u>	<u>119,413</u>	<u>101,577</u>	<u>98,260</u>
Other Revenues					
Miscellaneous Nonrecurring	482	219	138	173	970
Transfers - Reversions	-	-	-	-	366,208
Total Other Revenues	<u>482</u>	<u>219</u>	<u>138</u>	<u>173</u>	<u>367,178</u>
Total Other Revenue Sources	<u>909,848</u>	<u>1,058,182</u>	<u>1,485,685</u>	<u>783,772</u>	<u>969,390</u>
Total Revenues	<u>\$ 6,649,319</u>	<u>\$ 6,492,573</u>	<u>\$ 6,736,559</u>	<u>\$ 5,565,908</u>	<u>\$ 5,009,414</u>

Source: General Fund Financial Audit (30600) - Schedule of Revenue by Source
Department of Finance and Administration General Fund Report

* Alcohol is down due to sending a portion to the lottery scholarship fund

STATE OF NEW MEXICO

SCHEDULE B-1 (CONTINUED)

	Fiscal Year				
	2016	2015	2014	2013	2012
Miscellaneous Receipts and Fees					
Environment Department Filing Fees	\$ 1,241	\$ 4,212	\$ 1,322	\$ 3,350	\$ 2,048
Administrative Fees	-	-	-	-	-
Tribal Revenue Sharing	64,413	67,178	67,582	70,709	68,189
Media Lease Payments	18	19	18	21	19
MVD Penalty Assessments	4,009	5,658	5,982	6,018	5,705
Fines and Forfeitures	4,514	5,241	5,567	5,708	6,052
Birth and Death Certificates	1,043	1,019	1,010	1,045	1,075
District Judge Receipts	947	925	936	1,051	1,064
Notary Public Fees	984	681	628	648	1,386
Legislative Receipts	14	28	18	35	20
Workmen's Compensation Fees	3	5	268	4	4
Health Care Quality Surcharge	-	-	-	-	-
Law Enforcement Protection	15,297	7,641	3,936	4,576	8,291
Small County Assistance	11	5,809	3,748	1,537	3,576
Supreme Court Fees	1	1	-	-	-
Unclaimed Property	19,789	24,644	21,516	16,833	15,452
Restitution Payments	201	269	354	446	411
Total Miscellaneous Receipts and Fees	<u>112,485</u>	<u>123,330</u>	<u>112,885</u>	<u>111,981</u>	<u>113,292</u>
Other Revenues					
Miscellaneous Nonrecurring	39,616	36,136	29,509	39,921	42,604
Transfers - Reversions	56,367	59,163	101,751	81,167	68,077
Total Other Revenues	<u>95,983</u>	<u>95,299</u>	<u>131,260</u>	<u>121,088</u>	<u>110,681</u>
Total Other Revenue Sources	<u>1,420,127</u>	<u>1,512,688</u>	<u>1,523,634</u>	<u>1,390,306</u>	<u>1,481,834</u>
Total Revenues	<u>\$ 5,754,169</u>	<u>\$ 6,285,750</u>	<u>\$ 6,098,409</u>	<u>\$ 5,784,525</u>	<u>\$ 5,847,373</u>

Source: General Fund Financial Audit (30600) - Schedule of Revenue by Source
Department of Finance and Administration General Fund Report

* Alcohol is down due to sending a portion to the lottery scholarship fund

STATE OF NEW MEXICO

REVENUE BASE

Last Ten Calendar Years

(In Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Taxable Gross Receipts (in thousands)					
Agriculture, Forestry and Fishing	\$ 134,833	\$ 175,237	\$ 136,352	\$ 136,840	\$ 111,430
Mining	3,883,084	7,310,833	6,815,136	4,834,724	2,213,846
Construction	6,612,931	10,989,995	8,027,002	7,428,957	6,312,982
Manufacturing	1,549,363	2,306,998	2,084,612	1,617,171	1,315,416
Transportation	846,609	1,187,865	1,173,605	836,820	571,482
Communications and Utilities	3,723,730	6,120,717	3,384,324	3,161,293	4,073,013
Wholesale Trade	2,211,281	3,648,654	3,529,917	2,698,453	1,786,231
Retail Trade	11,334,814	10,425,084	14,780,421	13,041,450	11,045,885
Finance, Insurance and Real Estate	1,677,853	2,582,843	2,338,187	2,032,733	1,559,574
Services and Other	19,425,400	30,267,240	26,756,441	22,438,845	17,675,223
Public Administration	535,586	883,472	901,867	425,736	587,747
Total Taxable Gross Receipts	\$ 31,925,503	\$ 81,898,938	\$ 71,919,164	\$ 60,543,232	\$ 47,852,811
State Gross Receipts Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%
Personal Income by Industry (in millions)					
Federal Civilian	\$ 3,603	\$ 3,397	\$ 3,335	\$ 3,373	\$ 3,220
Federal Military	1,556	1,459	1,398	1,323	1,321
State and Local Government	10,572	10,470	9,976	9,596	9,379
Farm Earnings	1,227	1,036	767	793	889
Forestry, Fishing, and Related Activities	176	170	169	163	170
Mining	2,104	2,656	3,013	2,638	2,532
Utilities	566	522	511	400	400
Construction	3,981	4,001	3,659	3,474	3,368
Manufacturing	2,212	2,210	1,868	1,717	1,571
Wholesale Trade	1,533	1,569	1,536	1,454	1,517
Retail	4,048	3,668	3,599	3,549	3,667
Transportation and Warehousing	1,821	1,838	1,713	1,378	1,330
Information	873	829	914	843	812
Financial, Insurance, Real Estate, Rental, and Leasing	3,325	3,094	2,855	2,721	2,732
Services	22,874	21,939	21,462	20,359	19,782
Other ¹	41,089	35,532	32,843	30,590	27,992
Total Personal Income	\$ 101,564	\$ 94,431	\$ 89,620	\$ 84,671	\$ 80,793
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

	Fiscal Year				
	2016	2015	2014	2013	2012 as Restated
Taxable Gross Receipts (in thousands)					
Agriculture, Forestry and Fishing	\$ 106,156	\$ 84,720	\$ 54,047	\$ 61,294	\$ 57,791
Mining	2,328,158	4,144,544	2,998,455	3,668,701	3,431,242
Construction	6,537,914	6,331,176	4,257,409	5,862,314	5,271,994
Manufacturing	1,607,798	2,238,013	1,607,319	2,015,743	1,833,576
Transportation	668,207	867,443	543,996	780,150	686,364
Communications and Utilities	5,281,589	5,134,386	1,908,034	4,907,802	4,803,345
Wholesale Trade	2,030,984	2,544,689	1,790,115	2,335,113	2,280,235
Retail Trade	12,063,308	12,553,764	9,268,342	12,160,633	12,024,304
Finance, Insurance and Real Estate	1,613,419	1,630,999	1,106,612	1,377,036	1,218,396
Services and Other	19,824,081	19,219,587	15,112,166	17,413,350	17,393,771
Public Administration	663,833	673,442	378,243	622,335	597,549
Total Taxable Gross Receipts	\$ 52,727,447	\$ 55,422,763	\$ 39,024,958	\$ 50,904,491	\$ 49,600,567
State Gross Receipts Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%
Personal Income by Industry (in millions)					
Federal Civilian	\$ 3,103	\$ 3,110	\$ 2,948	\$ 2,965	\$ 3,351
Federal Military	1,265	1,215	1,268	1,367	1,632
State and Local Government	9,836	9,860	9,590	9,229	8,934
Farm Earnings	664	1,088	1,760	1,472	1,203
Forestry, Fishing, and Related Activities	142	145	150	150	132
Mining	2,393	3,035	3,167	3,151	2,410
Utilities	533	503	491	520	522
Construction	3,146	3,111	3,042	2,978	2,888
Manufacturing	1,606	2,118	2,089	2,178	2,344
Wholesale Trade	1,491	1,442	1,441	1,451	1,444
Retail	3,670	3,546	3,505	3,412	3,417
Transportation and Warehousing	1,503	1,569	1,508	1,464	1,408
Information	859	927	790	881	878
Financial, Insurance, Real Estate, Rental, and Leasing	2,652	2,725	2,448	2,404	2,130
Services	19,465	18,166	17,790	17,652	17,731
Other ¹	28,063	27,490	26,432	24,537	22,791
Total Personal Income	\$ 80,391	\$ 80,050	\$ 78,428	\$ 75,811	\$ 73,224
Highest Income Tax Rate	4.9%	4.9%	4.9%	4.9%	4.9%

STATE OF NEW MEXICO

REVENUE PAYERS BY INDUSTRY – TAXABLE SALES,

SCHEDULE B-3

SERVICES, AND USE TAX PURCHASES

Most Current Calendar Year and Historical Comparison
(In Thousands)

	Fiscal Year 2021				Calendar Year 2019			
	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total	Number of Outlets	Percent of Total	Taxable Gross Receipts	Percent of Total
Agriculture, Forestry and Fishing	2,256	0.0%	\$ 124,822	0.2%	1,342	0.4%	\$ 57,781	0.1%
Mining	4,738	1.0%	3,883,084	7.3%	3,817	0.9%	3,451,242	6.8%
Construction	46,879	8.6%	6,612,030	12.7%	34,321	10.6%	5,271,694	10.4%
Manufacturing	26,624	5.6%	1,540,563	3.0%	13,279	4.1%	1,853,576	3.7%
Transportation	7,386	1.5%	846,608	1.6%	4,502	1.4%	686,264	1.4%
Communications and Utilities	36,715	8.1%	3,725,758	7.2%	28,021	6.4%	4,808,345	9.7%
Wholesale Trade	51,341	9.8%	2,211,281	4.3%	18,089	5.6%	2,282,325	4.6%
Retail Trade	111,286	23.3%	11,334,814	21.7%	65,635	20.3%	12,024,284	24.2%
Finance, Insurance and Real Estate	26,382	5.1%	1,677,893	3.3%	14,856	4.6%	1,216,386	2.5%
Services and Other	136,343	38.1%	18,422,408	37.3%	143,281	43.4%	17,991,771	37.3%
Public Administration	913	0.2%	332,388	0.6%	681	0.2%	397,244	0.8%
Total Number of Outlets and Total Taxable Gross Revenues	476,823	100.0%	\$ 21,925,903	98.7%	328,756	99.9%	\$ 48,600,567	100.0%
State Gross Receipts Tax Rate	5.1%				5.0%			

¹Data for 2021 is based on fiscal year.

Source: New Mexico Department of Taxation and Revenue, Monthly RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code

Source: New Mexico Department of Taxation and Revenue, Quarterly RP-80 Reports: Gross Receipts by Geographic Area and 6-digit NAICS Code

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

STATE OF NEW MEXICO

REVENUE PAYERS – PERSONAL INCOME TAX

SCHEDULE B-4

Most Current Calendar Year and Historical Comparison
(Dollars, Except for Income Level, in Thousands)

Income Level	2010				2019*			
	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total	Number of Returns	Percent of Total	Personal Income Tax	Percent of Total
\$200,000 and higher	16,198	1.8%	\$ 1,615,292	34.8%	31,930	3.3%	\$ 2,925,815	46.5%
\$100,000 - \$199,999	71,150	7.8%	1,385,690	27.6%	109,280	11.3%	1,699,974	27.0%
\$75,000 - \$99,999	64,948	7.1%	564,729	12.1%	78,230	8.1%	587,618	9.3%
\$50,000 - \$74,999	112,202	12.3%	585,833	12.6%	126,810	13.2%	554,372	8.8%
\$49,999 and lower	648,304	71.0%	601,218	12.9%	616,640	64.0%	529,598	8.4%
Total	913,002	100.0%	\$ 4,652,762	100.0%	962,890	99.9%	\$ 6,297,377	100.0%

* At the time of the preparation of the 2021 New Mexico State Annual Financial Report, the 2020 was not available.

Source: United States Department of the Treasury, Internal Revenue Service, Tax Year 2019: Historical Table 2 and Tax Year 2010: Historical Table 2 New Mexico (SOL Bulletin)

STATE OF NEW MEXICO

PERSONAL INCOME TAX RATES

SCHEDULE B-5

Last Ten Fiscal Years

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	
2021	4.9%	\$ 16,000	\$ 24,000	\$ 24,000	N/A
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

Source: New Mexico Department of Taxation and Revenue

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STATE OF NEW MEXICO

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2021	2020	2019	2018 as Restated	2017 as Restated
Governmental Activities					
General Obligation	\$ 505,295	\$ 421,700	\$ 350,925	\$ 340,760	\$ 340,760
Severance Tax Bonds	964,035	680,243	814,370	876,115	876,115
Revenue Bonds	858,018	1,084,669	1,121,523	1,367,542	1,367,542
Bond Premium, Discount, Net *	292,066	223,794	257,989	237,638	237,638
Total Government	2,719,414	2,430,406	2,644,807	2,742,055	2,742,055
Business-type Activities*					
General Obligation	2,130	-	-	-	-
Revenue Bonds	788,814	823,419	865,272	869,404	869,404
Bond Premium, Discount, Net *	28,564	-	-	-	-
Capital Leases	173	546	938	1,054	1,054
Total Primary Government	817,550	823,965	866,210	870,458	870,458
Total Debt	\$ 3,536,964	\$ 3,244,373	\$ 3,510,817	\$ 3,612,513	\$ 3,612,513
 New Mexico Personal Income	 \$ 102,375,960	 \$ 101,386,400	 \$ 86,328,400	 \$ 86,328,400	 \$ 81,483,543
Debt as a Percentage of Personal Income	3.5%	3.2%	4.1%	4.2%	4.4%
 New Mexico Population	 2,116	 2,101	 2,095	 2,095	 2,088
General Obligation Debt Per Capita	\$ 239	\$ 201	\$ 167	\$ 124	\$ 125
Total Long-Term Debt Per Capita	\$ 1,672	\$ 1,545	\$ 1,675	\$ 1,724	\$ 1,730

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				
	2016 as Restated	2015 as Restated	2014	2013	2012
Governmental Activities					
General Obligation	\$ 389,270	\$ 311,270	\$ 372,700	\$ 296,890	\$ 319,238
Severance Tax Bonds	641,415	760,080	683,275	798,740	884,320
Revenue Bonds	1,558,689	1,520,839	1,562,240	1,723,061	1,859,403
Bond Premium, Discount, Net *	257,995	-	-	-	-
Total Government	<u>2,847,369</u>	<u>2,592,189</u>	<u>2,618,215</u>	<u>2,818,691</u>	<u>3,122,961</u>
Business-type Activities*					
General Obligation	-	-	-	-	-
Revenue Bonds	763,824	808,463	827,812	840,831	832,306
Bond Premium, Discount, Net *	-	-	-	-	-
Capital Leases	1,502	1,919	1,060	1,292	919
Total Primary Government	<u>765,326</u>	<u>810,382</u>	<u>828,872</u>	<u>842,123</u>	<u>833,225</u>
Total Debt	<u>\$ 3,612,695</u>	<u>\$ 3,402,571</u>	<u>\$ 3,447,087</u>	<u>\$ 3,660,814</u>	<u>\$ 3,956,176</u>
 New Mexico Personal Income	 \$ 79,104,093	 \$ 76,449,091	 \$ 72,465,608	 \$ 73,822,778	 \$ 72,175,501
Debt as a Percentage of Personal Income	4.6%	4.5%	4.8%	5.0%	5.5%
 New Mexico Population	 2,080	 2,083	 2,085	 2,084	 2,078
General Obligation Debt Per Capita	\$ 187	\$ 149	\$ 179	\$ 142	\$ 182
Total Long-Term Debt Per Capita	\$ 1,737	\$ 1,633	\$ 1,653	\$ 1,757	\$ 1,904

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

LONG-TERM LIABILITIES

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2021	2020	2019	2018 As Restated	2017
Governmental Activities					
General Obligation Bonds	\$ 505,295	\$ 421,700	\$ 350,925	\$ 260,760	\$ 328,755
Severance Tax Bonds	964,035	680,245	614,370	676,115	955,045
Revenue Bonds	958,018	1,094,669	1,221,323	1,367,542	1,281,950
Bond Premium, Discount, Net *	292,066	223,794	257,968	200,994	279,305
Notes Payable	-	-	1,250	-	14,000
Deferred Loss on Refunding, Net *	-	-	-	-	-
Claims and Judgments	167,336	152,392	166,593	180,149	195,471
Hedging Derivatives - Interest Rate Swaps	-	-	-	84,090	119,015
Native American Water Settlement Liability **	70,543	91,543	69,706	60,850	62,100
Contingent Liabilities	-	22	29,516	3,678	20,051
Compensated Absences	94,674	83,605	68,795	63,982	64,051
Pollution Remediation Obligation	41,067	41,666	27,457	42,651	44,278
Net Pension Liability	3,953,370	3,429,456	3,341,570	3,264,743	2,299,659
Net OPEB Liability	594,657	774,289	1,035,068	-	-
Capital Leases	-	-	-	51,690	53,045
Reserve for Losses	-	-	-	-	-
Other Liabilities	648,370	578,826	451,647	-	-
Total Governmental Activities	8,689,631	7,572,207	7,636,208	6,457,244	5,714,725
Business-type Activities					
Revenue Bonds	\$ 788,814	\$ 823,419	\$ 865,272	\$ 899,736	\$ 653,372
General Obligation Bonds	2,130	-	-	-	-
Bond Premium, Discount, Net *	28,564	39,279	41,791	43,960	42,649
Compensated Absences	113,416	99,083	87,568	86,356	84,906
Reserve for Losses	107,530	101,940	98,169	89,501	87,453
Notes Payable	9,325	13,506	11,265	12,985	14,051
Loans Payable	196,331	-	-	-	-
Insurance Claims Payable	5,662	9,953	-	-	-
Capital Leases	173	546	938	1,054	1,308
Net OPEB Obligation	424,367	385,030	432,298	67,969	61,333
Derivative Instruments - Interest Rate Swaps	6,000	8,375	7,166	8,604	13,350
Student Loans	11,371	12,069	15,060	15,726	18,532
Environmental Cleanup	5,434	5,434	5,434	5,434	5,434
Net Pension Liability	5,511,723	2,186,285	3,495,716	2,125,341	1,913,152
Other Liabilities	198,809	174,049	56,714	11,076	-
Total Business-type Activities	7,409,649	3,860,968	5,107,453	3,367,742	2,895,601
Total Primary Government Long-term Liabilities	\$ 16,099,280	\$ 11,433,175	\$ 12,743,661	\$ 9,824,986	\$ 8,610,326

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				
	2016	2015 As Restated	2014	2013 As Restated	2012 As Restated
Governmental Activities					
General Obligation Bonds	\$ 429,764	\$ 311,270	\$ 372,700	\$ 296,890	\$ 379,288
Severance Tax Bonds	641,415	760,080	683,275	798,740	884,320
Revenue Bonds	1,423,069	1,520,839	1,562,240	1,723,061	1,859,403
Bond Premium, Discount, Net *	217,441	252,771	234,954	236,190	-
Notes Payable	5,755	1,581	1,598	2,454	3,715
Deferred Loss on Refunding, Net *	100,167	96,042	(91,257)	(81,982)	-
Claims and Judgments	100,461	259,895	348,753	433,547	225,248
Hedging Derivatives - Interest Rate Swaps	100,167	96,042	(91,257)	(81,982)	-
Native American Water Settlement Liability **	287,910	-	-	-	-
Contingent Liabilities	-	-	-	-	-
Compensated Absences	58,112	82,338	61,201	60,946	63,934
Pollution Remediation Obligation	287,910	47,129	53,373	55,694	88,741
Net Pension Liability	1,843,467	-	-	-	-
Net OPEB Liability	-	-	-	-	-
Capital Leases	53,139	-	-	-	-
Reserve for Losses	-	100,000	-	-	-
Other Liabilities	52,307	212,200	252,003	330,217	-
Total Governmental Activities	5,601,144	3,720,148	3,387,583	3,773,775	3,502,649
Business-type Activities					
Revenue Bonds	\$ 695,552	\$ 808,463	\$ 827,812	\$ 840,831	\$ 832,308
General Obligation Bonds	-	-	-	-	-
Bond Premium, Discount, Net *	31,519	15,429	17,010	8,831	-
Compensated Absences	20,853	60,180	77,777	96,219	99,689
Reserve for Losses	-	69,968	65,471	65,472	63,408
Notes Payable	-	-	-	-	-
Loans Payable	-	-	-	-	-
Insurance Claims Payable	-	-	-	-	-
Capital Leases	1,023	1,919	1,080	1,282	919
Net OPEB Obligation	-	-	-	-	-
Derivative Instruments - Interest Rate Swaps	-	-	-	-	-
Student Loans	-	-	-	-	-
Environmental Cleanup	-	-	-	-	-
Net Pension Liability	-	-	-	-	-
Other Liabilities	56,579	184,094	79,083	56,173	52,750
Total Business-type Activities	805,526	1,160,073	1,068,213	1,068,818	1,049,070
Total Primary Government Long-term Liabilities	\$ 6,406,670	\$ 4,880,221	\$ 4,455,796	\$ 4,842,593	\$ 4,551,719

STATE OF NEW MEXICO

LEGAL DEBT MARGIN

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017 As Restated
Net Taxable Value of Property Subject to Taxation	\$ 70,313,535	\$ 70,648,043	\$ 66,919,238	\$ 60,698,949	\$ 57,431,756
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	703,136	706,480	669,192	606,989	574,518
General Obligation Bonds	505,295	260,760	326,755	389,270	311,270
Total General Debt Outstanding	505,295	260,760	326,755	389,270	311,270
Legal Debt Margin	\$ 197,841	\$ 445,720	\$ 342,437	\$ 217,719	\$ 263,248
Legal Debt Margin as a Percentage of the Debt Limit	28.1%	63.1%	51.2%	35.9%	45.8%

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				
	2016	2015	2014	2013	2012 As Restated
Net Taxable Value of Property					
Subject to Taxation	\$ 56,625,171	\$ 58,412,965	\$ 56,473,465	\$ 54,256,936	\$ 54,129,671
Statutory Debt Limit	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Limit Amount	566,252	584,130	564,735	542,369	541,297
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	\$ 193,552	\$ 287,240	\$ 209,235	\$ 143,789	\$ 87,567
Legal Debt Margin as a Percentage of the Debt Limit	34.2%	49.2%	37.1%	26.5%	16.2%

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

STATUTORY DEBT LIMIT

SEVERANCE TAX BONDS

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2021	2020	2019	2018	2017
Annual Deposits into Severance Tax Bonding Fund	\$ 870,761	\$ 646,300	\$ 672,441	\$ 511,115	\$ 342,317
50.0% of Annual Deposits	435,381	323,150	336,221	255,558	171,159
Statutory Debt Limit Amount	435,381	323,150	336,221	255,558	171,159
Senior Bond Servicing Amount *	428,500	146,965	129,737	142,160	144,766
Statutory Debt Margin Amount	\$ 6,881	\$ 176,185	\$ 206,484	\$ 113,398	\$ 26,393
Statutory Debt Margin as a Percentage of Debt Limit	1.6%	54.5%	61.4%	44.4%	15.4%

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				
	2016	2015	2014	2013	2012
Annual Deposits into Severance Tax Bonding Fund	\$ 254,966	\$ 426,331	\$ 414,956	\$ 426,821	\$ 504,734
50.0% of Annual Deposits	127,483	213,166	207,478	213,411	252,367
Statutory Debt Limit Amount	127,483	213,166	207,478	213,411	252,367
Senior Bond Servicing Amount *	16,489	129,042	125,507	127,951	121,367
Statutory Debt Margin Amount	\$ 110,994	\$ 84,124	\$ 81,981	\$ 85,460	\$ 131,000
Statutory Debt Margin as a Percentage of Debt Limit	87.1%	39.5%	39.5%	40.0%	51.9%

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

PLEDGED REVENUE BOND COVERAGE

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Pledged Revenues Received	Annual Debt Service		Coverage	
		Principal	Interest		
Severance Tax Bonds (Including Supplemental Subordinate Liens)					
2021	\$ 870,781	\$ 128,113	\$ 28,012	3.6	
2020	646,300	134,125	34,255	3.8	
2019	672,441	129,300	37,224	4.0	
2018	511,115	124,743	36,780	3.2	
2017	342,317	124,743	39,483	2.1	
2016	254,966	118,343	15,257	1.9	
2015	426,331	-	18,501	23.3	
2014	414,956	224,525	55,530	1.5	
2013	426,821	115,463	23,069	2.0	
2012	504,734	128,013	24,304	3.3	
Highway Infrastructure Bonds					
2021	\$ 944,216	\$ 10,740	\$ 42,843	17.6	
2020	923,500	107,110	48,116	5.9	
2019	837,915	103,290	51,541	5.4	
2018	914,621	96,923	52,907	6.1	
2017	848,903	93,653	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	411,093	138,848	76,561	1.0	
2012	785,000	243,060	220,698	1.7	
Energy and Minerals Bonds					
2021	\$ 6,237	\$ 476	\$ 62	11.6	
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	13,653	2,863	643	3.0	
2013	8,826	1,819	604	3.6	
2012	4,900	1,738	647	2.1	

N/A Data not available.

Sources: NM Department of Transportation audited financial statements
 NM Office of the State Treasurer audited financial statements
 NM State Fair Commission (Expo) audited financial statements
 NM Energy, Minerals and Natural Resources audited financial statements
 NM Miner's Colfax Medical Center audited financial statements
 NM Spaceport Authority audited financial statements
 NM Department of Cultural Affairs audited financial statements
 UNM - Health Science is included in Educational in 2020.

UNM audited financial statements
 NMSU audited financial statements
 ENMU audited financial statements
 WNMU audited financial statements
 NMD-II audited financial statements
 NMHU audited financial statements
 NMITU audited financial statements

STATE OF NEW MEXICO

SCHEDULE C-5

Fiscal Year	Plotted Revenues Received	Annual Debt Service		Coverage	
		Principal	Interest		
Cultural Affairs Bonds and Loan					
2021	\$ 862	\$ 330	\$ 38	1.3	
2020	868	381	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	1.6	
2015	835	320	139	1.8	
2014	453	459	224	0.7	
2013	1,100	1,452	256	0.7	
2012	805	396	170	1.4	
Miners' Colfax Medical Center Bonds					
2021	\$ 7,616	\$ 1,060	\$ 203	6.0	
2020	1,500	1,030	229	1.2	
2019	2,934	1,008	232	2.3	
2018	6,122	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	
State Fair (EXPO) Bonds					
2021	\$ -	\$ -	\$ -	0.0	
2020	-	-	-	0.0	
2019	-	-	-	0.0	
2018	-	-	-	0.0	
2017	-	-	-	0.0	
2016	-	-	-	0.0	
2015	448	680	12	0.6	
2014	1,070	687	36	1.5	
2013	1,070	628	76	1.5	
2012	1,100	607	79	1.6	
Spaceport Authority Bonds					
2021	\$ 13,595	\$ 3,565	\$ 2,083	2.4	
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	
Debt not issued in prior years.					

STATE OF NEW MEXICO

SCHEDULE C-5 (CONTINUED)

Fiscal Year	Pledged Revenues Received		Annual Debt Service		Coverage		
			Principal	Interest			
Bernalillo County Metropolitan Court							
2021	\$	1,970	\$	3,070	\$	851	0.5
2020		3,033		3,035		607	1.0
2019		3,587		2,780		1,159	0.9
Reported on NMFA in Prior Years							
Educational Institutions							
2021	\$	652,049	\$	48,802	\$	33,247	7.7
2020		1,907,000		44,793		36,528	35.7
2019		1,014,174		862,309		356,788	0.8
Reported on NMFA in Prior Years							
University of New Mexico Health Sciences							
2021	\$	-	\$	-	\$	-	0.0
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							
2021	\$	6,809	\$	4,549	\$	6,560	0.6
2020		16,100		5,019		7,139	1.3
2019		14,300		10,370		3,911	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 Household Income	Median Age	* Percent High School Grad or Higher (Pop=25 Yrs & >)	Public School Enrollment
2021	2,115,877	\$ 102,375,800,000	\$ 48,385	37.8	85.6	318,621
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	39,821	37.2	84.6	338,370
2016	2,081,015	80,758,300,000	38,807	37.4	84.2	339,613
2015	2,080,328	79,104,090,000	38,025	37.2	84.2	340,365
2014	2,083,024	76,449,091,000	36,701	37.2	84.0	339,319
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

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 GeographyNM/YR2012Population Estimates, bea.gov. www.ped.state.nm.us

Note: Personal Income, Per capita Personal Income and median Age data are as of 2019 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 2021			Calendar Year 2012		
	Number of Employees	Rank	Percent of All Employees	Number of Employees	Rank	Percent of All Employees
State of New Mexico (total offices, departments, etc.)	27,024	1	3.0%	21,832	2	2.5%
Federal Government	21,766	2	2.4%	23,643	1	2.7%
UNM (Campuses, Hospital, Medical Group, Etc.)	20,675	3	2.3%	20,042	3	2.3%
Sandia National Laboratories	14,500	4	1.6%	10,560	6	1.2%
Walmart Corporate	14,022	5	1.5%	14,709	4	1.7%
Los Alamos National Laboratories	13,806	6	1.5%	7,949	8	0.9%
Presbyterian Healthcare	11,178	7	1.2%	9,500	7	1.1%
Albuquerque Public Schools	10,297	8	1.1%	11,500	5	1.3%
City of Albuquerque	5,800	9	0.6%	6,940	9	0.8%
NMSU	3,800	10	0.4%	N/A	NA	N/A
Total Employees of Principal Employers	142,868		15.6%	126,675		14.5%

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

State of New Mexico Payroll Control (DFA)

Los Alamos National Laboratory

Sandia National Laboratories: Facts sheet

Walmart Corporate - New Mexico, Location Facts

New Mexico State University Quick Facts

University of New Mexico - Office of Institutional Analytics - UNM Quick Facts

SEC quarterly reports

New Mexico Partnership <https://nmpartnership.com/incentives-data/new-mexico-largest-employers-3/2/2022>

Note: Number of employees is based on a calendar year average.

Rankings are based on the employers identified, there may be larger employers not identified from sources available.

Some data sources only included locations that had in excess of 100 employees.

STATE OF NEW MEXICO

COMPOSITION OF LABOR FORCE

Last Ten Calendar Years

	Calendar Year				
	2021	2020	2019	2018	2017
Nonagricultural Jobs					
Government	173,300	186,300	190,100	183,600	186,500
Mining	18,300	18,600	26,100	20,100	20,800
Construction	31,100	49,500	52,200	46,900	45,700
Manufacturing	29,600	26,300	27,700	26,900	26,400
Trade, Transportation and Utilities	139,000	135,400	140,900	136,300	136,600
Information	8,200	9,900	11,300	11,100	12,100
Financial Activity	33,800	32,300	36,000	34,700	34,000
Professional and Business Services	113,100	107,800	109,900	103,200	104,300
Education and Health Services	137,100	135,600	144,000	140,200	139,000
Leisure and Hospitality	94,600	67,600	99,800	94,700	96,400
Other Services	28,400	25,900	27,900	27,600	28,600
Total Nonagricultural Jobs	827,500	795,200	866,300	825,300	830,600
Civilian Labor Force	969,048	960,100	966,624	949,047	929,567
Total Employed	913,408	877,700	920,787	904,196	872,382
Unemployed	55,640	82,400	45,837	44,851	57,185
Unemployment Rate	4.8%	8.6%	4.7%	4.8%	6.2%
Seasonally Adjusted Rate	5.3%	8.6%	4.7%	4.7%	6.4%

Source New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics

STATE OF NEW MEXICO

SCHEDULE D-3

	Calendar Year				
	2016 as Restated	2015 as Restated	2014 as Restated	2013 as Restated	2012 as Restated
Nonagricultural Jobs					
Government	188,900	189,300	194,700	188,300	187,297
Mining	19,800	25,600	28,400	26,800	23,959
Construction	43,400	43,300	43,300	40,600	41,116
Manufacturing	26,900	27,800	28,300	27,300	29,672
Trade, Transportation and Utilities	138,700	139,600	142,700	136,800	134,061
Information	12,000	12,700	12,700	12,300	12,523
Financial Activity	33,500	33,300	33,600	34,100	35,547
Professional and Business Services	101,300	99,700	100,300	96,800	92,746
Education and Health Services	138,200	133,300	131,900	123,200	114,213
Leisure and Hospitality	95,500	93,100	89,000	85,000	86,269
Other Services	28,500	28,500	28,300	27,200	29,970
Total Nonagricultural Jobs	827,700	826,400	833,200	798,400	774,393
Civilian Labor Force	928,732	927,999	927,142	923,899	927,795
Total Employed	866,704	867,387	865,229	859,904	861,637
Unemployed	62,028	60,612	61,913	64,095	66,178
Unemployment Rate	6.7%	6.5%	6.7%	6.9%	7.1%
Seasonally Adjusted Rate	6.7%	6.6%	6.7%	7.0%	7.1%

Source New Mexico Department of Workforce Solutions, U.S. Department of Labor Statistics

STATE OF NEW MEXICO

PUBLIC HIGHER EDUCATION ENROLLMENT

Last Ten Academic Years

	Academic Year				
	2020-21	2019-20	2018-19	2017-18	2016-17
Eastern New Mexico University	4,958	5,519	4,791	5,573	5,891
New Mexico Highlands University	2,161	2,169	2,330	2,348	2,438
New Mexico Institute of Mining and Technology	1,482	1,517	1,614	1,612	1,666
New Mexico State University	17,518	18,438	18,292	18,298	19,324
Northern New Mexico College	761	768	804	799	786
University of New Mexico	21,273	22,568	22,812	21,430	25,483
Western New Mexico University	1,872	1,974	1,980	2,072	2,045
Total All Four-Year Institutions	50,025	52,913	52,953	54,232	57,633
Central New Mexico Community College ¹	10,600	11,612	12,000	12,156	12,716
Clovis Community College	1,291	1,461	1,509	1,477	1,493
Luna Community College	420	526	513	505	614
Mesalands Community College	280	346	413	388	404
New Mexico Junior College	1,352	1,591	1,464	1,696	1,593
New Mexico Military Institute	471	459	487	487	492
San Juan College	3,216	3,914	3,873	3,672	3,536
Santa Fe Community College	1,716	2,175	2,229	2,252	2,391
Total All Two-Year Institutions	19,346	22,084	22,488	22,633	23,143
Total All Institutions	69,371	75,057	75,441	76,865	80,776

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>
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				
	2015-16	2014-15	2013-14	2012-13	2009-2010
Eastern New Mexico University	5,936	6,327	6,489	6,862	6,874
New Mexico Highlands University	2,653	2,626	2,740	2,758	2,778
New Mexico Institute of Mining and Technology	1,817	1,805	1,786	1,694	1,598
New Mexico State University	19,876	20,630	21,752	22,756	23,418
Northern New Mexico College	707	870	1,081	1,186	1,254
University of New Mexico	28,489	28,277	28,586	28,557	28,542
Western New Mexico University	2,169	2,222	2,223	2,153	2,180
Total All Four-Year Institutions	61,647	62,757	64,619	65,966	66,644
Central New Mexico Community College ¹	13,684	14,653	15,920	15,818	16,384
Clovis Community College	1,500	1,548	1,589	1,684	1,760
Luna Community College	709	757	856	925	1,013
Mesalands Community College	469	428	423	652	597
New Mexico Junior College	1,651	1,698	1,651	1,626	1,966
New Mexico Military Institute	511	550	588	613	579
San Juan College	4,409	4,619	4,901	4,948	5,027
Santa Fe Community College	2,648	2,899	3,003	2,883	2,890
Total All Two-Year Institutions	25,581	27,152	28,931	29,149	30,216
Total All Institutions	87,228	89,909	93,550	95,115	96,860

STATE OF NEW MEXICO

FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2021	2020	2019 As Restated	2018	2017
General Government					
Government Operations	1,353.1	1,380.0	1,356.5 ¹	1,334.0	1,353.0
Taxation and Revenue	1,034.2	1,072.8	1,066.8	1,078.0	1,088.0
Human Services and Youth Corrections	4,109.8	4,089.8	4,105.8	3,969.0	4,320.0
Adult Corrections	2,492.0	2,621.0	2,453.0	2,443.0	2,409.0
Public Safety	1,539.4	1,607.3	1,547.3	1,535.0	1,545.0
State Courts	3,574.4	3,542.6	3,473.4 ²	3,389.0	3,375.0
Health and Environment					
Department of Health	3,992.0	3,769.5	3,551.5 ⁴	3,536.0	3,792.0
Department of Environment	653.0	634.5	635.5	638.0	637.0
Miners Cofas Community Hospital	290.3	238.0	280.0	238.0	324.0
Employment and Family Services	2,222.8	1,493.8	1,418.3 ⁴	1,643.0	1,435.0
Natural Resources	1,484.9	1,361.5	1,375.5	1,366.0	1,389.0
Cultural Affairs	485.8	500.3	487.0	484.0	500.0
Business, Labor and Agriculture	842.0	878.4	864.4 ³	860.0	900.0
Education	384.5	387.2	384.2	378.0	397.0
Transportation	2,615.5	2,506.5	2,506.5	2,503.0	2,488.0
Total Full-Time Equivalent State Employees	27,023.9	26,024.2	25,466.6	25,364.0	25,863.0
Change	3.7%	2.1%	0.4%	-2.0%	0.2%

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,

Report to the Legislative Finance Committee to the Fifty-Fifth Legislature, First Session January 2020 for the 2021 Fiscal Year, Vol. 2, Pg. 1-

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 Caring 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.

Report of the Legislative Finance Committee 2022, Vol. 2

STATE OF NEW MEXICO

SCHEDULE E-1

	Fiscal Year				
	2016	2015	2014	2013	2012
General Government					
Government Operations	1,190.0	1,203.5	1,203.5	1,228.5	1,215.0
Taxation and Revenue	1,096.0	1,109.0	1,109.0	1,136.0	1,136.0
Human Services and Youth Corrections	4,340.0	4,384.1	4,384.1	4,225.1	4,357.1
Adult Corrections	2,447.0	2,453.0	2,453.0	2,453.5	2,490.5
Public Safety	1,499.7	1,452.7	1,452.7	1,456.7	1,467.7
State Courts	3,587.4	3,471.0	3,471.0	3,497.8	3,490.1
Health and Environment					
Department of Health	3,780.0	3,791.0	3,791.0	3,946.0	3,941.0
Department of Environment	660.5	660.5	660.5	671.5	673.0
Miners Colfax Community Hospital	224.0	224.0	224.0	224.0	225.0
Employment and Family Services	623.5	618.5	618.5	626.5	624.5
Natural Resources	1,005.8	967.8	967.8	1,018.8	1,012.3
Cultural Affairs	508.8	507.8	507.8	505.5	536.7
Business, Labor and Agriculture	1,809.5	1,813.6	1,813.6	1,734.7	1,799.4
Education	348.3	350.3	350.3	364.8	418.8
Transportation	2,487.5	2,489.5	2,489.5	2,502.5	2,502.2
Total Full-Time Equivalent State Employees	25,808.0	25,496.3	25,496.3	25,591.9	25,889.3
Change	1.2%	0.0%	-0.4%	-1.2%	-0.8%

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2021,	2020,	Fiscal Year 2019, as Restated	2018, as Restated	2017, as Restated
General Government					
Operations					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) ^{8 11 24 39 43 50}	22 nd	40 th	39 th	39 th	39 th
Taxation					
% of Electronically Filed Personal Income Tax Returns ^{9 14 17 19 23 37 44 47}	90%	90%	88%	87%	88%
% of Motor Vehicle Registrations Issued (with Liability Insurance) ^{19 13 19 23 37 44 47}	91%	91%	90%	90%	90%
Amount of Delinquent Property Tax Collected and Distributed to Counties in millions ^{8 10 14 15 19 23 37 44 47}	\$10.0	\$10.4	\$12.9	\$14.6	\$11.5
Regulation					
# of Vehicular Port Traffic at New Mexico Ports ^{10 14 17 18 26 39 43 49}	885,197	957,119	1,543,500	1,597,023	1,571,366
Nursing Licenses Issued ^{10 13 16 21 40 48 49}	19,496	18,918	24,711	19,340	16,872
Tri-Annual Physician Licenses Issued ^{10 14 15 16 27 33 43 48}	3,861	4,303	4,086	4,059	4,116
Biennial Physician Assistant Licenses Issued ^{10 13 18 27 36 43 49}	517	629	556	487	455
Public Safety					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{10 14 15 19 28 41 43 48}	NA	NA	NA	19,500	16,590
# of Traffic Fatalities ^{9 14 15 18 23 37 44 47}	411	418	417	369	383
# of Driving While Intoxicated Fatalities ^{9 14 15 18 23 37 44 47}	113	142	157	143	163
# of Driving While Intoxicated Arrests ^{9 14 15 18 23 37 44 47}	1,272	1,647	2,171	2,574	N/A
Education					
Public					
# of High School Graduates (4 year) ^{1 16 42}	25,995*	25,995	26,092	26,288	26,587
Student Dropout Rate for Grades 9 - 12 ^{3 39 42 52}	NA	NA	NA	NA	3.80%
Public School Capital Outlay Allocation (\$ Millions) ⁴	N/A	N/A	N/A	N/A	N/A
Higher					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) ^{8 10 14 15 31 43 48}	56%	56%	54%	50%	49%
% 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	N/A

STATE OF NEW MEXICO

SCHEDULE E-2

	Fiscal Year				
	2016, as Restated	2015, as Restated	2014, as Restated	2013, as Restated	2012, as Restated
General Government					
Operations					
Public Employees' Retirement Fund's National Performance Ranking Percentile (Ten-Year Annualized) ^{8 11 14 19 43 50}	30 th	36 th	30 th	30 th	50 th
Taxation					
% of Electronically Filed Personal Income Tax Returns ^{9 14 15 19 23 37 44 47}	85%	92%	90%	85%	82%
% of Motor Vehicle Registrations Issued (with Liability Insurance) ^{19 15 19 23 37 44 47}	92%	91%	91%	91%	92%
Amount of Delinquent Property Tax Collected and Distributed to Counties in millions ^{8 10 14 15 19 23 37 44 47}	\$11.6	\$10.4	\$13.1	\$12.4	\$11.0
Regulation					
# of Vehicular Port Traffic at New Mexico Ports ^{10 14 15 19 26 38 43 45}	1,589,396	1,463,046	1,279,179	824,824	768,671
Nursing Licenses Issued ^{10 15 19 23 40 46 49}	16,251	14,854	14,551	15,081	14,500
Tri-Annual Physician Licenses Issued ^{10 14 15 19 27 38 43 45}	3,744	3,841	3,945	3,661	3,000
Biennial Physician Assistant Licenses Issued ^{10 15 19 27 38 43 45}	451	476	436	398	225
Public Safety					
Inspection/Audit Hours by State Fire Marshall and Pipeline Safety Bureau ^{10 14 15 19 21 43 45 48}	10,408	14,775	18,202	11,564	37,919
# of Traffic Fatalities ^{9 14 15 19 23 37 44 47}	366	347	345	304	395
# of Driving While Intoxicated Fatalities ^{9 14 15 19 23 37 44 47}	149	155	137	120	169
# of Driving While Intoxicated Arrests ^{9 14 15 19 23 37 44 47}	N/A	N/A	N/A	N/A	2,479
Education					
Public					
# of High School Graduates (4 year) ^{1 29 43}	25,926	25,863	25,170	25,903	26,096
Student Dropout Rate for Grades 9 - 12 ^{2 38 42 52}	4.4%	4.4%	4.3%	5.0%	4.4%
Public School Capital Outlay Allocation (\$ Millions) ⁴	546	895	457	483	136
Higher					
Graduation Rate of Bachelor Degree Students (Period of Six Years for Completion) ^{8 10 14 15 38 45 48}	48%	48%	48%	43%	40%
% of First Time Freshman Lottery Scholarship Recipients at Four-Year Institutions Who Complete Within Six Years ^{8 10 14 15 21}	75%	72%	73%	72%	73%

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	2021,	2020,	Fiscal Year 2019, as Restated	2018, as Restated	2017, as Restated
Health and Human Services					
% of Children Receiving Services in Medicaid Managed Care ^{10 11 12 13 14 15 16 17}	97%	73%	73%	72%	83%
% of Child Support Collected of Support Owed ^{9 14 15 16 17 18 19 20 21}	61%	50%	58%	57%	56%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) ^{8 10 11 12 13 14 15}	N/A	N/A	N/A	N/A	509
% of Children Adopted within 24 Months of Entry into Foster Care ^{5 10 14 15 16 17 18 19 20 21 (Split into two time periods for 2020)}	34%	36%	27%	28%	25%
% of Abused Children with Repeat Maltreatment ^{6 14 15 16 17 18 19 20 21}	13%	14%	17%	13%	15%
% of Preschoolers Fully Immunized ^{9 14 15 16 17 18 19 20}	63%	63%	64%	61%	72%
# of Operating School-Based Health Centers ^{10 14 15 16}	70	70	71	71	70
Average Patient Length of Stay for Acute Care Facility (Miners' Cottas Hospital) ^{10 11 12 13 14 15}	4	4	5	5	5
Corrections					
Juvenile					
% Juveniles Earning Education Credits While Incarcerated ⁸	NA	NA	NA	NA	NA
% of Juveniles Who Complete Formal Probation ^{23 27 30 44 45}	90%	94%	86%	86%	83%
% of Juveniles Recommitted to a Youth Detention Facility ^{9 14 15 16 17 18 19 20}	18%	20%	20%	20%	7%
Adult					
Turnover Rate of Correctional Officers ^{9 14 15 16 17 18 19 20 21}	2%	3%	25%	28%	2%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) ^{9 14 15 16 17 18 19 20}	40%	46%	46%	31%	30%
% of Prisoners Reincarcerated within 36 Months After Release ^{10 14 15 16 17 18 19 20 21 22 23}	32%	54%	54%	40%	50%
Culture and Recreation					
# of Visits to Visitor Information Centers (Millions) ⁶	N/A	N/A	N/A	N/A	N/A
# of Unique Website Visitor Sessions (Millions) ^{2 23 43 44}	2.4	2.4	2.4	0.4	0.4
Circulation Rate for New Mexico Magazine ^{8 9 14 15 16 17 18 19 20 21}	68,000	70,000	70,000	70,000	70,000
Attendance to Museum Exhibitions, Performances, Films, Programs ^{8 10 14 15 16 17 18 19 20}	827,895	827,895	826,969	855,789	779,810
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{9 10 14 15 16 17 18 19 20 21 22}	84%	88%	84%	84%	84%
Fish Output from Hatchery System (in Pounds) ^{2 7 9 10 14 15 16 17 18 19 20 21}	673,974	666,738	670,851	646,175	681,103
# of Visitors to State Parks (Millions) ^{5 9 14 15 16 17 18 19 20}	4.4	4	3	3	3
Natural Resources, Environment					
# of Inspections of Oil and Gas Wells and Associated Facilities ^{5 14 15 16 17}	35,757	36,852	31,043	42,880	37,648
% of Required Mine Inspection Conducted ^{5 14 15 16 17 18 19 20}	88%	88%	88%	95%	91%
% of Abandoned Uranium Mines with Current Site Assessments ²	N/A	N/A	N/A	N/A	N/A
% of Landfills Meeting Groundwater Monitoring Requirements ^{14 15 16 17 18 19 20 21}	97%	97%	99%	90%	97%
# of Wildlife Habitat Acres Conserved or Enhanced ^{3 10 21}	192,000	192,000	192,000	192,000	192,000
# of Threatened/Endangered Species Monitored/Involved in Recovery Process changed to % of Endangered Species in 2017 ^{8 10 14 15 16 17 18 19 20}	43%	31%	48%	41%	52%

STATE OF NEW MEXICO

SCHEDULE E-2 (CONTINUED)

	2016, as Restated	2015, as Restated	Fiscal Year 2014, as Restated	2013, as Restated	2012, as Restated
Health and Human Services					
% of Children Receiving Services in Medicaid Managed Care ^{10 14 15 20 20 44 47}	83%	86%	80%	70%	70%
% of Child Support Collected of Support Owed ^{9 14 15 16 20 30 43 45}	56%	56%	56%	56%	57%
# of Homeless Veterans Provided Shelter (Period of Two Weeks or More) ^{8 10 14 15 21 31}	491	360	360	132	173
% of Children Adopted within 24 Months of Entry into Foster Care ^{2 10 14 15 20 37 44 45 (Split into two time periods for 2020)}	23%	32%	32%	31%	35%
% of Abused Children with Repeat Maltreatment ^{9 14 15 20 30 43 45}	12%	11%	11%	9%	8%
% of Preschoolers Fully Immunized ^{9 14 15 16 45 46}	N/A	76%	72%	72%	76%
# of Operating School-Based Health Centers ^{10 14 15 16}	72	80	80	80	82
Average Patient Length of Stay for Acute Care Facility (Miners' Colfax Hospital) ^{10 21 26 43 45}	3	3	3	3	4
Corrections					
Juvenile					
% Juveniles Earning Education Credits While Incarcerated ⁸	N/A	N/A	N/A	N/A	55%
% of Juveniles Who Complete Formal Probation ^{20 37 38 44 47}	85%	83%	N/A	N/A	90%
% of Juveniles Recommitted to a Youth Detention Facility ^{9 14 15 16 20 37 45 4}	10%	8%	10%	9%	12%
Adult					
Turnover Rate of Correctional Officers ^{9 14 15 16 20 30 43 45}	10%	13%	10%	8%	11%
Success Rate Recidivism of Offenders Enrolled in After Release Program (36 months) ^{9 14 15 20 37 43 45}	46%	47%	36%	28%	37%
% of Prisoners Reincarcerated within 36 Months After Release ^{10 14 15 17 20 37 44 45 48}	46%	23%	47%	47%	40%
Culture and Recreation					
# of Visits to Visitor Information Centers (Millions) ²	N/A	N/A	N/A	N/A	1.3
# of Unique Website Visitor Sessions (Millions) ^{6 20 43 45}	0.6	0.8	N/A	N/A	2
Circulation Rate for New Mexico Magazine ^{3 9 14 15 16 30 33 44 47}	75,000	92,148	89,556	91,197	94,221
Attendance to Museum Exhibitions, Performances, Films, Programs ^{9 10 14 15 16 30 43 45}	745,101	823,450	851,101	826,912	830,000
% of Public Hunting Licenses Drawn by New Mexico Resident Hunters ^{9 10 14 15 16 30 33 43 45}	84%	84%	87%	86%	80%
Fish Output from Hatchery System (in Pounds) ^{3 7 8 10 14 15 30 33 43 45}	638,594	637,200	634,779	631,721	592,247
# of Visitors to State Parks (Millions) ^{8 9 14 15 20 44 47}	5	4	4	3.8	4
Natural Resources, Environment					
# of Inspections of Oil and Gas Wells and Associated Facilities ^{6 14 15 20 37 45}	49,624	47,539	38,920	37,707	35,147
% of Required Mine Inspection Conducted ^{3 14 15 20 37 43 45}	97%	97%	94%	100%	100%
% of Abandoned Uranium Mines with Current Site Assessments ⁸	N/A	N/A	N/A	N/A	50%
% of Landfills Meeting Groundwater Monitoring Requirements ^{14 16 20 37 44 47}	100%	95%	96%	100%	95%
# of Wildlife Habitat Acres Conserved or Enhanced ^{3 20 35}	N/A	N/A	N/A	N/A	100,000
# of Threatened/Endangered Species Monitored/Involved in Recovery Process changed to % of Endangered Species in 2017 ^{6 10 14 15 30 43 45}	N/A	35	35	39	35

STATE OF NEW MEXICO

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	2021,	2020,	Fiscal Year 2019, as Restated	2018, as Restated	2017, 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 20 37 45 48}	57%	69%	79%	79%	78%
# of Rural Jobs Created ^{9 14 15 17 19 20 37 45 48}	1,320	460	1,376	2,414	775
# of Media Industry Worker Days ^{9 14 15 17 19 20 37 45 48}	300,000	103,376	319,814	259,961	448,304
Changed to "Direct Spending by Industry productions (\$ Millions)" ^{14 23 37 45 48}	\$624	\$257	\$525	\$234	\$505
Economic Impact of Media Industry Productions (\$ Millions) ^{5 6 9 13 23}	NA	NA	NA	NA	NA
Highways and Transportation					
# of System-wide Miles in Deficient Condition ^{9 14 15 17 19 20 37 45 48}	6,806	4,420	3,783	4,675	4,675
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{9 14 15 17 19 20 37 45 48}	1.33 ^a	1.35	1.30	1.43	1.16
# of Statewide Improved Pavement Surface Miles ^{5 6 9 14 15 17 19 20 37 45 48}	3,852	3,970	3,143	2,854	3,668

	2016, as Restated	2015, as Restated	Fiscal Year 2014, as Restated	2013, as Restated	2012, 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 20 37 45 48}	80%	80%	75%	74%	72%
# of Rural Jobs Created ^{9 14 15 17 19 20 37 45 48}	641	726	1,562	1,440	1,542
# of Media Industry Worker Days ^{9 14 15 17 19 20 37 45 48}	260,307	298,398	189,782	216,461	143,046
Changed to "Direct Spending by Industry productions (\$ Millions)" ^{14 23 37 45 48}	\$387	\$286	\$162	\$641	\$674
Economic Impact of Media Industry Productions (\$ Millions) ^{5 6 9 13 23}	NA	NA	NA	NA	NA
Highways and Transportation					
# of System-wide Miles in Deficient Condition ^{9 14 15 17 19 20 37 45 48}	4,515	4,250	3,896	8,287	3,837
# of Traffic Fatalities per 100 Million Vehicle Miles Traveled ^{9 14 15 17 19 20 37 45 48}	1.18	1.09	1.51	1.21	1.43
# of Statewide Improved Pavement Surface Miles ^{5 6 9 14 15 17 19 20 37 45 48}	2,457	2,611	2,889	3,139	2,730

SCHEDULE E-2 (CONTINUED)

Source: Various departments of the State of New Mexico.

- 1 Public Department of the State of New Mexico
2 New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates -
3 New Mexico Dropout Report published by New Mexico Public Education Department
4 New Mexico Public Schools Finance Authority
5 Report of the Legislative Finance Committee to the 50th Legislature Second Session, January 2012, Vol. II, Pg. 82, 83, 95, 99, 100, 101,
6 102, 103, 104, 105, 106, 108, 112, 113, 114, 122, 123, 172, 178, 187, 188, 194, 262, 267, 231, 303, 322, 323, 336, 338
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10 278, 283, 330, 332
11 Pension Fund Rankings by State-Craig's Chicago Bo, [http://www.chicagobusiness.com/article/20130110/NEW/2013011003647/pension-fund-rankings-by-](http://www.chicagobusiness.com/article/20130110/NEW/2013011003647/pension-fund-rankings-by-state-revealed)
12 [state-revealed](http://www.chicagobusiness.com/article/20130110/NEW/2013011003647/pension-fund-rankings-by-state-revealed)
13 New Mexico Transportation By The Numbers
14 New Mexico Alliance for School-Based Health Care (NMASBHC) - <http://www.nmsbhc.org/index.html>
15 Report of the Legislative Finance Committee to the 52th Legislature Second Session, January 2016, Vol. I, Pg. 88, 90, 98, 99, 100, 101, 105, 108, 112, 113,
16 116, 117, 121, 122, 123, 125, 130, Vol II pg. 125, 134, 135, 143, 156, 158, 176, 184, 226, 285, 301, 324, 342, 344
17 Report of the Legislative Finance Committee to the 52th Legislature Second Session, January 2016, Vol. II, Pg. 152, 327, 343, 356, 505
18 Report of the Legislative Finance Committee to the 52nd Legislature First Session, January 2017, Vol. I, Pg. 31, 103, 116
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24 122-124, 131-132
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26 New Mexico Board of Nursing - Annual Governor's Report FY 2011, Pg.12
27 Report of the Legislative Finance Committee to the 54th Legislature First Session, January 2018, Vol. II, Pg. 121, 240
28 New Mexico Medical Board - E-mailed
29 New Mexico Public Population Commission - Annual Report FY 2017, Pg. 14, 16
30 New Mexico Public Education Website - New Mexico High School Graduation - Graduation Rates - 1 Year Graduation Rate Cohort 2017
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47 Report of the Legislative Finance Committee to the 54th Legislature Second Session, January 2020, Vol. I, Pg. 105-109, 121-122, 127, 134, 143,
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55 181, 188, 207, 242, 259, 266, 289, 300, 303
56 New Mexico Board of Nursing - Annual Report FY 2020, Pg.23
57 https://www.era.fherp-content/uploads/2018/08/Public-Pension-Performance_IPFI_August2018.pdf, pg. 10-12
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NA. ^a Information deleted in FY09 or a better 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				
	2021	2020	2019	2018	2017
General Government					
Buildings	110	110	110	110	110
Vehicles	40	40	351	392	-
Public Safety					
Buildings (not inc. POE's)	29	29	29	29	29
Vehicles	846	846	1,275	1,256	900
Ports of Entry	8	8	8	8	8
Health and Human Services					
Buildings - General Administrative	302	302	302	34	34
Buildings - Program					
Juvenile Reintegration Center	4	4	4	4	4
Medical Center/Hospital	55	55	54	57	58
Rehabilitation Facility	5	5	5	5	5
Veterans' Center	16	16	16	16	16
Vehicles	611	611	671	671	400
Corrections					
Buildings	406	406	406	330	330
Vehicles	267	267	439	347	320
Culture and Recreation					
Vehicles	60	60	55	54	40
Museums	14	14	13	9	9
Monuments	8	8	8	7	7
Natural Resources, Environment					
Vehicles	196	196	261	280	340
State Parks	35	35	35	35	35
Wildlife Management Areas (Acres)	192,000	192,000	192,000	192,000	192,000
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	12,272
Vehicles/Heavy Equipment	6,500	6,500	6,500	6,500	6,500

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/index/cn/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. 1, January 2019.

en.wikipedia.org/wiki/List_of_hospitals_in_New_Mexico
en.wikipedia.org/wiki/List_of_New_Mexico_state_parks
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 Number of Juvenile Centers in New Mexico (Bing)
 Number of rehabilitation facility in New Mexico (Bing)
<http://www.nmhistoricsites.org/>
<http://www.emnrg.state.nm.us/33107/index.asp?ark.html>

STATE OF NEW MEXICO

SCHEDULE E-3

	Fiscal Year				
	2016	2015	2014	2013 as Restated	2012 as Restated
General Government					
Buildings	110	110	110	110	110
Vehicles	-	-	-	-	-
Public Safety					
Buildings (not inc. POE'S)	29	29	29	29	29
Vehicles	921	921	921	921	921
Ports of Entry	6	6	6	16	16
Health and Human Services					
Buildings - General Administrative	4	4	4	34	34
Buildings - Program					
Juvenile Reintegration Center	3	3	3	3	3
Medical Center/Hospital	53	53	53	253	253
Rehabilitation Facility	7	7	7	7	7
Veterans' Center	1	1	1	11	11
Vehicles	426	426	426	426	426
Corrections					
Buildings	330	330	330	330	330
Vehicles	355	355	355	355	355
Culture and Recreation					
Vehicles	45	45	45	45	45
Museums	4	4	4	4	4
Monuments	6	6	6	6	6
Natural Resources, Environment					
Vehicles	390	390	390	390	390
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

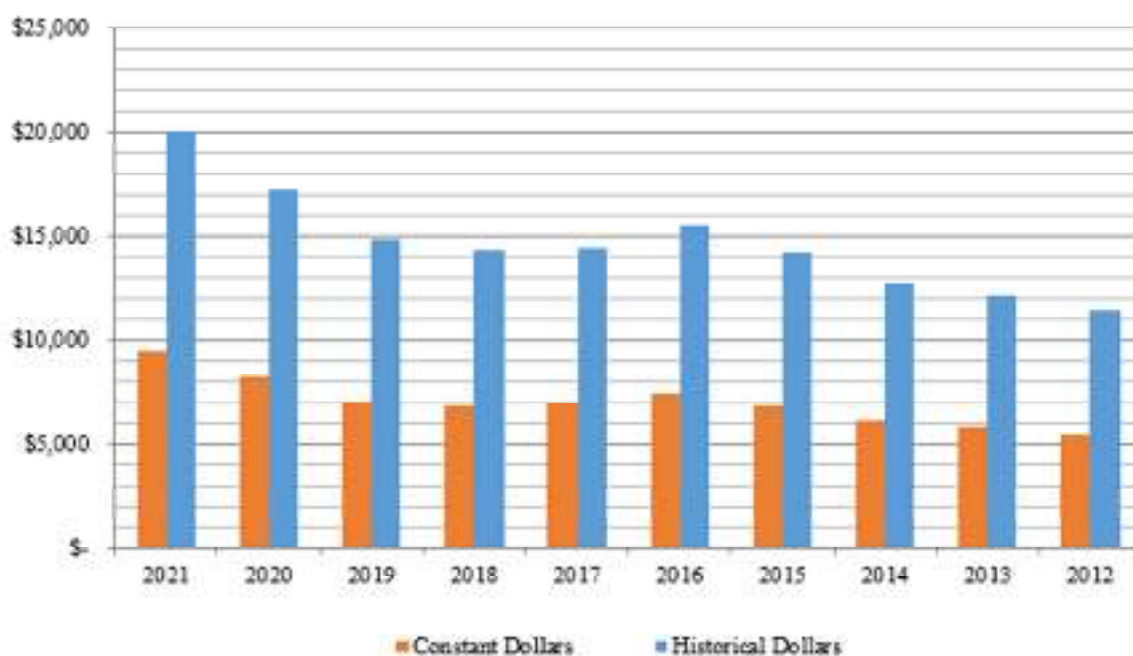
STATE OF NEW MEXICO

EXPENDITURES – HISTORICAL AND CONSTANT DOLLARS

SCHEDULE F-1

ALL GOVERNMENT FUND TYPES

Last Ten Fiscal Years



Governmental Funds Expenditures

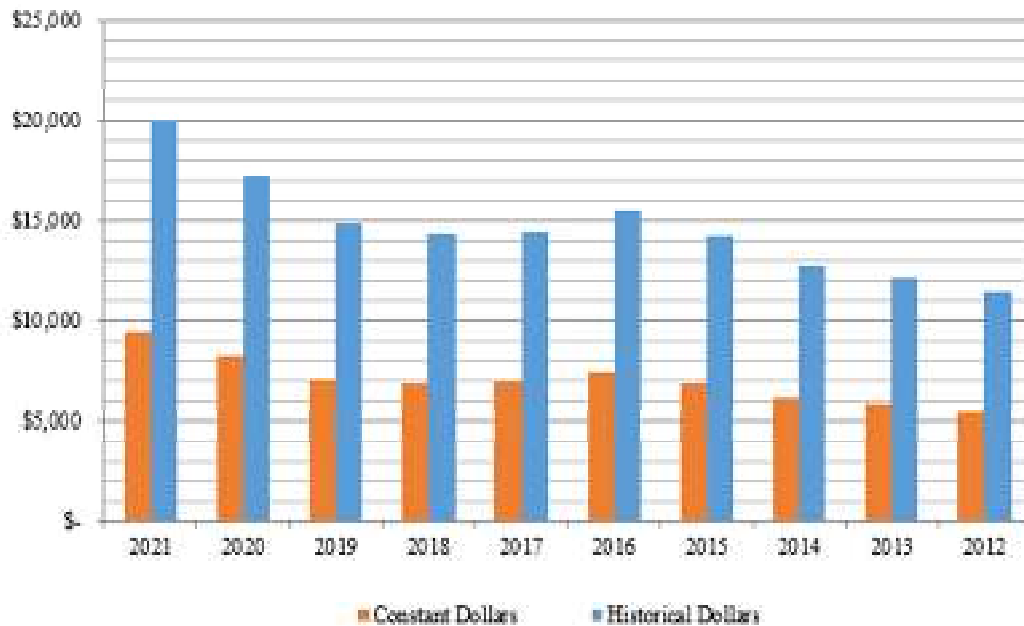
Fiscal Year	Historical Dollars			Constant Dollars		
		(in Millions)	Change		(in Millions)	Change
2021	\$	20,055	16.1%	\$	9,478	15.2%
2020		17,276	16.7%		8,224	16.4%
2019		14,809	3.3%		7,067	3.3%
2018		14,329	-0.7%		6,838	-1.1%
2017		14,434	-7.2%		6,913	-7.5%
2016		15,550	9.0%		7,472	8.9%
2015		14,268	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	3.3%		5,462	-0.7%

2012 through 2019 are Restated

STATE OF NEW MEXICO

PER CAPITA EXPENDITURES HISTORICAL AND CONSTANT DOLLARS ALL GOVERNMENT FUND TYPES Last Ten Fiscal Years

SCHEDULE F-2



Governmental Funds Expenditures

Fiscal Year	Historical Dollars		Constant Dollars	
	(in Thousand)	Change	(in Thousands)	Change
2021	\$ 9,478	34.1%	\$ 3,364	26.5%
2020	7,067	3.4%	2,817	1.5%
2019	6,838	-1.1%	2,775	-3.4%
2018	6,913	-7.5%	2,874	-9.4%
2017	7,472	8.9%	3,173	7.6%
2016	6,859	12.4%	2,949	12.3%
2015	6,102	5.0%	2,627	3.4%
2014	5,809	6.4%	2,541	4.8%
2013	5,462	-4.6%	2,424	-6.5%
2012	5,724	9.4%	2,593	7.2%

2012 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, 2021, 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 15, 2022. 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. The financial statements of the New Mexico Small Business Investment Corporation were not audited in accordance with *Government Auditing Standards*.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

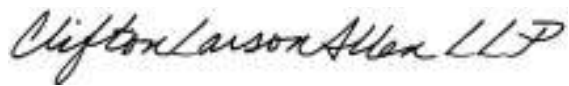
As part of obtaining reasonable assurance about whether State of New Mexico's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 items 2021-001 and 2021-002.

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, NM
April 15, 2022

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2021

Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes _____ No X
- 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, 2021

Financial Statement Findings - Compliance and Other Matters

2021-001 (Original Finding # 2018-002) - Component Financial Reporting (Other Matter)

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:

- During our audit, we observed the following discrepancies and other issues when comparing the component level reporting to the State level reporting:
 - A component of the educational institution opinion unit early implemented GASB 87, which was identified by the ACFR Unit and required adjustments because early adoption was not allowed for entities that are components of the statewide reporting entity.
 - Material adjustments were required by the ACFR Unit to the debt service opinion unit because a component of the debt service fund did not record refunding activity in the respective fund 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

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2021

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 continues to improve its 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, improvement is needed for the State's control environment over the financial reporting of the State as a whole to facilitate the production of timely and accurate financial statements of the State.

Effect: The State of New Mexico experiences difficulty preparing 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:

The SFRAB unit (SFRAB) will identify specific issues uncovered during this audit process and request corrective action plans from the responsible agencies. The corrective action plans will be reviewed and approved by the SFRAB and monitored throughout the year to ensure that identified processes are in use and working as intended. In addition, management will continue dialogue with the State Auditor's Office to gain support for the SFRAB to attend entrance and exit conferences of the entities that roll into the State's ACFR, as deemed necessary. This will translate to the SFRAB gaining an early awareness of issues that may be encountered during ACFR preparation and promote an enterprise view of internal control across agencies. Currently, reactive approaches to internal control management can vary greatly among agencies.

In addition, ongoing process integration, training, and oversight is planned to more fully address these issues and meet upcoming challenges. These plans include the creation of SFRAB staff positions designed specifically to address agency staffing shortages, problems, and to provide on-site training. This is ongoing and the State Controller is responsible for resolution.

STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2021

2021-002 (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, 2021 was not submitted by Regulatory due date of December 31, 2021.

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 Annual Comprehensive Financial Report (ACFR) audit relies and builds upon agency audits. The existing group audit process affects timeliness, as ACFR preparation 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 ACFR preparation process. In addition, ongoing process reengineering, documentation, training, and oversight are 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, 2021

Financial Statement Findings

2020-001 (Original Finding # 2019-002) – Component Financial Reporting (Material Weakness) – Repeated as finding #2021-001 (Other Matter)

2020-002 Internal Control over Government-Wide Reporting (Material Weakness) - Resolved

2020-003 (Original Finding #2013-005) Internal Control over Financial Reporting (Material Weakness) – Resolved

2020-004 (Original Finding # 2015-001) Late Submission of Audit Report (Compliance and Other Matters) - Repeated as finding #2021-002

STATE OF NEW MEXICO

EXIT CONFERENCE YEAR ENDED JUNE 30, 2021

An exit conference was held with the State on April 8, 2022, 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
Renee Ward, Deputy Cabinet Secretary
Donna Trujillo, State Controller
Kathleen Pinyan, ASD Director
Donnie Quintana, LGD Director
Renaë Herndon-Lopez, SFRAB Unit Supervisor
John Severns, SFRAB Accountant
Lisa Jennings, SFRAB Accountant
Lori Narvaiz, SFRAB Accountant
Debbie O'Dell, SFRAB Accountant
Richard Torrence, SFRAB Accountant
Robert Cardon, SFRAB Accountant
Baylee Rawson, Public Information Officer

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA, Principal
Laura Beltran-Schmitz, CPA, CGFM, CFE, CICA, Signing Director
Emily Wilson, CPA, CFE, Manager

OFFICE OF THE STATE AUDITOR

Brian S. Colon, State Auditor
Liza Kerr, CPA, CISA, CIA, Director of Compliance and Quality Control
Elena Tercero, CPA, CGFM, CGMA, CPO, Audit Manager & Interim Chief Financial Officer
Laura Wade, Audit Supervisor
Anne Kelbley, Senior Auditor

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 22, 2022

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 2022A (not to exceed \$260,900,000)

Ladies and Gentlemen:

This letter will serve as our certificate of litigation concerning the State of New Mexico Capital Projects General Obligation Bonds, Series 2022A, in the aggregate principal amount of \$260,900,000.

Litigation Directly Affecting Issuance of the Bonds

To the best of our knowledge, and except as set forth below, there is no pending or threatened action, suit or proceeding at law or in equity before or by any judicial or administrative agency against or affecting the State wherein an unfavorable decision, ruling, or finding would materially and adversely affect: (i) any officers of the State in their respective capacities as such or the existence, organization or power of the State, insofar as these matters relate to these bonds; (ii) the sale, award, issuance and delivery of these bonds; (iii) the effectiveness of the legislation authorizing the issuance of these bonds; (iv) the transactions authorized by the State Board of Finance in its resolutions of April 20, 2021 (the "Bond Resolution") relating to the sale, award, issuance and delivery of these bonds; or (v) the validity or enforceability of the bonds or the Bond Resolution.

Property Tax Litigation

This office currently is not aware of any pending or threatened action, suit or proceeding in law or in equity that contests the validity of the State's imposition of property taxes.

The State is a party to suits in which the taxpayers contest the assessed value of their properties, but do not contest the validity of the State's imposition of the tax itself. Such proceedings are not reasonably expected to have a material adverse effect on these bonds, the security for these bonds, or any improvements financed by these bonds.

Other Litigation

The State is a party to various legal and administrative proceedings seeking damages or injunctive relief and generally incidental to its operations, which proceedings are unrelated to these bonds, the security therefor, or any improvements to be financed with these bonds

We have reviewed the Decision and Order filed on December 29, 2020 in the Eleventh Judicial District Court (McKinley County) in cause No. D-1113-CV-9800014, *The Zuni Pub. School Dist., et al, v. The State of New Mexico, et al.* 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 therefore filed its notice of appeal as Cause No. A-1-CA-39902 on July 29, 2021, where it remains pending. We otherwise express no opinion on the effects of the McKinley County ruling.

Sincerely,

Sally Malavé
Assistant Attorney General

APPENDIX D

FORMS OF OPINION OF CO-BOND COUNSEL (SHERMAN & HOWARD L.L.C.)

June 29, 2022

State Board of Finance
State of New Mexico

**\$260,900,000
State of New Mexico
Severance Tax Bonds
Series 2022A**

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 2022A, in the aggregate principal amount of \$260,900,000 (the “Bonds”) on June 29, 2022, being a series of bonds in registered form maturing on July 1, 2023 and serially thereafter on July 1 of each year through 2032.

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 17, 2022, and June 21, 2022 (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,

**FORM OF OPINION OF CO-BOND COUNSEL
(RODEY, DICKASON, SLOAN, AKIN & ROBB, P.A.)**

June 29, 2022

State Board of Finance
State of New Mexico

**\$260,900,000
State of New Mexico
Severance Tax Bonds
Series 2022A**

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 2022A, in the aggregate principal amount of \$260,900,000 (the “Bonds”) on June 29, 2022, being a series of bonds in registered form maturing on July 1, 2023 and serially thereafter on July 1 of each year through 2032.

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 17, 2022, and June 27, 2022 (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 2022A 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 2022A in the aggregate principal amount of \$260,900,000 (the “Series 2022A Bonds”). The Series 2022A 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 2022A 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 17, 2022, as amended pursuant to a resolution of the Board adopted on June 27, 2022, 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 2022A 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 2022A Bonds (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 2022A 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 2022A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2022A Bonds.

2. The interest on the Series 2022A Bonds is exempt from income taxation by the State of New Mexico.

3. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

In rendering our opinion, we wish to advise you that:

(a) the rights of the holders of the Series 2022A 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 2022A 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 2022A 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 \$260,900,000 State of New Mexico Severance Tax Bonds, Series 2022A (the “Bonds”). The Bonds are being issued pursuant to an Authorizing and Delegating Resolution adopted by the Board on May 17, 2022 as amended pursuant to a resolution of the Board adopted on June 21, 2022 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 22, 2022 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, 2022 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.
- xvii. At any time the Bonds are outstanding, the State shall provide, in a timely manner, to the MSRB and any SID notice of any failure of the State to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the State shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law.

Section 4. Enforcement. The obligations of the State hereunder shall be for the benefit of the owners (including the beneficial owners) of the Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the State to comply with its obligations under this Disclosure Undertaking, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Bonds. Any such action shall be brought only in a State court of competent jurisdiction in Santa Fe County, New Mexico. Breach of the obligations of the State

* 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.

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 June 29, 2022.

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)