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**State of New Mexico  
Component Appropriation Funds  
Annual Financial Report  
June 30, 2016**

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**REDW**<sup>LLC</sup>

CPAs | Business & Financial Advisors

# State of New Mexico Component Appropriation Funds

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**Component Appropriation Funds**

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**State of New Mexico  
Component Appropriation Funds**

**Official Roster  
June 30, 2016**

**Elected Official**

Governor Susana Martinez

**Officials**

Department of Finance and Administration:

Cabinet Secretary Designate

State Controller

Deputy Division Director, Financial Control Division

Dorothy “Duffy” Rodriguez

Ron Spilman

Steve Gonzales

## Independent Auditor's Report

Ms. Dorothy "Duffy" Rodriguez, Cabinet Secretary Designate  
State of New Mexico  
Department of Finance and Administration  
and  
Mr. Timothy Keller  
New Mexico State Auditor

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

We have audited the accompanying financial statements of each of the statutorily and administratively created funds that comprise the Component Appropriation Funds of the State of New Mexico (the "Component Appropriation Funds") as of and for the year ended June 30, 2016, and the related notes to the 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 the accompanying 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Component Appropriation Fund's as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1A, the accompanying financial statements present only the Component Appropriation Funds and do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2016, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements of the Component Appropriation Fund's. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has 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 *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the Component Appropriation Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Component Appropriation Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "REDW LLC". The letters are cursive and somewhat stylized, with the "R" and "E" being particularly prominent.

Albuquerque, New Mexico  
November 29, 2016

**State of New Mexico**  
**Component Appropriation Funds**  
**Management's Discussion and Analysis**  
**June 30, 2016**

**Overview of the Reporting Entity**

The Component Appropriation Funds (the “Funds”) consist of nine funds of the State of New Mexico, four of which are created by statute and five created by administration, as follows:

Statutorily Created Funds

- Common School Current Fund
- Current School Fund
- State Support Reserve Fund
- Tobacco Settlement Permanent Fund

Administratively Created Funds

- Appropriation Account Fund
- Federal Mineral Leasing Fund
- Appropriation Contingency Reserve Fund
- General Operating Reserve Fund
- Tax Stabilization Reserve Funds

The Funds are part of the General Fund of the State of New Mexico, as reported in the State's Comprehensive Annual Financial Report.

This report has been prepared to meet the information needs of interested parties—the public, bond holders, bond rating agencies, the New Mexico State Legislature—and to comply with the State of New Mexico Audit Rule. It presents the financial position and results of operations of each the Funds, with summary “memorandum only” totals.

**Financial Highlights**

The Funds ended the year with aggregate reserves of 2.4% of recurring current year appropriations as compared to 10.0% in fiscal year 2015.

In fiscal year 2016, the aggregate fund balance of the Component Appropriation Funds decreased by \$601.4 million. In fiscal year 2015, the Component Appropriation Funds aggregate fund balance increased by \$75.1 million. The decrease in fiscal year 2016 is attributable to the decrease in revenues of \$531.6 million or 8.5% from 2015 revenues. In addition, appropriations increased by \$54.9 million in fiscal year 2016.

Fiscal year 2016 compares to fiscal year 2015 as follows:

- General and selective taxes are the largest revenue source, contributing 44.4% of total revenues in fiscal year 2016. Those revenues decreased by \$141.7 million or 5.3% in 2016.



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From the general and selective taxes category, both gross receipts and compensating taxes had significant decreases of \$119.7 million or 5.7% and \$25.0 million or 34.7%, respectively. Insurance taxes had an increase of \$17.9 million.

- Income taxes are the second largest revenue source contributing 25.1% of the total revenues. Those revenues decreased by \$148.5 million or 9.3% in fiscal year 2016. From the income taxes category corporate income tax decrease by \$136.0 million or 53.4% in fiscal year 2016.
- Severance taxes decreased by \$147.7 million or 34.5%. From the severance taxes category, oil and gas emergency school tax decreased by \$138.6 million or 36.9%.
- Appropriations increased by \$54.9 million or less than one percent from fiscal year 2015. Judicial increased by \$55.9 million or 25.3% while General Control decreased by \$48.0 million or 20%. Public School Support increased by \$14.9 million compared to fiscal year 2015.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Component Appropriation Funds use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Component Appropriation Funds are categorized as governmental funds and therefore report using the modified accrual basis of accounting. The basic financial statements of the Funds include balance sheets and statements of revenues, expenditures and changes in fund balances, which are reported on pages 13 and 14, respectively.

The Component Appropriation Funds do not adopt annual appropriated budgets. However, the appropriations of the Component Appropriation Funds by law must equal the individual amounts appropriated in the various Appropriation Acts, which are reported in the Schedule of Appropriations on pages 32-36.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 15 through 29 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents, as supplementary information, the Schedule of Revenues by Source and the Schedule of Appropriations. These schedules provide detailed information on revenues and appropriations to demonstrate legal compliance with the statutes governing the collection of revenue and disbursements of appropriations by the Component Appropriation Funds.

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Also presented as supplementary information are the following:

- Schedule of Amounts Due from Other State Entities
- Schedule of Amounts Due from Taxpayers
- Schedule of Amounts Due To Local Governments
- Schedule of Amounts Due to Taxpayers

**Fund Financial Analysis**

The focus of the financial statements of the Funds is on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of financial position and net resources available for spending.

As of the end of the current fiscal year, the Funds reported aggregate fund balance of \$147.7 million, a decrease of \$601.4 million from fiscal year 2015. Aggregate assets, liabilities, deferred inflows of resources, and fund balance as of June 30, are as follows:

**Aggregate Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance**  
**June 30,**  
*(in millions of dollars)*

	2016	2015
Assets	\$ 1,603.0	\$ 1,711.3
Liabilities	(1,402.3)	(921.4)
Deferred inflow of resources	(53.0)	(40.8)
Fund balance	\$ 147.7	\$ 749.1

The assets held by the Component Appropriation Funds are unappropriated and are committed with the exception of the Tobacco Settlement Permanent Fund and the State Support Reserve Fund, which are restricted. It has been the policy of the State of New Mexico to not consider the deferred inflows of resources, \$53.0 million, as available for appropriation.

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**Component Appropriation Funds**  
**Management's Discussion and Analysis**  
**June 30, 2016**

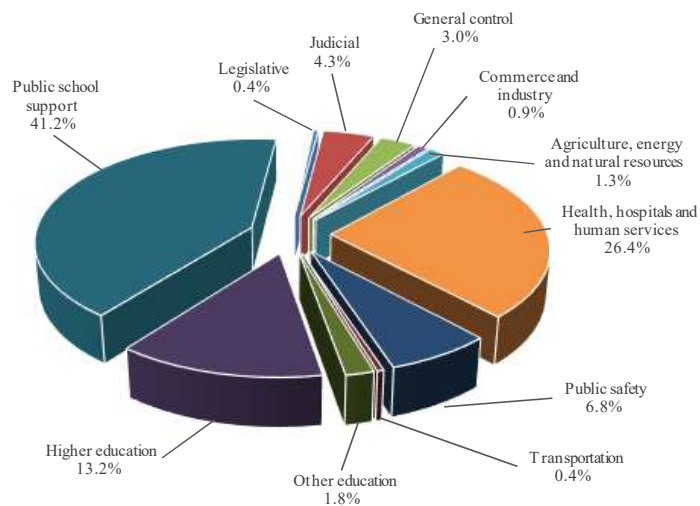
**Aggregate Change in Fund Balances**  
**For the Year Ended June 30,**  
*(in millions of dollars)*

	2016	2015	Increase (Decrease)
<b>Revenues</b>			
General and selective taxes	\$ 2,553.8	\$ 2,695.5	\$ (141.7)
Income taxes	1,445.7	1,594.2	(148.5)
Severance taxes	279.8	427.5	(147.7)
License fees	54.8	55.9	(1.1)
Investment income	773.8	709.7	64.1
Rents and royalties	437.8	584.4	(146.6)
Miscellaneous receipts	<u>208.5</u>	<u>218.6</u>	<u>(10.1)</u>
Total revenues	<u>5,754.2</u>	<u>6,285.8</u>	<u>(531.6)</u>
<b>Expenditures</b>			
Appropriations			
General control	193.1	241.1	(48.0)
Legislative	26.0	29.4	(3.4)
Judicial	276.5	220.6	55.9
Commerce and industry	59.6	84.7	(25.1)
Agriculture, energy and natural resources	84.3	73.6	10.7
Health, hospitals and human services	1,680.8	1,649.6	31.2
Public safety	435.3	418.9	16.4
Transportation	27.2	-	27.2
Higher education	843.4	865.8	(22.4)
Public school support	2,623.3	2,608.4	14.9
Other education	<u>116.1</u>	<u>118.6</u>	<u>(2.5)</u>
Total appropriations	<u>6,365.6</u>	<u>6,310.7</u>	<u>54.9</u>
Excess (deficit) of revenues over expenditures	<u>(611.4)</u>	<u>(24.9)</u>	<u>(586.5)</u>
<b>Other Financing Sources</b>			
Transfers in, net	<u>10.0</u>	-	<u>10.0</u>
Total other financing sources	<u>10.0</u>	-	<u>10.0</u>
Special items	<u>-</u>	<u>100.0</u>	<u>(100.0)</u>
Net change in fund balance	<u>(601.4)</u>	75.1	<u>(676.5)</u>
Fund balance - beginning	<u>749.1</u>	<u>674.0</u>	<u>75.1</u>
Fund balance - ending	<u>\$ 147.7</u>	<u>\$ 749.1</u>	<u>\$ (601.4)</u>

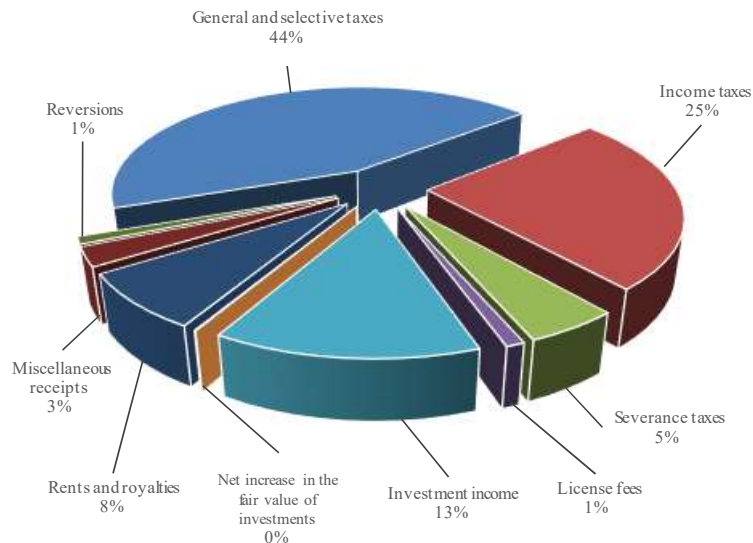
# State of New Mexico Component Appropriation Funds Management's Discussion and Analysis June 30, 2016

The Funds' aggregate fund balances decreased by \$601.4 million in fiscal year 2016 compared to a \$75.1 million increase in 2015. In fiscal year 2016, revenues decreased 8.5% compared to 2015, while appropriations increased less than one percent.

## *Appropriations by Function*



## *Aggregate Revenues by Source*



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**Component Appropriation Funds**  
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**Economic Factors Affecting New Mexico's Fiscal Year 2016 Budget**

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

Trends in the U.S. Economy

Although at a slower pace, the U.S. economy continued to grow in state fiscal year 2016. The national economy, as measured by Real Gross Domestic Product, grew by 1.7 percent in fiscal year 2016, hindered by the slowdown in the energy sector and a decline in business investment. Total employment levels averaged 2.7 million above fiscal year 2015 (or 1.9 percent). U.S. average hourly wages grew by 2.5 percent, exceeding low inflation of 0.7 percent to increase the purchasing power of paychecks. However, this growth in wages was partially offset by increases in healthcare costs of 3.0 percent.

U.S. economic growth is expected to accelerate in fiscal year 2017, with projected GDP growth of 2.4 percent. The Federal Reserve is expected to raise short-term interest rates in the early half of the fiscal year in response to stronger inflation and ongoing employment gains. Housing prices are projected to continue to rise in fiscal year 2017, while business spending is anticipated to show modest growth.

New Mexico Economy

Oil and natural gas prices continued to drop in fiscal year 2016, which affected drilling activity and employment in the state's oil and gas producing sector. Fiscal year 2016 New Mexico employment averaged 0.4 percent growth overall, or 3,300 jobs, above fiscal year 2015. Industry sectors saw clear divergence with the Education and Health Services sector averaging 6,300 additional jobs, and the Leisure and Hospitality sector increasing by 2,700 jobs, whereas the Mining Sector averaged 5,500 fewer jobs than in fiscal year 2015. Average prices in fiscal year 2016 for crude oil and natural gas were \$37.94 per barrel and \$2.43 per thousand cubic feet respectively, an ongoing decrease from fiscal year 2014 of 60.0 percent for oil and 52.6 percent for natural gas. Notwithstanding the price drop, New Mexico oil production reached a record 146.6 million barrels in fiscal year 2016. In fiscal year 2016, New Mexico was the sixth largest producing state for oil and eighth largest for natural gas accounting for about 4 percent of total U.S. production for each commodity. Dependence on government spending has also been a

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headwind for the state's economy because of constrained federal budget growth. Although direct federal government employment has begun to stabilize in New Mexico, in fiscal year 2016 it was down to its lowest level since at least 1990.

Fiscal Year 16 General Fund Revenue

Total fiscal year 2016 revenues were \$5.7 billion or \$523 million below fiscal year 2015 levels. Total recurring revenues fell by 7.9 percent, driven largely by oil and natural gas related revenues, which fell by 29.1 percent. The state's broad-based gross receipts, compensating, personal income, and corporate income taxes experienced slow or declining growth due to ongoing weakness in the oil and natural gas sectors and large one-time claims for job incentive tax credits and health care deductions. The decline in nonoil and natural gas related revenue was partially affected by the diversion of a large portion of the liquor excise tax to the lottery tuition scholarship program. Offsetting this and other declines, the insurance premiums tax collections increased sharply due to expansion of the Medicaid program.

The August 2016 forecast projected that the amount authorized to be transferred from reserves to cover fiscal year 2016 expenditures was insufficient. The estimate also indicated that fiscal year 2017 revenues were less than fiscal year 2017 appropriations and that there were inadequate reserve balances to make up the difference. For this reason, Governor Martinez called the legislature to a special session in September 2016. During the 2016 Special Session, Senate Bill 2 authorized the transfer of up to \$219.4 million from the Tobacco Settlement Permanent Fund to the general fund Appropriation Account in fiscal year 2016 and fiscal year 2017, of which \$109 million was used to close fiscal year 2016. After this transfer, reserves ended fiscal year 2016 at \$147.7 million, or 2.4 percent of recurring appropriations.

General Fund Revenue and Reserve Outlook

According to the August 2016 consensus revenue estimate, fiscal year 2017 recurring revenues are estimated to be, fractionally higher, still around \$5.7 billion, with an estimated 0.6 percent growth over the previous fiscal year. Oil and natural gas related revenue is projected to remain unchanged from fiscal year 2016 levels as supply and demand in energy markets respond to lower oil and gas prices. New Mexico oil prices are projected to average \$45.00 per barrel in fiscal year 2017, while New Mexico natural gas prices are expected to average \$3.00 per thousand cubic feet. Oil volumes are projected to decline by 4.1 percent in fiscal year 2017 and natural gas volumes are estimated to decline by 3.4 percent. Nonoil and gas related revenue is forecast to grow by 0.1 percent, reflecting growth of 0.5 percent in general sales tax, 1.6 percent in personal income tax, and 10.6 percent in insurance premiums tax. Corporate income tax revenues are expected to decline by 16.7 percent over the previous fiscal year. This weakness in broad-based taxes is due to expectations of lower employment and spending in the energy and minerals sectors. In addition, residential construction is expected to remain at historically low levels.

During the 2016 Special Session, several bills were passed to address fiscal year 2017 solvency.

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- Senate Bill 2 provides for the transfer of balances from various funds to the general fund in a total amount of \$65 million.
- Senate Bill 4 appropriates \$12.5 million in supplemental severance tax note proceeds for public school instructional materials to allow a general fund appropriation reduction of the same amount.
- Senate Bill 6 provides for reduced Legislative Retirement Fund distributions and clarifies eligibility for the healthcare gross receipts tax deduction and high wage jobs tax credit to better target the intended recipients.
- Senate Bill 7 reduces the distribution of insurance premiums tax revenue to the Fire Protection Grant Fund, thus increasing the reversion to general fund, and reduces general fund distributions to the Retiree Health Care Fund. The legislation is expected to increase fiscal year 2017 recurring revenue by \$4.8 million.
- Senate Bill 8 provides for certain taxable severance tax note and supplemental severance tax note proceeds to be swept to the general fund to restore past general fund capital allotments, resulting in an increase to general fund cash balances of about \$33.7 million and a reduction in general fund appropriations of about \$56.2 million.
- Senate Bill 9 reduces state agency budgets by a recurring \$148.9 million in fiscal year 2017. Under this legislation, the majority of state agency budgets are reduced by 5.5 percent, with judicial and legislative cuts of 3.0 percent. The Children Youth and Families Department, Department of Public Safety, and sexual assault services and prevention contracts at the Department of Health will not be subject to cuts. The governor vetoed language in the bill that would have cut public school improvement programs by \$22 million. Her veto message directed the Public Education Department to reduce discretionary spending by \$4.5 million in fiscal year 2017.

Following the 2016 Special Session, fiscal year 2017 ending reserves are projected to be \$60 million or 1.0 percent of recurring appropriations.

**Requests for Information**

This financial report is designed to provide a general overview of the Component Appropriation Funds' finances for all those with an interest in its finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

New Mexico State Controller  
Department of Finance and Administration  
407 Galisteo, Room 166  
Bataan Memorial Building  
Santa Fe, New Mexico 87501

## Basic Financial Statements



**State of New Mexico**  
**Component Appropriation Funds**  
**Balance Sheets**  
**June 30, 2016**

	Statutorily Created Funds			
	Common School Current	Current School	State Support Reserve	Tobacco Settlement Permanent
<b>Assets</b>				
Investments, State Treasurer (Note 2)	\$ -	\$ -	\$ 1,000,000	\$ -
Investments, State Investment Council (Note 2)	-	-	-	219,409,714
Due from other state general fund accounts	-	46,317,310	-	-
Due from other state entities (Note 4)	46,317,310	-	-	-
Due from taxpayers	-	-	-	-
Total assets	<u>\$ 46,317,310</u>	<u>\$ 46,317,310</u>	<u>\$ 1,000,000</u>	<u>\$ 219,409,714</u>
<b>Liabilities</b>				
Advance from State General Fund				
Investment Pool (Note 3)	\$ -	\$ -	\$ -	\$ -
Due to other state general fund accounts	46,317,310	46,317,310	-	109,052,359
Due to local governments	-	-	-	-
Due to taxpayers	-	-	-	-
Total liabilities	<u>46,317,310</u>	<u>46,317,310</u>	<u>-</u>	<u>109,052,359</u>
<b>Deferred Inflow of Resources</b>				
Unearned revenues	-	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Committed	-	-	-	-
Restricted	-	-	1,000,000	110,357,355
Total fund balances	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>110,357,355</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 46,317,310</u>	<u>\$ 46,317,310</u>	<u>\$ 1,000,000</u>	<u>\$ 219,409,714</u>
SHARE system fund number	71600	71700	85700	95200

Administratively Created Funds							Total
Appropriation Account	Federal Mineral Leasing	Appropriation Contingency Reserve	General Operating Reserve	Tax Stabilization Reserve	Eliminations		June 30, 2016 (Memorandum Only)
\$ -	\$ -	\$ 34,371,919	\$ 487,424,767	\$ -	\$ -	\$ -	\$ 522,796,686
-	-	-	-	-	-	-	219,409,714
640,794,436	-	-	-	-	(687,111,746)	-	-
761,551,570	-	-	-	-	-	-	807,868,880
52,968,870	-	-	-	-	-	-	52,968,870
<u>\$ 1,455,314,876</u>	<u>\$ -</u>	<u>\$ 34,371,919</u>	<u>\$ 487,424,767</u>	<u>\$ -</u>	<u>\$ (687,111,746)</u>		<u>\$ 1,603,044,150</u>
1,358,296,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,358,296,260
-	-	-	485,424,767	-	(687,111,746)	-	-
18,604,949	-	-	-	-	-	-	18,604,949
25,444,797	-	-	-	-	-	-	25,444,797
<u>1,402,346,006</u>	<u>-</u>	<u>-</u>	<u>485,424,767</u>	<u>-</u>	<u>(687,111,746)</u>		<u>1,402,346,006</u>
52,968,870	-	-	-	-	-	-	52,968,870
<u>52,968,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>52,968,870</u>
-	-	34,371,919	2,000,000	-	-	-	36,371,919
-	-	-	-	-	-	-	111,357,355
-	-	34,371,919	2,000,000	-	-	-	147,729,274
<u>\$ 1,455,314,876</u>	<u>\$ -</u>	<u>\$ 34,371,919</u>	<u>\$ 487,424,767</u>	<u>\$ -</u>	<u>\$ (687,111,746)</u>		<u>\$ 1,603,044,150</u>
85300	85100	85400	85200	84300			

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

**State of New Mexico**  
**Component Appropriation Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

	Statutorily Created Funds			
	Common School Current	Current School	State Support Reserve	Tobacco Settlement Permanent
<b>Revenues</b>				
General and selective taxes	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-
Severance taxes	-	-	-	-
License fees	-	-	-	-
Investment income	-	555,103,287	-	-
Net increase in the fair value of investments	-	-	-	3,578,810
Rents and royalties	-	47,817,852	-	-
Miscellaneous receipts	-	4,500,561	-	39,551,987
Reversions	-	-	-	-
Total revenues	<u>-</u>	<u>607,421,700</u>	<u>-</u>	<u>43,130,797</u>
<b>Expenditures</b>				
Appropriations				
Legislative	-	-	-	-
Judicial	-	-	-	-
General control	-	-	-	40,082,700
Commerce and industry	-	-	-	-
Agriculture, energy and natural resources	-	-	-	-
Health, hospitals and human services	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Other education	-	-	-	-
Higher education	-	-	-	-
Public school support	-	607,421,700	-	-
Total expenditures	<u>-</u>	<u>607,421,700</u>	<u>-</u>	<u>40,082,700</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,048,097</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,052,359)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,052,359)</u>
Net change in fund balance	-	-	-	(106,004,262)
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>216,361,617</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 110,357,355</u>
SHARE system fund numbers	71600	71700	85700	95200

Administratively Created Funds					
Appropriation Account	Federal Mineral Leasing	Appropriation Contingency Reserve	General Operating Reserve	Tax Stabilization Reserve	Total June 30, 2016 (Memorandum Only)
\$ 2,553,767,192	\$ -	\$ -	\$ -	\$ -	\$ 2,553,767,192
1,445,710,789	-	-	-	-	1,445,710,789
279,750,556	-	-	-	-	279,750,556
54,814,976	-	-	-	-	54,814,976
215,154,457	-	-	-	-	770,257,744
-	-	-	-	-	3,578,810
-	390,004,502	-	-	-	437,822,354
108,049,582	-	-	-	-	152,102,130
54,184,128	-	2,182,490	-	-	56,366,618
<u>4,711,431,680</u>	<u>390,004,502</u>	<u>2,182,490</u>	<u>-</u>	<u>-</u>	<u>5,754,171,169</u>
26,035,200	-	-	-	-	26,035,200
276,495,206	-	-	-	-	276,495,206
152,646,000	-	-	389,524	-	193,118,224
59,541,400	-	-	-	-	59,541,400
73,043,800	-	11,250,000	-	-	84,293,800
1,680,555,000	-	250,000	-	-	1,680,805,000
430,521,700	-	4,750,000	-	-	435,271,700
27,150,000	-	-	-	-	27,150,000
116,102,400	-	-	-	-	116,102,400
843,328,400	100,000	-	-	-	843,428,400
<u>1,625,989,699</u>	<u>389,904,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,623,315,901</u>
<u>5,311,408,805</u>	<u>390,004,502</u>	<u>16,250,000</u>	<u>389,524</u>	<u>-</u>	<u>6,365,557,231</u>
<u>(599,977,125)</u>	<u>-</u>	<u>(14,067,510)</u>	<u>(389,524)</u>	<u>-</u>	<u>(611,386,062)</u>
<u>599,977,125</u>	<u>-</u>	<u>20,000,000</u>	<u>(353,400,698)</u>	<u>(147,469,056)</u>	<u>10,055,012</u>
<u>599,977,125</u>	<u>-</u>	<u>20,000,000</u>	<u>(353,400,698)</u>	<u>(147,469,056)</u>	<u>10,055,012</u>
-	-	5,932,490	(353,790,222)	(147,469,056)	(601,331,050)
-	-	28,439,429	355,790,222	147,469,056	749,060,324
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,371,919</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 147,729,274</u>
85300	85100	85400	85200	84300	

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

## Notes to the Financial Statements

**State of New Mexico**  
**Component Appropriation Funds**  
**Notes to the Financial Statements**  
**June 30, 2016**

**1) Summary of Significant Accounting Policies**

A. Reporting Entity

The accompanying financial statements report nine statutorily and administratively created funds administered by the Department of Finance and Administration of the State of New Mexico. The funds are referred to as “Component Appropriation Funds” (the “Funds”). Together with many other statutorily and administratively created funds, they comprise the General Fund of the State of New Mexico, which is presented in the State of New Mexico’s Comprehensive Annual Financial Report.

The Funds do not constitute a primary government, component unit, or any other type of reporting entity as defined by generally accepted accounting principles.

Taken together, the Funds present the primary revenue and financing of the activities of the State of New Mexico. As such, the Legislature, state officials and the citizens of the State of New Mexico, as well as other groups such as bond issuers and rating services, have an interest in the operations of the Funds. The accompanying financial statements are presented to meet those needs.

The following is a description of the nine statutorily and administratively created funds.

***Statutorily Created Funds***

*1. Common School Current Fund – SHARE Fund 71600*

The *Common School Current Fund* (also known as the *Common School Income Fund*) was created by Section 19-1-17, NMSA 1978. This statute requires that the fund be credited with its respective proportion of money from the *State Land Income Fund* and the *State Permanent Fund*. Section 22-8-32, NMSA 1978, requires that at the end of each month, the State Treasurer transfer out the cash balance in this fund to the *Current School Fund*. Transfers will be presented as expenditures in these financial statements.

*2. Current School Fund – SHARE Fund 71700*

The *Current School Fund* was created by Section 22-8-32, NMSA 1978. This statute requires the State Treasurer to deposit into this fund: 1) all fines and forfeitures collected under general laws; 2) the net proceeds of property that may come to the State by escheat (however, Section 7-8A-13, NMSA 1978, requires all funds received under the Unclaimed Property Act to be deposited in the tax administration suspense fund for distribution to the *General Fund*); and 3) all other revenue required by law to be credited to the fund. In addition, as noted above, the statute requires that each

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month the cash balance in the *Common School Current Fund* be transferred into this fund. Transfers will be presented as expenditures in these financial statements.

In addition to the above, Section 22-8-32 requires any unencumbered balance in this fund to be transferred out to the *Public School Fund*—a statutorily created fund administered by both the Public Education Department and the Component Appropriation Funds.

3. *State Support Reserve Fund – SHARE Fund 85700*

The *State Support Reserve Fund* was created by Section 22-8-31, NMSA 1978. This statute requires the following: The *State Support Reserve Fund* shall be used only to augment the appropriations for the state equalization guarantee distribution in order to ensure, to the extent of the amount undistributed in the fund, that the maximum figures for such distribution established by law shall not be reduced.

4. *Tobacco Settlement Permanent Fund – SHARE Fund 95200*

The *Tobacco Settlement Permanent Fund (TSPF)* was created by Section 6-4-9, NMSA 1978. Originally, the fund was created as a permanent fund as defined by generally accepted accounting principles.

In 2011, House Bill 79 amended Section 6-4-9 NMSA 1978 related to the Tobacco Settlement Permanent Fund. This legislation temporarily changes the distribution of this fund as follows: in fiscal years 2011 through 2013, a distribution shall be made from the Tobacco Settlement Fund to the general fund in an amount equal to one hundred percent of the total amount of money distributed to the Tobacco Settlement Permanent Fund in that fiscal year. In fiscal year 2014 and in each fiscal year thereafter, an annual distribution will be made from the TSPF to the Tobacco Settlement Program Fund of an amount equal to fifty percent of the total amount of money distributed to the TSPF in the immediately preceding fiscal year until that amount is less than an amount equal to four and seven-tenths percent (4.7%) of the average of the year-end market values of the TSPF for the immediately preceding five calendar years. Thereafter, the amount of the annual distribution shall be four and seven-tenths percent (4.7%) of the average of the year-end market values of the TSPF for the immediately preceding five calendar years.

In 2003, legislation was enacted (Laws of 2003, Chapter 312) that made the fund a reserve within the *Component Appropriation Funds*. By statute, balances in the fund are to be invested by the state investment officer, which is accounted for in a private-purpose trust fund at the State Investment Council. The statute allows balances in the fund to be appropriated by the Legislature if balances in the *Component*

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*Appropriation Funds*, including its *General Operating Reserve Fund*, *Appropriation Contingency Reserve Fund*, and *Tax Stabilization Reserve Fund*, do not meet the level of appropriations authorized from the Component Appropriation Funds for a fiscal year.

***Administratively Created Funds***

1. *Appropriation Account Fund – SHARE Fund 85300*

The *Appropriation Account Fund* is an administratively created fund the *Component Appropriation Funds* uses to account for the financial activity of the statutorily created *General Fund* and for portions of the financial activity of the statutorily created *Public School Fund* of the State of New Mexico.

State statute, Section 6-4-2, NMSA 1978, creates the *General Fund* and requires the State Treasurer to credit all revenues, not otherwise allocated, to the fund. In addition, the statute requires that expenditures from the fund be made only in accordance with appropriations authorized by the Legislature. Those appropriations result in allotments of cash from the *General Fund*. The allotments are presented as expenditures in the accompanying financial statements.

Section 22-8-14, NMSA 1978, creates the *Public School Fund*. The *Component Appropriation Funds* administers three financial activities of that fund; all other activities of the fund are administered by the Public Education Department.

One of those activities administered by the *Component Appropriation Funds* is the transfer from the *Current School Fund* to the *Public School Fund* required by Section 22-8-32, NMSA 1978. The *Component Appropriation Funds* administers the other two activities through its *Federal Mineral Leasing Fund* (see item 2 below). Those activities include receiving receipts under the Federal Minerals Land Act, 30 USC 181 (the General Appropriation Act defines *General Fund* to include Federal Mineral Leasing Act receipts) and allotting cash, based on legislative appropriations, from the *Public School Fund* to the *Instructional Materials Fund* and to the Bureau of Mines and Mineral Resources of the New Mexico Institute of Mining and Technology.

The transfer described in the previous paragraph reduces (offsets) the appropriation and related cash allotments that have been made from the *General Fund* to the portion of the *Public School Fund* administered by the Public Education Department. The General Appropriations Act requires that the appropriation from the *General Fund* to the portion of the *Public School Fund* administered by the Public Education Department be reduced by the amounts transferred to the *Public School Fund* from



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the *Current School Fund*. Transfers will be presented as expenditures in these financial statements.

2. *Federal Mineral Leasing Fund – SHARE Fund 85100*

As noted above, the *Component Appropriation Funds* administers two other activities of the *Public School Fund* through its administratively created *Federal Mineral Leasing Fund*. Those activities include receiving receipts under the Federal Minerals Land Act, 30 USC 181, and allotting cash—based on legislative appropriation—from the portion of the *Public School Fund* administered by the *Component Appropriation Funds* to the *Instructional Materials Fund* and to the Bureau of Mines and Mineral Resources of the New Mexico Institute of Mining and Technology.

Like the transfer in from the *Current School Fund*, the receipts from the Federal Minerals Land Act, 30 USC 181 reduce (offset) the appropriation and related cash allotments that have been made from the *General Fund* to fund a portion of the *Public School Fund* administered by the Public Education Department. As noted above, the General Appropriations Act requires that the appropriation from the *General Fund* to the portion of the *Public School Fund* administered by the Public Education Department be reduced by the amount of Federal Minerals Land Act receipts. Transfers will be presented as expenditures in these financial statements.

The General Appropriations Act is consistent with Section 22-8-34, NMSA 1978, in that Section 22-8-34 requires the State Treasurer to deposit all money received under the Federal Mineral Lands Leasing Act to the *Public School Fund*, except for the following: 1) that portion appropriated to the *Instructional Materials Fund* and to the Bureau of Mines and Mineral Resources of the New Mexico Institute of Mining and Technology; and 2) the remainder of any prepayments after deducting the amount that the State would have received as its share of royalties during the fiscal year. (The statute requires that the remainder be distributed to the *Common School Permanent Fund*.)

3. *Appropriation Contingency Reserve Fund – SHARE Fund 85400*

Section 6-4-2.3, NMSA 1978, creates the appropriation contingency reserve within the *General Fund*. To account for the reserve, the Component Appropriation Funds has established the *Appropriation Contingency Reserve Fund*. Section 6-4-2.3 includes the following requirements: The appropriation contingency reserve may be expended only upon specific authorization by the legislature or as provided in Sections 6-7-1 through 6-7-3 NMSA 1978 in the event there is no surplus of unappropriated money in the *General Fund*.

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4. *General Operating Reserve Fund – SHARE Fund 85200*

Section 6-4-2.1, NMSA 1978, creates the General Operating Reserve Fund within the *General Fund*. To account for the reserve, the *Component Appropriation Funds* has established the *General Operating Reserve Fund*. Section 6-4-4, NMSA 1978, requires that excess revenue over appropriations (expenditures/expenses) in the *General Fund* be transferred to the *General Operating Reserve Fund* provided that 1) if the sum of the excess revenue plus the balance in the operating reserve prior to the transfer is greater than eight percent of the aggregate recurring appropriations from the *General Fund* for the previous fiscal year, then an amount equal to the smaller of either the amount of the excess revenue or the difference between the sum and eight percent of the aggregate recurring appropriation from the *General Fund* for the previous fiscal year; and 2) that if the total of the amount transferred to the *Tax Stabilization Reserve Fund* plus the balance in that reserve prior to the transfer is greater than six percent of the aggregate recurring appropriations from the *General Fund* for the previous fiscal year, then an amount equal to the smaller of either the amount transferred or the difference between the total and six percent of the aggregate recurring appropriation from the *General Fund* for the previous fiscal year is appropriated to the *Taxpayer Dividend Fund*. Transfers will be presented as expenditures in these financial statements.

The *General Operating Reserve Fund* may be expended only upon specific authorization by the legislature and only in the event *General Fund* revenues and fund balances, including all other transfers to the *General Fund* authorized by law, are insufficient to meet the level of appropriations authorized.

5. *Tax Stabilization Reserve Fund – SHARE Fund 84300*

Section 6-4-2.2, NMSA 1978, creates the tax stabilization reserve within the *General Fund*. To account for the reserve, the *Component Appropriation Funds* has established the *Tax Stabilization Reserve Fund*. The balance of the tax stabilization reserve consists of those funds directed to it by law (Section 6-4-4) and such other funds as the legislature may appropriate from time to time to the reserve. Except as otherwise provided in Subsection D of Section 6-4-2.2, NMSA 1978, any balance in the *Tax Stabilization Reserve Fund* may be appropriated only by a two-thirds majority vote of both houses of the legislature following receipt by the legislature of a declaration of the governor that such an appropriation is necessary for the public peace, health and safety. However, subsection D allows the legislature to appropriate balances in the fund without any restrictions, in the event that resources are not sufficient to meet authorized appropriations.

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B. Basis of Accounting and Presentation

The financial statements of the Component Appropriation Funds have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and funds. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

*Fund Financial Statements*—Each of the Funds are reported as Governmental Funds. Accordingly, they 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. For derived tax revenues, related assets are recognized when the exchange transaction occurs or when the resources are received, whichever occurs first. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Funds consider tax revenues to be available if they are collected within 60 days after the end of the fiscal year. Unearned revenues are reported when assets, such as taxes are obtained prior to revenue being recognized.

Escheats are not considered susceptible to accrual and are therefore recognized when received. Reversions are recognized if collected within 90 days of the end of the current fiscal period and all other revenues are considered to be available if collected prior to completion of the Funds' financial statements, typically by December 1<sup>st</sup> following the end of the fiscal year. Appropriations generally are recorded when a liability is incurred. Debt service expenditures are recorded only when payment is due.

C. Assets, Deferred Outflow of Resources, Liabilities, and Deferred Inflow of Resources

1. *Due from Other State Entities*—Section 6-4-2, NMSA 1978, requires all revenues—not otherwise allocated by law—to be credited to the Component Appropriation Funds. In addition, Section 6-5-10, NMSA 1978, requires all unassigned fund balances in reverting state agency funds to be reverted to the Component Appropriation Funds. Various state agencies collect revenues on behalf of the Component Appropriation Funds. In addition, most state agencies administer funds that revert balances to the Funds.

The amounts due from other state entities reported in the accompanying financial statements are amounts due to the Funds under the authority of the two statutes cited above. The amount due from other state entities has been reduced by \$75.8 million, which represents the estimated amount of personal income tax refunds in excess of final personal income tax settlements, at June 30, 2016. The estimate is based on a ten year average of final settlement payments and refunds. Fiscal year 2016 is the fifth year the estimate was based on a ten year average. The estimate for fiscal year 2007

**State of New Mexico**  
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was based on a three year average, and the estimates for fiscal years 2008 and 2009 were based on the estimate for 2007.

2. *Due to Local Governments*—The amounts due to local governments reported in the accompanying financial statements are 1/12 of the annual appropriation amounts due to local governments. This is a timing difference and the amounts due to local governments are paid within 30 days of the fiscal year-end.
3. *Due from Taxpayers and Unearned Revenues*—GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) states that when an asset is recorded in Governmental Fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available. Amounts due from taxpayers recorded as unearned revenues are earned during fiscal year 2017, but are not readily available until more than 60 days after the fiscal year-end, resulting in the reclassification to deferred outflow of resources (due to taxpayers) and unearned revenue (deferred inflow of resources).
4. *Use of Resources*—When both restricted and unrestricted resources are available for use, it is the Component Appropriation Funds’ policy to use restricted resources first and then unrestricted resources as they are needed.
5. *Interfund Activity*—The effect of interfund activity between these nine statutorily and administratively created funds has been eliminated from the memorandum totals in the accompanying financial statements. This interfund activity included the receivables and payables listed in the table below.

Due from Other Funds		Due to Other Funds		
Name	SHARE System Fund Number	Name	SHARE System Fund Number	Amount
Appropriations Accounts Fund	85300	General Operating Reserve	85200	\$ 485,424,767
Appropriations Accounts Fund	85300	Current School	71700	46,317,310
Appropriations Accounts Fund	85300	Tobacco Settlement Permanent Funds	95200	109,052,359
Current School Fund	71700	Common School Fund	71600	46,317,310
				<u>\$ 687,111,746</u>

**D. Revenues, Appropriations and Expenditures**

1. *Reversions*—Once an appropriation lapses, the related cash balance is usually required by law to be returned to the fund from where the appropriation allotment originated (that is, from where the cash related to the appropriation originated). In the accompanying financial statements, the cash returned to the Funds is treated as general revenue and presented as “reversions.”

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2. *Revenues*—The Component Appropriation Funds account for all financial resources of the State except those required to be accounted for by a fund within another state entity. Sources of revenues are collected by various agencies of the State and held within an agency fund to be transferred to one of the Component Appropriation Funds for revenue recognition. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.
3. *Expenditures*—Appropriations represent legislatively approved transfers of budgeted funds to state entities for the necessities of operations.

**E. Fund Balances**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds in the following categories: non-spendable, restricted, committed, assigned, and unassigned.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Restricted fund balance represents those portions of fund balance where constraints are placed on resources, either externally or by law through constitutional provisions or enabling legislation. Unassigned fund balance is the residual amount after all classifications were considered.

The accompanying financial statements report restricted fund balance in the Tobacco Settlement Permanent Fund and the State Support Reserve Fund because the balance is legally restricted for specific purposes.

**F. Budgets**

Annually, the Governor is required to submit a balanced budget by fund, function and activity to the Legislature. The Legislature authorizes expenditures in the annual Appropriations Act by source which is signed into law by the Governor. Annual appropriations lapse at fiscal year-end. In the event actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the Legislature to address the budget issues. 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 unit level. The budget is adopted on a budgetary basis that is not consistent with GAAP. The appropriations of the Component

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Appropriation Funds by law must equal the individual amounts appropriated in the various Appropriation Acts.

G. Recently Issued Accounting Standards

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Component Appropriation Funds have not completed the process of evaluating the impact of GASB 74 on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Component Appropriation Funds have not completed the process of evaluating the impact of GASB 76 on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). The objective is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Component Appropriation Funds have not completed the process of evaluating the impact of GASB 77 on its financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*—an amendment of GASB Statement No. 14 (GASB 80). The objective of this Statement is to improve financial reporting by clarifying the financial statements presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The Component Appropriation Funds has not completed the process of evaluating the impact of GASB 80 on its financial statements.

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**2) Investments**

State law (Section 8-6-3 NMSA 1978) requires investments of the Funds be managed by the New Mexico State Treasurer’s Office, with the exception of those belonging to the Tobacco Settlement Fund. State law requires that Tobacco Settlement Fund investments be managed by the New Mexico State Investment Council. The investments managed by the State Treasurer’s Office consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer’s Office. See the New Mexico State Treasurer’s Office and the New Mexico State Investment Council audited financial statements via the NM Office of the State Auditor’s website for further information.

As of June 30, 2016, the Funds had the following investments:

Description	Maturities	Fair Value
New Mexico State Treasurer's Office General Fund Investment Pool	1 day to 5 years	<u>\$ 522,796,686</u>

Those investments held by the State Investment Council are reported at fair value. Each investment asset or liability of the Portfolio that is measured and reported at fair value is assigned a level based on the significance and source of the inputs to its valuation. Various data inputs are used in determining the value of each of the Portfolio’s investments as of the reporting period end. These data inputs are categorized according to the following hierarchy:

1. Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that can be assessed at the measurement date
2. Level 2 – inputs other than unadjusted quoted prices that are observable for the asset or liability either directly or indirectly
3. Level 3 – significant unobservable inputs

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

Debt securities classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Alternative investments classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

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These investments are classified as follows:

	Valuation			
	June 30, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Equities				
Large Cap Index Pool	\$ 119,235,081	\$ -	\$ 119,235,081	\$ -
Small/Mid Cap Active Pool	1,237,407	1,237,407	-	-
Small/Mid Cap Index Pool	5,578,732	-	5,578,732	-
Non- U.S. Developed Markets Pool	12,956,658	12,956,658	-	-
Non- U.S. Emerging Markets Pool	8,684,093	8,684,093	-	-
Core Bonds				
U.S. Core Bonds Pool	49,280,457	-	49,280,457	-
Hedge Fund Pool	20,334,611	-	-	20,334,611
Total Investments by Fair Value Level	217,307,039	<u>\$ 22,878,158</u>	<u>\$ 174,094,270</u>	<u>\$ 20,334,611</u>
Cash/Cash Equivalents/Accruals	2,102,675			
Total Investments State Investment Council	<u>\$ 219,409,714</u>			

Interest Rate Risk

The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk

The New Mexico State Treasurer and New Mexico State Investment Council pools are not rated. For additional GASB Statement No. 40, *Deposit and Investment Risk Disclosures-An Amendment of GASB Statement No. 3*, disclosure information regarding cash held by the New Mexico State Treasurer, the reader should refer to the separate audit reports for the New Mexico State Treasurer's Office and the New Mexico State Investment Council for the fiscal year ended June 30, 2016. The Funds do not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**3) Advance from the State General Fund Investment Pool**

The Appropriation Account Fund disburses allotted appropriations to various entities based on New Mexico Legislative Appropriation Acts, in anticipation of the collection of tax revenues, fees and other sources. The State General Fund Investment Pool makes advances to the Appropriation Account Fund to the extent that such sources have not



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yet been collected. Advances from the State General Fund Investment Pool totaling \$1,358,296,260 at June 30, 2016, will be repaid as amounts due from other state entities are collected.

**4) Due from Other State Entities**

Various state agencies, mainly New Mexico Taxation and Revenue Department, collect revenues on behalf of the Funds. In addition, state agencies are required to revert unspent balances to the Funds at the close of each fiscal year. Resulting aggregate amounts due from state entities are composed of the following at June 30, 2016:

SHARE System Fund Number	Source	Amount
83200	Gross Receipt and Withholding Tax	\$ 506,622,954
11820	Superintendent of Insurance	56,784,243
57800	Public Regulation Commission	15,069,194
60100	Land Grant Permanent Fund	46,317,310
27900	Corporate Income Taxes	147,510
64200	Regular Income Tax - PIT	510,754
02000	Tribal Revenue Sharing (Indian Gaming)	234,473
60200	Severance Tax Permanent Fund Income	16,125,828
57800	Fire Protection Fund - Insurance Fees	24,163
85800	Public Education Department	7,186,573
82800	Gaming Tax	27,193,839
82500	Traffic Violations/Penalty Assessment	13,008,917
73600	Law Enforcement Protection	15,277,162
Various	Other	<u>103,365,960</u>
		<u>\$ 807,868,880</u>

**5) Transfers**

For fiscal year 2016, the First Session of the 52<sup>nd</sup> Legislature, authorized the following:

- Laws of 2015 Chapter 101, Section 12(B) the transfer of \$65 million from the General Operating Reserve fund to the Appropriations Account Fund to meet fiscal year 2016 obligations.

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- Laws of 2015 Chapter 101, Section 11(B) the transfer of \$5.5 million from the State Government Unemployment Compensation Reserve Fund (35000) to the Appropriation account (85300).

During the same Legislature's second session authority was provided for the following:

- Laws of 2016, section 13(A) to transfer the "amount necessary" from the General Operating Reserve Fund to the Appropriation Account Fund to meet fiscal year 2016 obligations. The amount totaled \$140 million in 2016.
- Laws of 2016, Chapter 12, section 1(A) and 1(B) the transfer of \$1 million from New Mexico Medical Board Fund (44600) to the General Operating Reserve Fund (85200). A transfer of \$300,000 from the Board of Examiners for Architects (40400) to the General Operating Reserve Fund (85200). A transfer of \$3.26 million from Homeland Security and Emergency Management Department (79500) to the General Operating Reserve Fund (85200).

Lastly, the laws of 2016 enacted during the 2<sup>nd</sup> special session in Chapter 4, Section 2(A) provided the authority to transfer up to \$219.4 million from the Tobacco Settlement Permanent Fund to the Appropriations Account Fund to meet the appropriations authorized by law from the general fund for fiscal year 2016. All transfer authority is conditioned upon receipt of the State Board of Finance Approval.

For fiscal year 2016, appropriations exceeded revenues by \$611.4 million.

**6) State General Fund Investment Pool**

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

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For fiscal year 2016 the following assertions are provided:

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

For cash management and investment purposes, funds of various state agencies are deposited in the SGFIP which is managed by STO. The SGFIP is not a part of the accompanying financial statements, but is reported as a fiduciary fund in the financial statements of STO. Claims on the SGFIP are reported as assets by the various agencies investing in the SGFIP. By statute, the DFA is responsible for reconciling the SGFIP balances. As of June 30, 2016, the Component Appropriations Funds report an aggregate investment of \$522,796,686 in the SGFIP (see Note 2).

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

**7) Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employees**

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

The Component Appropriations Funds, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for Governmental Funds apply to the primary government as a whole, and as such, this information will be presented in the Comprehensive Annual Finance Report (CAFR) of the State of New Mexico. As of June 30, 2016, the States Funded Divisions' net pension liability is \$2.2 billion, and the States' total net pension liability is \$4.2 billion.

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**8) Subsequent Events**

On October 26, 2016, the Legislature passed Senate Bill 9 relating to state expenditures. The bill reduces legislative appropriations in Laws 2016, Chapter 1 for Fiscal Year 2017 by \$148.5 million. Under this legislation, the majority of state agency budgets are reduced by 5.5 percent, with judicial and legislative cuts of 3.0 percent. The NM Children Youth and Families Department, NM Department of Public Safety, and sexual assault services and prevention contracts at the NM Department of Health will not be subject to cuts.

Supplementary Information (Unaudited)

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**Component Appropriation Funds**  
**Schedule of Revenues by Source**  
**For the Year Ended June 30, 2016**

	General and Selective Taxes	Income Taxes	Severance Taxes
MVD penalty assessment	\$ -	\$ -	\$ -
Motor vehicle miscellaneous fees	-	-	-
Notary public fees	-	-	-
Public Defender reimbursements	-	-	-
Legislative receipts	-	-	-
Media lease payments	-	-	-
District judges' receipts	-	-	-
Fines and forfeitures	-	-	-
Supreme Court fees	-	-	-
Miscellaneous receipts	-	-	-
Public utilities	-	-	-
Financial institution fees	-	-	-
Manufacturing housing receipts	-	-	-
Construction industry receipts	-	-	-
Security receipts	-	-	-
Gaming receipts	-	-	-
Corporate filing	-	-	-
Alcohol receipts	-	-	-
Corporate special	-	-	-
Pipeline fees	-	-	-
Birth and death certificates	-	-	-
Workers' compensation fees	-	-	-
Environment department filing fees	-	-	-
Tobacco master agreement	-	-	-
Weight distance tax	-	-	-
Land grant permanent fund distribution	-	-	-
Land office income	-	-	-
Insurance	207,904,081	-	-
Fire protection	15,069,194	-	-
Gross receipts tax	1,975,415,668	-	-
Compensating tax	46,881,771	-	-
Tobacco (Luxury) tax	79,818,918	-	-
Alcoholic beverage tax	6,732,464	-	-
Private car	702,731	-	-
Motor vehicle excise tax	150,394,864	-	-
Gaming tax	63,050,102	-	-
Leased vehicles surcharge	5,535,933	-	-
Gasoline tax	867,308	-	-
Telecommunications relay surcharge	69,263	-	-

License Fees	Investment Income	Rents and Royalties	Miscellaneous Receipts and Reversions	Total
\$ -	\$ -	\$ -	\$ 4,009,591	\$ 4,009,591
19,334	-	-	-	19,334
-	-	-	983,651	983,651
-	-	-	201,174	201,174
-	-	-	13,869	13,869
-	-	-	18,266	18,266
-	-	-	947,765	947,765
-	-	-	4,513,646	4,513,646
-	-	-	894	894
-	-	-	10,218	10,218
12,040,119	-	-	-	12,040,119
3,455,193	-	-	-	3,455,193
375,224	-	-	-	375,224
6,092,078	-	-	-	6,092,078
22,016,265	-	-	-	22,016,265
353,381	-	-	-	353,381
3,327,214	-	-	-	3,327,214
4,027,570	-	-	-	4,027,570
2,955,362	-	-	-	2,955,362
153,236	-	-	-	153,236
-	-	-	1,043,386	1,043,386
-	-	-	3,750	3,750
-	-	-	1,240,931	1,240,931
-	-	-	39,551,987	39,551,987
-	-	-	64,177	64,177
-	555,103,287	-	-	555,103,287
-	-	47,817,852	-	47,817,852
-	-	-	-	207,904,081
-	-	-	-	15,069,194
-	-	-	-	1,975,415,668
-	-	-	-	46,881,771
-	-	-	-	79,818,918
-	-	-	-	6,732,464
-	-	-	-	702,731
-	-	-	-	150,394,864
-	-	-	-	63,050,102
-	-	-	-	5,535,933
-	-	-	-	867,308
-	-	-	-	69,263

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**For the Year Ended June 30, 2016**

	General and Selective Taxes	Income Taxes	Severance Taxes
Net personal income taxes	\$ -	\$ 1,327,207,505	\$ -
Net corporate income taxes	-	118,501,921	-
Estate taxes	-	1,363	-
Federal mineral leasing	-	-	-
Oil and gas emergency school tax	-	-	236,817,596
Oil and gas conservation tax	-	-	11,375,324
Resource excise tax	-	-	11,203,145
Natural gas processors	-	-	20,354,491
State Treasurer earnings on state balances	-	-	-
Severance tax permanent fund distribution	-	-	-
Tribal revenue sharing	-	-	-
Unclaimed property	-	-	-
Small county assistance	-	-	-
Law enforcement protection	-	-	-
Boat excise tax	195,341	-	-
Racing receipts	1,129,554	-	-
Reversions	-	-	-
Settlement/miscellaneous	-	-	-
Totals	<u>\$ 2,553,767,192</u>	<u>\$ 1,445,710,789</u>	<u>\$ 279,750,556</u>



License Fees	Investment Income	Rents and Royalties	Miscellaneous Receipts and Reversions	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,327,207,505
-	-	-	-	118,501,921
-	-	-	-	1,363
-	-	390,004,502	-	390,004,502
-	-	-	-	236,817,596
-	-	-	-	11,375,324
-	-	-	-	11,203,145
-	-	-	-	20,354,491
-	21,644,516	-	-	21,644,516
-	193,509,941	-	-	193,509,941
-	-	-	64,412,904	64,412,904
-	-	-	19,788,748	19,788,748
-	-	-	11	11
-	-	-	15,297,162	15,297,162
-	-	-	-	195,341
-	-	-	-	1,129,554
-	-	-	56,366,618	56,366,618
-	3,578,810	-	-	3,578,810
<u>\$ 54,814,976</u>	<u>\$ 773,836,554</u>	<u>\$ 437,822,354</u>	<u>\$ 208,468,748</u>	<u>5,754,171,169</u>

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Appropriations**  
**For the Year Ended June 30, 2016**

			Chapter 101 and Chapter 11 (Section 10 reductions)		Laws of 2015 - 52nd
SHARE			Section 4 & 13	Section 5	Other Appropriations
Agency No.	Fund No.	Share Fund Name	Amounts	Amount	Chapter, Section
11100	12900	Legislative Council Services	\$ -	\$ -	Chapter 1, Sec 3 (A), 2nd Session
11200	13000	Legislative Finance Committee	-	-	Chapter 1, Sec 4, 2nd Session
11400	74300	Legislative Council Services/Senate Interim	-	-	Chapter 1, Sec 8, 2nd Session
11500	74400	Legislative Council Services/House Interim	-	-	Chapter 1, Sec 7, 2nd Session
11700	13100	Legislative Education Study Committee	-	-	Chapter 1, Sec 5, 2nd Session
11900	13200	Legislative Maintenance	4,306,300	-	
13100	13300	Legislature	38,400	-	Chapter 1, Sec 3 (B,C,D) and Sec 6, 2nd Session
13101	20030	Legislature - Senate	-	-	
13102	20040	Legislature - House	-	-	
		<b>Total - Legislative</b>	<u>4,344,700</u>	<u>-</u>	
20500	13400	Supreme Court Law Library	1,558,700	-	
21000	13500	Judicial Standards Commission	852,200	-	
21500	13700	Court of Appeals	5,898,600	-	
21600	13800	Supreme Court	3,332,900	-	
21800	11600	Magistrate Drug Court	217,100	-	
21800	12400	Court Appointed Attorney Fees	5,374,368	-	
21800	13600	Judge's Pro Tempore	30,715	-	
21800	13900	Administrative Office of the Courts	8,307,284	-	
21800	44300	AOC-Statewide Drug Court Technology	-	-	
21800	58300	AOC- Judicial Performance Evaluation	297,600	-	
21800	68900	Information System	3,463,593	-	
21800	69200	Magistrate Courts	26,596,746	-	
21801	01200	Jury and Witness Fee Fund	4,870,000	-	
21900	14000	Supreme Court Building Commission	971,100	-	
23100	14100	First Judicial District Court	7,066,600	-	
23200	14200	Second Judicial District Court	23,207,500	-	
23300	14300	Third Judicial District Court	6,574,900	-	
23400	14400	Fourth Judicial District Court	2,351,700	-	
23500	14500	Fifth Judicial District Court	6,661,700	-	
23600	14600	Sixth Judicial District Court	3,305,900	-	
23700	14700	Seventh Judicial District Court	2,386,900	-	
23800	14800	Eighth Judicial District Court	3,034,400	-	
23900	14900	Ninth Judicial District Court	3,441,600	-	
24000	15000	Tenth Judicial District Court	925,500	-	
24100	15100	Eleventh Judicial District Court	5,146,200	-	
24100	33500	Eleventh Judicial District Court/Drug Court	1,350,500	-	
24200	15200	Twelfth Judicial District Court	3,172,900	-	
24200	92900	Twelfth Judicial District Court - Other Programs	264,800	-	
24300	15300	Thirteenth Judicial District Court	7,163,700	-	
24400	15400	Bernalillo County Metropolitan Court	23,699,700	-	
25100	15500	First Judicial District Attorney	5,284,700	-	
25200	15600	Second Judicial District Attorney	18,411,800	-	
25300	15700	Third Judicial District Attorney	4,748,300	-	
25400	15800	Fourth Judicial District Attorney	3,151,700	-	
25500	15900	Fifth Judicial District Attorney	4,905,000	-	

**Legislature - First Session**

**Laws of 2015 - 51st Legislature - First Session**

Amount	Total	Chapter 11		Other Appropriations Chapter, Section	Amount	Total Appropriations Fiscal Year 2016
		Section 5 Amount	Section 6 Amount			Amount
\$ 6,078,200	\$ 6,078,200	\$ -	\$ -		\$ -	\$ 6,078,200
4,324,200	4,324,200	-	-		-	4,324,200
1,213,900	1,213,900	-	-		-	1,213,900
1,178,800	1,178,800	-	-		-	1,178,800
1,301,100	1,301,100	-	-		-	1,301,100
-	4,306,300	-	-		-	4,306,300
1,358,300	1,396,700	-	-	Chapter 1, HB 1, Sec 1B (9) & Section 9	1,566,300	2,963,000
-	-	-	-	Chapter 1, HB 1, Sec 1B (1,3,5,7)	2,133,200	2,133,200
-	-	-	-	Chapter 1, HB 1, Sec 1B (2,4,6,8)	2,536,500	2,536,500
<u>15,454,500</u>	<u>19,799,200</u>	<u>-</u>	<u>-</u>		<u>6,236,000</u>	<u>26,035,200</u>
-	1,558,700	-	-		-	1,558,700
-	852,200	-	-		-	852,200
-	5,898,600	-	1,400		-	5,900,000
-	3,332,900	-	-		-	3,332,900
-	217,100	-	-		-	217,100
-	5,374,368	-	394,500		-	5,768,868
-	30,715	-	-		-	30,715
-	8,307,284	-	-		-	8,307,284
-	-	800,000	-		-	800,000
-	297,600	-	-		-	297,600
-	3,463,593	-	-		-	3,463,593
-	26,596,746	-	200,000		-	26,796,746
-	4,870,000	-	865,100		-	5,735,100
-	971,100	-	-		-	971,100
-	7,066,600	-	23,900		-	7,090,500
-	23,207,500	-	-		-	23,207,500
-	6,574,900	-	-		-	6,574,900
-	2,351,700	-	-		-	2,351,700
-	6,661,700	-	11,500		-	6,673,200
-	3,305,900	-	-		-	3,305,900
-	2,386,900	-	-		-	2,386,900
-	3,034,400	-	-		-	3,034,400
-	3,441,600	-	-		-	3,441,600
-	925,500	-	-		-	925,500
-	5,146,200	-	-		-	5,146,200
-	1,350,500	-	-		-	1,350,500
-	3,172,900	-	-		-	3,172,900
-	264,800	-	-		-	264,800
-	7,163,700	-	50,000		-	7,213,700
-	23,699,700	-	-		-	23,699,700
-	5,284,700	-	-		-	5,284,700
-	18,411,800	-	-		-	18,411,800
-	4,748,300	-	-		-	4,748,300
-	3,151,700	-	-		-	3,151,700
-	4,905,000	-	-		-	4,905,000

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Appropriations — continued**  
**For the Year Ended June 30, 2016**

			Chapter 101 and Chapter 11 (Section 10 reductions)		Laws of 2015 - 52nd
Agency No.	SHARE Fund No.	Share Fund Name	Section 4 & 13	Section 5	Other Appropriations Chapter, Section
			Amounts	Amount	
25600	16000	Sixth Judicial District Attorney	\$ 2,822,800	\$ -	
25700	16100	Seventh Judicial District Attorney	2,506,400	-	
25800	16200	Eighth Judicial District Attorney	2,676,400	-	
25900	16300	Ninth Judicial District Attorney	2,881,600	-	
26000	16400	Tenth Judicial District Attorney	1,251,300	-	
26100	16500	Eleventh Judicial District Attorney/Division 1	3,607,700	-	
26200	16600	Twelfth Judicial District Attorney	2,819,600	-	
26300	16700	Thirteenth Judicial District Attorney	5,064,700	-	
26400	16800	Administrative Office of the District Attorneys	2,228,200	-	
26500	16900	Eleventh Judicial District Attorney/Division 2	2,213,100	-	
2800	17510	Public Defender Department	47,850,100	-	
		<b>Total - Judicial</b>	<u>273,948,806</u>	<u>-</u>	
30500	17000	Attorney General	9,247,300	-	
30500	27800	AG - Medicaid Fraud	562,400	-	
30800	11100	State Auditor's Office	2,947,800	-	
33300	17200	Taxation & Revenue Department - Operating	56,385,100	-	
34000	71820	Taxation & Revenue Department	1,545,500	-	
34100	00900	DFA - Computer Systems Enhancement Fund	-	-	
34100	01000	Department of Finance and Administration - Operating	20,850,700	-	
34100	10780	DFA - Juvenile Adjudication	19,900	-	
34100	20130	DFA - County Detention Reimbursement Fund	2,690,900	-	
34100	20900	DFA - Board of Finance Emergency (85200)	-	-	NMSA 6-4-2.1, 6-1-2, Chapter 101, Sec 4, 1st Session
34100	21000	DFA - Emergency Water Supply	118,100	-	
34100	61800	DFA - Leasehold Community Assistance	128,500	-	
34100	62000	DFA Special Appropriations	174,700	-	
34100	62400	Civil Legal Services Fund	2,499,600	-	
34100	69700	DFA - Tobacco Settlement Program Fund	-	-	NMSA 6-4-9, Chapter 101, Sec 4, 1st
35000	17400	General Services Department	13,537,200	-	
35000	41700	General Services Department - State Aircraft Pool	600,300	-	
35400	34700	New Mexico Sentencing Commission	574,700	-	
35600	17600	Governor's Office	3,573,100	-	
36000	17700	Lieutenant Governor's Office	583,400	-	
36100	20310	Department of Information Technology	-	-	
36100	20370	Department of Information Technology	970,100	-	
36600	60600	PERA Administration	-	-	
36900	17900	State Commission of Public Records	2,775,000	-	
37000	18000	Secretary of State	7,187,100	541,400	
37800	18100	State Personnel Board	4,315,000	-	
37900	84800	Public Employees Labor Relations Board	229,600	-	
39400	18200	State Treasurer's Office	3,756,800	-	
		<b>Total - General Control</b>	<u>135,272,800</u>	<u>541,400</u>	

Legislature - First Session		Laws of 2015 - 51st Legislature - First Session				Total Appropriations	
Amount	Total	Chapter 11		Other Appropriations Chapter, Section	Amount	Fiscal Year 2016	
		Section 5 Amount	Section 6 Amount				
\$ -	\$ 2,822,800	\$ -	\$ -		\$ -	\$ 2,822,800	
-	2,506,400	-	-		-	2,506,400	
-	2,676,400	-	-		-	2,676,400	
-	2,881,600	-	-		-	2,881,600	
-	1,251,300	-	-		-	1,251,300	
-	3,607,700	-	-		-	3,607,700	
-	2,819,600	-	-		-	2,819,600	
-	5,064,700	-	-		-	5,064,700	
-	2,228,200	-	-		-	2,228,200	
-	2,213,100	-	-		-	2,213,100	
-	47,850,100	-	200,000		-	48,050,100	
-	273,948,806	800,000	1,746,400		-	276,495,206	
-	9,247,300	-	-		-	9,247,300	
-	562,400	-	-		-	562,400	
-	2,947,800	-	-		-	2,947,800	
-	56,385,100	-	-		-	56,385,100	
-	1,545,500	-	-		-	1,545,500	
-	-	12,653,100	-		-	12,653,100	
-	20,850,700	-	-		-	20,850,700	
-	19,900	-	-		-	19,900	
-	2,690,900	-	-		-	2,690,900	
389,524	389,524	-	-		-	389,524	
-	118,100	-	-		-	118,100	
-	128,500	-	-		-	128,500	
-	174,700	1,000,000	-		-	1,174,700	
-	2,499,600	-	-		-	2,499,600	
-	40,082,700	-	-		-	40,082,700	
-	13,537,200	-	-		-	13,537,200	
-	600,300	-	-		-	600,300	
-	574,700	-	-		-	574,700	
-	3,573,100	-	-		-	3,573,100	
-	583,400	-	-		-	583,400	
-	-	-	1,250,000		-	1,250,000	
-	970,100	400,000	-		-	1,370,100	
-	-	77,300	-		-	77,300	
-	2,775,000	-	-		-	2,775,000	
-	7,728,500	950,000	500,000		-	9,178,500	
-	4,315,000	-	1,400		-	4,316,400	
-	229,600	-	-		-	229,600	
-	3,756,800	-	-		-	3,756,800	
389,524	176,286,424	15,080,400	1,751,400		-	193,118,224	

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Appropriations — continued**  
**For the Year Ended June 30, 2016**

SHARE		Chapter 101 and Chapter 11 (Section 10 reductions)			Laws of 2015 - 52nd
Agency No.	Fund No.	Share Fund Name	Section 4 & 13 Amounts	Section 5 Amount	Other Appropriations Chapter, Section
34101	85300	Cumbres and Toltec Scenic Railroad Commission	\$ 123,200	\$ -	
41700	48000	NM Border Authority	328,100	-	
41800	18800	Tourism Department	13,495,500	-	
41900	18900	Economic Development Department	7,438,000	-	
41900	63800	Industrial Development (In-Plant Training)	2,000,000	-	
42000	93100	Economic Development GF Capital Outlay	-	-	Laws 2015, 1st SS, Chapter 3, Section 46
42000	20120	Regulation and Licensing Department	28,700	-	
42000	43300	Regulation and Licensing Department	13,347,400	-	
43000	55000	Public Regulation Commission Operating	7,793,200	-	
46500	53600	Gaming Control Board	5,765,500	-	
46900	19200	State Racing Commission	2,412,800	-	
49100	74800	Office of Military Base Planning and Support	199,300	-	
49500	87100	New Mexico Space Port Authority	459,700	500,000	
		<b>Total - Commerce and Industry</b>	<u>53,391,400</u>	<u>500,000</u>	
50500	19300	Office of Cultural Affairs	30,504,300	200,000	
50800	39500	New Mexico Livestock Board	1,387,400	-	
52100	19900	Energy, Mineral and Natural Resource Department	11,011,500	-	
52100	20010	EMNRD / State Parks	8,857,000	-	
52100	21300	EMNRD - Emergency Fire/ Insect and Disaster	-	-	Executive Orders Laws 2015, 1st SS, Chapter 3, Section 47
52100	93100	EMNRD - GF Capital Outlay	-	-	
53800	82900	Intertribal Ceremonial Office	104,800	-	
55000	21400	Office of State Engineer	19,278,800	-	
55000	93100	Office of State Engineer - GF Capital Outlay	-	-	Laws 2015, 1st SS, Chapter 3, Section 48 and 49
		<b>Total - Agriculture, Energy and Natural Resources</b>	<u>71,143,800</u>	<u>200,000</u>	
60300	28400	Office of African American Affairs	803,200	-	
60400	04600	Commission for Deaf and Hard of Hearing	298,200	-	
60500	06000	Martin Luther King, Jr., Commission	334,000	-	
60600	04700	Commission for the Blind	2,138,600	-	
60900	04800	New Mexico Office of Indian Affairs	2,682,500	-	
62400	04900	Aging and Long-term Services Dept. - Administration	47,592,700	-	
63000	05200	Human Services Department - General Operating Fund	114,098,400	-	
63000	97500	HSD Income Support - Care & Support	12,434,800	-	
63000	97600	HSD Medical Assistance	891,748,500	-	
63100	32900	NMDWS Operating Fund	10,814,900	-	
64400	20570	DVR - Independent Living Services	1,284,100	-	
64400	50000	Division of Vocational Rehabilitation	4,374,800	-	
64500	05800	Governor's Commission on Disability	1,313,100	-	
64700	07900	Developmental Disabilities Planning Council	5,364,400	-	

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Legislature - First Session		Laws of 2015 - 51st Legislature - First Session				Total	
Amount	Total	Chapter 11		Other Appropriations Chapter, Section	Amount	Appropriations	
		Section 5 Amount	Section 6 Amount			Fiscal Year 2016	
\$ -	\$ 123,200	\$ -	\$ -		\$ -	\$ 123,200	
-	328,100	-	-		-	328,100	
-	13,495,500	-	-		-	13,495,500	
-	7,438,000	-	-		-	7,438,000	
-	2,000,000	4,000,000	-		-	6,000,000	
1,600,000	1,600,000	-	-		-	1,600,000	
-	28,700	-	-		-	28,700	
-	13,347,400	-	-		-	13,347,400	
-	7,793,200	-	-		-	7,793,200	
-	5,765,500	50,000	-		-	5,815,500	
-	2,412,800	-	-		-	2,412,800	
-	199,300	-	-		-	199,300	
-	959,700	-	-		-	959,700	
<u>1,600,000</u>	<u>55,491,400</u>	<u>4,050,000</u>	<u>-</u>		<u>-</u>	<u>59,541,400</u>	
-	30,704,300	-	450,000		-	31,154,300	
-	1,387,400	-	-		-	1,387,400	
-	11,011,500	-	-		-	11,011,500	
-	8,857,000	-	-		-	8,857,000	
11,250,000	11,250,000	-	-		-	11,250,000	
250,000	250,000	-	-		-	250,000	
-	104,800	-	-		-	104,800	
-	19,278,800	-	-		-	19,278,800	
<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>1,000,000</u>	
<u>12,500,000</u>	<u>83,843,800</u>	<u>-</u>	<u>450,000</u>		<u>-</u>	<u>84,293,800</u>	
-	803,200	-	-		-	803,200	
-	298,200	-	-		-	298,200	
-	334,000	-	-		40,000	374,000	
-	2,138,600	-	-		-	2,138,600	
-	2,682,500	-	-		-	2,682,500	
-	47,592,700	-	-		-	47,592,700	
-	114,098,400	217,400	-		-	114,315,800	
-	12,434,800	-	-		-	12,434,800	
-	891,748,500	-	-		18,000,000	909,748,500	
-	10,814,900	-	-		-	10,814,900	
-	1,284,100	-	-		-	1,284,100	
-	4,374,800	-	-		-	4,374,800	
-	1,313,100	-	-		-	1,313,100	
-	5,364,400	-	-		-	5,364,400	

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Appropriations — continued**  
**For the Year Ended June 30, 2016**

SHARE		Laws of 2015 - 52nd			
Agency No.	Fund No.	Share Fund Name	Chapter 101 and Chapter 11 (Section 10 reductions)		Other Appropriations Chapter, Section
			Section 4 & 13 Amounts	Section 5 Amount	
66500	06100	Department of Health / General Operating	\$ 190,872,300	\$ -	
66500	20480	DOH - Fort Bayard Medical Center	4,050,000	-	
66500	25700	DOH - Trauma System Fund	2,935,400	-	
66500	40170	DOH - Developmental Disabilities Waiver	103,442,700	-	
66500	75600	DOH - Emergency Medical Services	3,064,700	-	
66500	95811	DOH - Birthing Workforce Retention	31,300	-	
66700	06400	Department of Environment	13,156,000	-	
66800	49300	Office of the Natural Resources Trustee	275,600	-	
67000	06500	Veterans' Service Department	3,404,300	136,200	
69000	06700	Children, Youth and Families Department	169,117,600	-	
69000	06700	Children, Youth and Families Department	-	-	
69000	20080	Children, Youth and Families Department	12,960,000	-	
69000	20090	Children, Youth and Families Department	2,765,000	-	
69000	48900	CYFD / Protective Services	21,120,400	-	
69000	49100	CYFD / Child Care Payments Fund	29,990,400	-	
69000	78000	CYFD / Childrens' Trust Fund Expendable	221,400	-	
69000	83900	CYFD / Juvenile Community Corrections	2,658,600	-	
69000	84100	CYFD / JJDP / Children's Justice	84,600	-	
		<b>Total - Health, Hospitals and Human Services</b>	<u>1,655,432,500</u>	<u>136,200</u>	
70500	07000	Dept. of Military Affairs - Adjutant General Emergency	-	-	Executive Order
70500	93200	Dept. of Military Affairs - Service Member Life Ins	1,125,000	-	
70500	99200	Department of Military Affairs	6,137,400	-	
76000	90500	Parole Board	486,800	-	
76500	90600	Juvenile Parole Board	14,900	-	
77000	90200	Community Corrections Program	4,421,700	-	
77000	90700	Corrections Department	256,493,200	-	
77000	91500	Probation & Parole Division	26,972,100	-	
78000	90900	Crime Victims Reparation Commission	2,504,900	-	
79000	12800	Department of Public Safety	114,995,500	-	
79500	20050	Homeland Security	2,504,600	-	
79500	20380	Homeland Security - Governor's Disaster Declarations	-	-	Executive Order
		<b>Total - Public Safety</b>	<u>415,656,100</u>	<u>-</u>	
80500	93100	Department of Transportation - GF Capital Outlay	-	-	Laws 2015, 1st SS, Chapter 3, Section 44 & 45
		<b>Total - Transportation</b>	<u>-</u>	<u>-</u>	
92400	05700	Public Education Department	11,879,700	-	
92400	11420	PED / Pre K Plus Fund	23,700,000	-	
92400	51300	PED / Pre Kindergarten Fund	21,000,000	-	
92400	79000	PED / Special Projects	56,322,700	-	
		<b>Total - Other Education</b>	<u>112,902,400</u>	<u>-</u>	



Legislature - First Session		Laws of 2015 - 51st Legislature - First Session				Total	
Amount	Total	Chapter 11		Other Appropriations Chapter, Section	Amount	Appropriations	
		Section 5 Amount	Section 6 Amount			Fiscal Year 2016	
\$ -	\$ 190,872,300	\$ 4,400,000	\$ 1,436,000		\$ -	\$ 196,708,300	
-	4,050,000	-	-		-	4,050,000	
-	2,935,400	-	-		-	2,935,400	
-	103,442,700	-	-		-	103,442,700	
-	3,064,700	-	-		-	3,064,700	
-	31,300	-	-		-	31,300	
-	13,156,000	-	-		-	13,156,000	
-	275,600	-	-		-	275,600	
-	3,540,500	-	-		-	3,540,500	
-	169,117,600	-	-		-	169,117,600	
-	-	250,000	-		-	250,000	
-	12,960,000	-	-		-	12,960,000	
-	\$ 2,765,000	-	-		-	\$ 2,765,000	
-	21,120,400	-	892,900		-	22,013,300	
-	29,990,400	-	-		-	29,990,400	
-	221,400	-	-		-	221,400	
-	2,658,600	-	-		-	2,658,600	
-	84,600	-	-		-	84,600	
-	<u>1,655,568,700</u>	<u>4,867,400</u>	<u>2,328,900</u>		<u>18,040,000</u>	<u>1,680,805,000</u>	
1,000,000	1,000,000	-	-		-	1,000,000	
-	1,125,000	-	-		-	1,125,000	
-	6,137,400	-	-		-	6,137,400	
-	486,800	-	-		-	486,800	
-	14,900	-	-		-	14,900	
-	4,421,700	-	-		-	4,421,700	
-	256,493,200	13,000,000	-		-	269,493,200	
-	26,972,100	-	-		-	26,972,100	
-	2,504,900	-	-		-	2,504,900	
-	114,995,500	1,615,600	-		-	116,611,100	
-	2,504,600	250,000	-		-	2,754,600	
<u>3,750,000</u>	<u>3,750,000</u>	-	-		-	<u>3,750,000</u>	
<u>31,900,000</u>	<u>447,556,100</u>	<u>14,865,600</u>	-		-	<u>435,271,700</u>	
<u>27,150,000</u>	<u>27,150,000</u>	-	-		-	<u>27,150,000</u>	
<u>27,150,000</u>	<u>27,150,000</u>	-	-		-	<u>27,150,000</u>	
-	11,879,700	-	-		-	11,879,700	
-	23,700,000	-	-		-	23,700,000	
-	21,000,000	-	-		-	21,000,000	
-	<u>56,322,700</u>	<u>3,200,000</u>	-		-	<u>59,522,700</u>	
-	<u>112,902,400</u>	<u>3,200,000</u>	-		-	<u>116,102,400</u>	

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Appropriations — continued**  
**For the Year Ended June 30, 2016**

			Chapter 101 and Chapter 11 (Section 10 reductions)		Laws of 2015 - 52nd
Agency No.	SHARE		Section 4 & 13 Amounts	Section 5 Amount	Other Appropriations Chapter, Section
	Fund No.	Share Fund Name			
34100	10300	San Juan College	\$ 25,069,300	\$ -	
34100	10400	New Mexico Junior College	6,573,400	-	
34100	10500	New Mexico State University	207,020,200	-	
34100	10600	Central New Mexico Community College	56,801,100	-	
34100	10700	Eastern New Mexico University	46,675,200	-	
34100	10800	Luna Vocational Technical Institute	8,728,200	-	
34100	10900	Santa Fe Community College	14,819,000	-	
34100	22200	New Mexico Highlands University	31,561,400	-	
34100	22300	Mesalands Community College	4,539,700	-	
34100	22400	New Mexico Institute of Mining and Technology	38,429,700	-	
34100	22400	New Mexico Institute of Mining and Technology (851)	100,000	-	
34100	22600	New Mexico Military Institute	3,010,700	-	
34100	22700	Western New Mexico University	20,557,100	-	
34100	22800	Northern New Mexico Community College	11,472,900	-	
34100	23000	Clovis Community College	10,181,300	-	
34100	23100	New Mexico School for the Blind and Visually Impaired	1,383,200	-	
34100	23200	New Mexico School for the Deaf	4,265,200	-	
34100	23300	University of New Mexico	316,125,300	-	
95000	21600	HED/Special Programs	24,116,800	-	
95000	91000	Higher Education Department/Operations	11,998,700	-	
		<b>Total - Higher Education</b>	<u>843,428,400</u>	<u>-</u>	
92400	63300	PED / Indian Education	1,824,600	-	
92400	72500	Public School Energy Fund	48,893	-	
92400	79000	PED / Supplemental Special Education MOE	6,000,000	-	
92400	79000	PED / Dual Credit Instructional Materials	1,000,000	-	
92400	85600	Instructional Material Fund (851)	21,900,000	-	Mineral Leasing Act
92400	85800	Public School Support	2,592,542,407	-	
		<b>Total - Public School Support</b>	<u>2,623,315,900</u>	<u>-</u>	
		<b>Total - Component Appropriation Funds</b>	<u>\$ 6,188,836,806</u>	<u>\$ 1,377,600</u>	

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Legislature - First Session		Laws of 2015 - 51st Legislature - First Session				
Amount	Total	Chapter 11		Other Appropriations Chapter, Section	Amount	Total Appropriations Fiscal Year 2016
		Section 5 Amount	Section 6 Amount			
\$ -	\$ 25,069,300	\$ -	\$ -		\$ -	\$ 25,069,300
-	6,573,400	-	-		-	6,573,400
-	207,020,200	-	-		-	207,020,200
-	56,801,100	-	-		-	56,801,100
-	46,675,200	-	-		-	46,675,200
-	8,728,200	-	-		-	8,728,200
-	14,819,000	-	-		-	14,819,000
-	31,561,400	-	-		-	31,561,400
-	4,539,700	-	-		-	4,539,700
-	38,429,700	-	-		-	38,429,700
-	100,000	-	-		-	100,000
-	3,010,700	-	-		-	3,010,700
-	20,557,100	-	-		-	20,557,100
-	11,472,900	-	-		-	11,472,900
-	10,181,300	-	-		-	10,181,300
-	1,383,200	-	-		-	1,383,200
-	4,265,200	-	-		-	4,265,200
-	316,125,300	-	-		-	316,125,300
-	24,116,800	-	-		-	24,116,800
-	11,998,700	-	-		-	11,998,700
-	<u>843,428,400</u>	-	-		-	<u>843,428,400</u>
-	1,824,600	-	-		-	1,824,600
-	48,893	-	-		-	48,893
-	6,000,000	-	-		-	6,000,000
-	1,000,000	-	-		-	1,000,000
-	21,900,000	-	-		-	21,900,000
-	<u>2,592,542,407</u>	-	-		-	<u>2,592,542,408</u>
-	<u>2,623,315,900</u>	-	-		-	<u>2,623,315,901</u>
<u>\$ 61,844,024</u>	<u>\$ 6,292,141,130</u>	<u>\$ 42,863,400</u>	<u>\$ 6,276,700</u>		<u>\$ 24,276,000</u>	<u>\$ 6,365,557,231</u>

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Amounts Due From Other State Entities**  
**June 30, 2016**

Share System Fund Number	Description	Amount
12900	Legislative Council Services	\$ 631,949
13000	Legislative Finance Committee	63,215
74300	Legislative Council Services-Senate	379,538
74400	Legislative Council Services-House	361,237
13100	Legislative Education Study Committee	124,633
13200	Legislative Building Services	350,521
13400	Supreme Court Law Library	497
13500	Judicial Standards Commission	5,836
13700	Court of Appeals	8,356
13800	Supreme Court	15,000
Various	Administrative Office of the Courts	11,519
14000	Supreme Court Building	9,000
14100	First Judicial District Court	92
Various	Third Judicial District Court	6,631
14400	Fourth Judicial District Court	824
14500	Fifth Judicial District Court	30,191
14600	Sixth Judicial District Court	2,236
14700	Seventh Judicial District Court	6,857
14800	Eighth Judicial District Court	8,277
14900	Ninth Judicial District Court	606
15000	Tenth Judicial District Court	1,702
Various	Eleventh Judicial District Court	2,169
15200	Twelfth Judicial District Court	14,766
15300	Thirteenth Judicial District Court	21,051
15400	Bernalillo County Metropolitan Court	15,894
15500	First Judicial District Attorney	62,783
15900	Fifth Judicial District Attorney	1,316
16000	Sixth Judicial District Attorney	11,802
16100	Seventh Judicial District Attorney	30,400
16300	Ninth Judicial District Attorney	12,786
16400	Tenth Judicial District Attorney	925
16600	Twelfth Judicial District Attorney	4,693
16800	Administrative Office of the District Attorney	7,408
16900	Eleventh Judicial District Attorney, Division II	13,604
17510	Public Defender Department	37,920
11100	Office of the State Auditor	3,802

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Amounts Due From Other State Entities — continued**  
**June 30, 2016**

Share System Fund Number	Description	Amount
Various	Taxation and Revenue Department	7,352,904
83300	State Investment Council	51,424,985
60200	Severance Tax Permanent Fund Income	16,125,828
71820	Administrative Hearing Office	147,510
64200	Personal Income Tax	510,754
71000	Unclaimed Property Tax	5,000,000
82500	Traffic Violations/Penalty Assessment	13,008,917
82800	Gaming Tax	27,193,839
83100	Worker's Compensation	37,390
83200	Withholding Taxes	506,622,954
Various	Department of Finance and Administration	1,869,787
73600	DFA Law Enforcement Protection	15,277,162
Various	General Services Department	5,579,938
17600	Office of the Governor	352,274
17700	Office of the Lieutenant Governor	131,898
17900	State Commission of Public Records	157,567
18000	Secretary of State	39,020
18100	State Personnel Board	118,089
N/A	New Mexico Finance Authority	784,804
Various	State Treasurer's Office	15,344,041
18800	Tourism Department	385,440
18900	Economic Development Department	234,473
43300	Regulation and Licensing Department	491,021
57800	Public Regulation Commission	15,069,194
Various	Superintendent of Insurance	64,159,476
53600	Gaming Control Board	147,893
19200	State Racing Commission	24,163
74800	Military Homebase Planning	11,331
19301	Department of Military Affairs	25
Various	Energy, Mineral and Natural Resources Department	212,466
21400	Office of the State Engineer	277,827
60100	Land Grant Permanent Fund	46,317,310
28400	Office of African American Affairs	43,503
06000	Martin Luther Kind, Jr. Commission	2,779
04800	Indian Affairs Department	702,657
04900	Aging and Long-Term Services Department	908,375
05800	Governor's Commission on Disability	15,486
07900	Developmental Disabilities Planning Council	1,580
Various	Department of Health	1,689,422

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Amounts Due From Other State Entities — continued**  
**June 30, 2016**

Share System Fund Number	Description	Amount
Various	Environment Department	90,023
49300	Office of the Natural Resources Trustee	22,086
06500	Department of Veteran Services	47,810
90500	Adult Parole Board	49,924
Various	Corrections Department	2,370
90900	Crime Victims Reparation Commission	230
Various	Department of Public Safety	195,976
05700	Public Education Department	63,125
79000	Public Education Department	176,645
85800	Public Education Department	7,186,573
	Total due from other state entities	<u>\$ 807,868,880</u>

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Amounts Due From Taxpayers**  
**June 30, 2016**

Share System Fund Number	Description	Amount
27900	Corporate Income Tax	\$ 9,261,707
64200	OGP - Remitter	1,180,589
64200	PTW - Remitter	17,106,485
64200	Personal Income Tax	9,612,662
82800	Bingo & Raffle Tax	255
82800	Fiduciary Income Tax	74,936
82800	Gaming Tax	9,142
82800	Liquor Excise Tax	1,228
82800	Tobacco Products Tax	2,258
82800	Telecom Relay Service Surcharge	14
83100	Workers' Compensation	13,869
83200	Withholding Taxes	3,145,371
83200	Gross Receipt Tax	12,587,917
83200	Compensating Tax	(28,976)
83300	Resource Excise Tax	1,413
	Total due from taxpayers	<u>\$ 52,968,870</u>

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Amounts Due to Local Governments**  
**June 30, 2016**

Share System Fund Number	Description	Amount
832	Taxation and Revenue Dept. (Unidentified 60 Day Remittances) due to local governments	\$ 18,604,949
	Total due to local governments	<u>\$ 18,604,949</u>



**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Amounts Due to Taxpayers**  
**June 30, 2016**

Share System Fund Number	Description	Amount
833	Taxation and Revenue Dept. (Oil & Gas Advance Payments)	\$ 25,444,797
	Total due to taxpayers	<u>\$ 25,444,797</u>

Independent Auditor's 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*

Ms. Dorothy "Duffy" Rodriguez, Cabinet Secretary Designate  
State of New Mexico  
Department of Finance and Administration  
and  
Mr. Timothy Keller  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the statutorily and administratively created funds that comprise the Component Appropriation Funds of the State of New Mexico (the "Component Appropriation Funds"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Component Appropriation Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Component Appropriation Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the Component Appropriation Funds' 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.

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 the Component Appropriation Funds' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Component Appropriation Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "REDW LLC". The letters are cursive and somewhat stylized, with the "R" being particularly large and the "LLC" being written in a smaller, more compact script.

Albuquerque, New Mexico  
November 29, 2016

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2016**

**Section I — Financial Statement Findings**

None

**State of New Mexico**  
**Component Appropriation Funds**  
**Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2016**

<b>Audit Finding</b>	<b>Status</b>
2013-001; Timely Resolution of Uncertainties	Resolved

**State of New Mexico**  
**Component Appropriation Funds**  
**Exit Conference**  
**For the Year Ended June 30, 2016**

**Exit Conference**

An exit conference was conducted on November 22, 2016, in which the contents of this report were discussed with the following:

**Component Appropriation Funds Management**

Dorothy “Duffy” Rodriguez	DFA Cabinet Secretary Designate
Ron Spilman	State Controller
Steve Gonzales	Deputy Director, Financial Control Division

**REDW<sub>LLC</sub>**

Javier Machuca, CPA, CGFM, CGMA	Senior Manager
Daniela Moya, CPA	Senior Associate

Financial Statement Preparation

The State of New Mexico Component Appropriation Funds (Funds) independent public accountants assisted in the preparation of the financial statements presented in this report; however, the Funds’ management is responsible for the financial statement and disclosure content. The Funds’ management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.