

*State of New Mexico
Component Appropriation Funds
Annual Financial Report
Fiscal Year Ended June 30, 2015*



*Annual Financial Report
And
Independent Auditor's Report*

REDW^{LLC}

CPAs | Business & Financial Advisors

State of New Mexico Component Appropriation Funds

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State of New Mexico
Component Appropriation Funds

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**State of New Mexico
Component Appropriation Funds**

**Official Roster
June 30, 2015**

Elected Official

Governor Susana Martinez

Officials

Department of Finance and Administration:

Cabinet Secretary

Thomas E. Clifford, Ph.D.

State Controller

Ron Spilman

Deputy Division Director, Financial Control Division

Steve Gonzales

Independent Auditor's Report

Mr. Thomas E. Clifford, Ph.D., Cabinet Secretary
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, 2015, 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, 2015, 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, 2015, 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 30, 2015, 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.

REDW LLC

Albuquerque, New Mexico
November 30, 2015

State of New Mexico
Component Appropriation Funds
Management's Discussion and Analysis
June 30, 2015

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 10.0% of recurring current year appropriations as compared to 7.3% in fiscal year 2014.

As of June 30, 2014, the General Fund Operating Reserve Fund reported a contingent liability of \$100 million related to the State General Fund Investment Pool (the “Pool”) maintained by the New Mexico State Treasurer’s Office. In February 2013, the Department of Finance and Administration’s Cash Control Unit began performing monthly reconciliations with the balances and accounts kept by the State Treasurer pursuant to Section 6-5-2.1.J. NMSA 1978. As a result of the reconciliation procedures performed, as more fully described in Note 6 to the financial statements, management estimates that no contingent liability exists as of June 30, 2015. The change in this contingent liability is reported as a “special item” in the statement of revenues, expenditures, and changes in fund balance of the General Operating Reserve Fund.

State of New Mexico
Component Appropriation Funds
Management's Discussion and Analysis
June 30, 2015

In fiscal year 2015 the aggregate fund balance of the Component Appropriation Funds increased by \$75.1 million. Fund balance of the Component Appropriation Funds increased by \$2.6 million in fiscal year 2014. The increase in fiscal year 2015 is attributable to the decrease in the contingent liability of \$100 million. This is offset by the fact that revenues only increased by 3.1%, while appropriations increased by 5.3% compared with the previous year.

Fiscal year 2015 compares to fiscal year 2014 as follows:

- General and selective taxes are the largest revenue source, contributing 42.9% of total revenues in fiscal year 2015. Those revenues increased by \$181.2 million or 7.2%. From the general and selective taxes category, both gross receipts and insurance taxes had significant increases of \$103.1 million or 5.2% and \$74.9 million or 65.1%, respectively. Income taxes are the second largest revenue source contributing 25.4% of the total revenues. Those revenues increased by \$142.5 million or 9.8%. From the income taxes, withholding tax increased by \$85.2 million or 6.8% and corporate income tax increased by \$57.7 million or 29.3%.
- Severance taxes decreased by \$129.6 million or 23.3%. From the severance taxes category, oil and gas emergency school tax decreased by \$125.2 million or 25% due to falling gas prices.
- Appropriations increased by \$318.6 million or 5.3% from June 30, 2014. Public school support increased by \$109.7 million or 4.4%, other education increased by \$42.7 million or 56.3%, while higher education increased by \$61.3 million or by 7.6%.

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.

State of New Mexico
Component Appropriation Funds
Management's Discussion and Analysis
June 30, 2015

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 detail 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.

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 \$749.1 million, an increase of \$75.1 million. 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)

	2015	2014
Assets	\$ 1,711.3	\$ 1,779.2
Liabilities	(921.4)	(1,032.0)
Deferred inflow of resources	(40.8)	(73.3)
Fund balance	\$ 749.1	\$ 673.9

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Component Appropriation Funds
Management's Discussion and Analysis
June 30, 2015

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, and the partially restricted General Operating Reserve Fund. It has been the policy of the State of New Mexico to not consider the deferred inflows of resources, \$40.8 million, as available for appropriation.

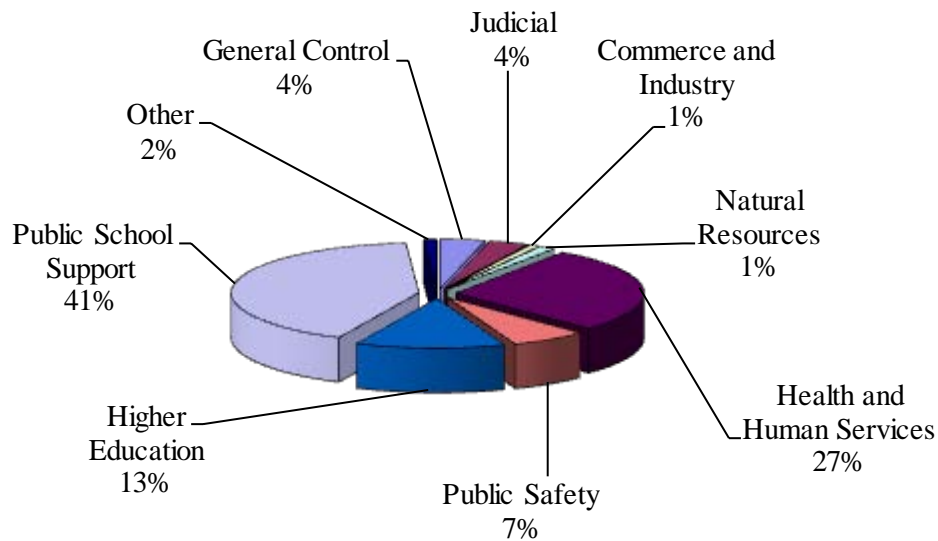
Aggregate Change in Fund Balances
Year Ended June 30,
(in millions of dollars)

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Revenues			
General and selective taxes	\$ 2,695.5	\$ 2,514.3	\$ 181.2
Income taxes	1,594.2	1,451.7	142.5
Severance taxes	427.5	557.1	(129.6)
License fees	55.9	51.7	4.2
Investment income	709.7	662.1	47.6
Rents and royalties	584.4	617.3	(32.9)
Miscellaneous receipts	218.6	244.2	(25.6)
Total revenues	<u>6,285.8</u>	<u>6,098.4</u>	<u>187.4</u>
Expenditures			
Appropriations			
General control	241.1	218.9	22.2
Legislative	29.4	24.6	4.8
Judicial	220.6	208.5	12.1
Commerce and industry	84.7	57.3	27.4
Natural resources	73.6	70.0	3.6
Health and human services	1,649.6	1,638.0	11.6
Public safety	418.9	395.7	23.2
Higher education	865.8	804.5	61.3
Public school support	2,608.4	2,498.7	109.7
Other education	118.6	75.9	42.7
Total appropriations	<u>6,310.7</u>	<u>5,992.1</u>	<u>318.5</u>
Excess (deficit) of revenues over appropriations and expenditures	<u>(24.9)</u>	<u>106.3</u>	<u>(131.1)</u>
Other Financing Sources			
Transfers in	-	-	-
Total other financing sources	-	-	-
Special items (Note 6 and 7)	100.0	(103.7)	203.7
Net change in fund balance	75.1	2.6	72.5
Fund balance - beginning	674.0	671.4	2.6
Fund balance - ending	<u>\$ 749.1</u>	<u>\$ 674.0</u>	<u>\$ 75.1</u>

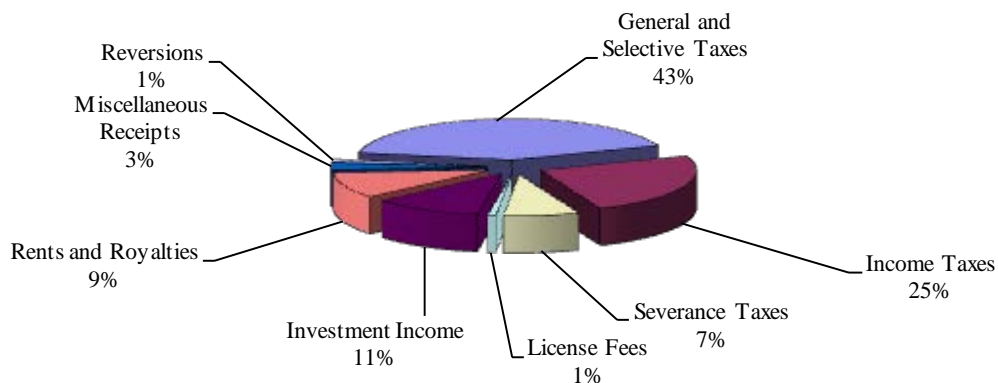
State of New Mexico Component Appropriation Funds Management's Discussion and Analysis June 30, 2015

The Funds' aggregate fund balances increased by \$75.1 million in fiscal year 2015 compared to a \$2.6 million increase in 2014. In fiscal year 2015, revenues increased 3.1% compared to 2014, while appropriations increased 5.3%.

Appropriations by Function



Aggregate Revenues by Source



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Economic Factors Affecting New Mexico's Fiscal Year 2015 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 by the University of New Mexico's Bureau of Business and Economic Research and Moody's Analytics. These data 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

The national economy as measured by Real Gross Domestic Product grew by 2.7 percent in state fiscal year (SFY) 2015. Total U.S. employment grew by 2.7 million, reaching a new high 2.5 percent above the pre-recession peak. U.S. average hourly wages grew by 2.2 percent, exceeding low inflation of 0.7 percent to increase the purchasing power of paychecks.

New Mexico Economy

Despite a sharp drop in oil and natural gas prices, which affected drilling activity and employment in the state's important oil and gas producing sector, the New Mexico economy grew at the fastest pace in SFY15 since before the Great Recession. By the end of SFY15 New Mexico employment grew by 1.3 percent, or 10,400 jobs, from SFY14. Industry sectors making the greatest contribution to growth included the Education and Health Sector with 6,600 new jobs, the Leisure and Hospitality sector with 2,700 new jobs, and the Professional and Business Services sector with 2,400 new jobs.

Dependence on government spending has been a headwind for the state's economy because of constrained federal budget growth. Although direct federal government employment has begun to stabilize in New Mexico, it is now down to its lowest level in almost 30 years. New Mexico has also faced strong headwinds from falling energy prices. Between the beginning and end of SFY15 the prices for both crude oil and natural gas fell by about 40 percent. Notwithstanding the price drop, New Mexico oil production reached 137 million barrels in SFY15 – setting a new record level for the state and doubling the volume produced in SFY11. In SFY15, New Mexico was the fifth highest producing state for oil and eighth highest for natural gas accounting for about 4 percent of total US production for each commodity.

2015 General Fund Revenue

Despite the challenging environment for oil- and gas-related revenues, in SFY15, General Fund recurring revenue was \$80 million higher than projected during the 2015 legislative session.

State of New Mexico
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Management's Discussion and Analysis
June 30, 2015

General Fund recurring revenues excluding oil and gas related revenues grew by a strong 6.5 percent. Total recurring revenue including oil and gas related revenues grew at 2.6 percent in SFY15, surpassing the previous peak level reached in SFY08 and achieving a new all-time high for New Mexico of \$6.24 billion. With strong growth across the retail, construction, wholesale, and service sectors, the state's broad-based general sales tax, the Gross Receipts Tax (GRT), grew by 5.2 percent. The GRT is imposed on most business receipts, and is the State's single largest revenue source, contributing roughly one-third of General Fund revenue as well as a substantial portion of local government revenues. Distributions from the State's two Permanent Funds continued to benefit from a larger fund corpus and strong stock market returns, and reached a total of \$685 million or 11 percent of total General Fund revenues. Income tax revenues also grew robustly in SFY15 with 6.8 percent growth for personal income tax and 29.3 percent growth for corporate income tax.

General Fund Revenue Outlook

Another sharp decline of oil and gas related revenue is expected to offset growth in other state revenues leaving total revenue virtually flat in SFY16. The Consensus group expects oil and gas prices to improve gradually from recent low levels as the effects of lower prices result in increased demand and reduced supplies for both commodities. Permanent Fund distributions will grow again in SFY16 due to the cumulative impact on the funds' corpus of rapid oil production growth in recent years. Income tax growth is expected to moderate, but general sales tax revenue is expected to grow above trend rates, in part due to retail sales growth from consumers spending their savings at the gasoline pump. Insurance premiums tax revenue is forecast to increase significantly due to the expansion of Medicaid and reduced credits for uninsured care following implementation of the Affordable Care Act (ACA). Total SFY17 revenue is expected to grow by 4.4 percent with growth across almost all major sources.

National forecasters expect increased household formation, very low debt burdens, and improved credit conditions, along with growth in the stock market and housing values all to contribute to a rebound in consumer driven growth. Despite increased concerns around slowing Chinese growth and uncertainty over the timing and impacts of normalizing U.S. monetary policy, the overall prospects of the national economy for the next several years are good.

General Fund Reserves

Stronger than anticipated General Fund revenues combined with prudent spending growth have bolstered General Fund reserves, bringing the SFY15 year-end balance to 10.0 percent of recurring appropriations, which is the target advocated for by the Martinez Administration to insure against oil and gas revenue volatility and other unforeseen contingencies. In SFY16 reserve levels are expected to remain near target levels at 9.5 percent of recurring appropriations.

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Management's Discussion and Analysis
June 30, 2015

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, 2015

	Statutorily Created Funds			
	Common School Current	Current School	State Support Reserve	Tobacco Settlement Permanent Fund
Assets				
Assets				
Investments, State Treasurer (Note 2)	\$ -	\$ -	\$ 1,000,000	\$ -
Investments, State Investment Council (Note 2)	-	-	-	216,361,617
Due from other state general fund accounts	-	41,964,988	-	-
Due from other state entities (Note 4)	41,964,988	-	-	-
Due from taxpayers	-	-	-	-
Total assets	<u>\$ 41,964,988</u>	<u>\$ 41,964,988</u>	<u>\$ 1,000,000</u>	<u>\$ 216,361,617</u>
Liabilities				
Liabilities				
Advance from State General Fund				
Investment Pool (Note 3)	\$ -	\$ -	\$ -	\$ -
Due to other state general fund accounts	41,964,988	41,964,988	-	-
Due to local governments	-	-	-	-
Due to taxpayers	-	-	-	-
Total liabilities	<u>41,964,988</u>	<u>41,964,988</u>	<u>-</u>	<u>-</u>
Deferred Inflow of Resources				
Deferred inflow of resources				
Unearned revenues	-	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Fund balances				
Committed	-	-	-	-
Restricted	-	-	1,000,000	216,361,617
Total fund balances	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>216,361,617</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 41,964,988</u>	<u>\$ 41,964,988</u>	<u>\$ 1,000,000</u>	<u>\$ 216,361,617</u>

Administratively Created Funds							Total June 30, 2015 (Memorandum Only)
Appropriation Account	Federal Mineral Leasing	Appropriation Contingency Reserve	General Operating Reserve	Tax Stabilization Reserve	Eliminations		
\$ -	\$ -	\$ 28,439,429	\$ 395,149,228	\$ 147,469,056	\$ -	\$ 572,057,713	
-	-	-	-	-	-	216,361,617	
81,323,994	-	-	-	-	(123,288,982)	-	
840,088,530	-	-	-	-	-	882,053,518	
40,778,964	-	-	-	-	-	40,778,964	
<u>\$ 962,191,488</u>	<u>\$ -</u>	<u>\$ 28,439,429</u>	<u>\$ 395,149,228</u>	<u>\$ 147,469,056</u>	<u>\$ (123,288,982)</u>	<u>\$ 1,711,251,812</u>	
\$ 848,080,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 848,080,685	
-	-	-	39,359,006	-	(123,288,982)	-	
30,660,180	-	-	-	-	-	30,660,180	
42,671,659	-	-	-	-	-	42,671,659	
<u>921,412,524</u>	<u>-</u>	<u>-</u>	<u>39,359,006</u>	<u>-</u>	<u>(123,288,982)</u>	<u>921,412,524</u>	
40,778,964	-	-	-	-	-	40,778,964	
<u>40,778,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,778,964</u>	
-	-	28,439,429	319,790,222	147,469,056	-	495,698,707	
-	-	-	36,000,000	-	-	253,361,617	
-	-	28,439,429	355,790,222	147,469,056	-	749,060,324	
<u>\$ 962,191,488</u>	<u>\$ -</u>	<u>\$ 28,439,429</u>	<u>\$ 395,149,228</u>	<u>\$ 147,469,056</u>	<u>\$ (123,288,982)</u>	<u>\$ 1,711,251,812</u>	

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, 2015

	Statorily Created Funds			
	Common School Current	Current School	State Support Reserve	Tobacco Settlement Permanent Fund
Revenues				
General and selective taxes	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-
Severance taxes	-	-	-	-
License fees	-	-	-	-
Investment income	-	502,757,085	-	-
Net increase in the fair value of investments	-	-	-	7,147,027
Rents and royalties	-	42,234,932	-	-
Miscellaneous receipts	-	5,241,213	-	35,035,796
Reversions	-	-	-	-
Total revenues	<u>-</u>	<u>550,233,230</u>	<u>-</u>	<u>42,182,823</u>
Expenditures				
Appropriations				
Legislative	-	-	-	-
Judicial	-	-	-	-
General control	-	-	-	19,282,700
Commerce and industry	-	-	-	-
Agriculture, energy and natural resources	-	-	-	-
Health, hospitals and human services	-	-	-	-
Public safety	-	-	-	-
Other education	-	-	-	-
Higher education	-	-	-	-
Public school support	-	550,233,230	-	-
Total expenditures	<u>-</u>	<u>550,233,230</u>	<u>-</u>	<u>19,282,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,900,123</u>
Other Financing Sources (Uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Item (Note 6)				
Provision reduction for the potential loss on the State General Fund Investment Pool	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	22,900,123
Fund balances - beginning of year	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>193,461,494</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 216,361,617</u>
SHARE system fund numbers	71600	71700	85700	95200

Administratively Created Funds					Total
Appropriation Account	Federal Mineral Leasing	Appropriation Contingency Reserve	General Operating Reserve	Tax Stabilization Reserve	June 30, 2015 (Memorandum Only)
\$ 2,695,543,517	\$ -	\$ -	\$ -	\$ -	\$ 2,695,543,517
1,594,189,627	-	-	-	-	1,594,189,627
427,453,235	-	-	-	-	427,453,235
55,874,727	-	-	-	-	55,874,727
199,735,972	-	-	-	-	702,493,057
-	-	-	-	-	7,147,027
-	542,183,995	-	-	-	584,418,927
119,189,819	-	-	-	-	159,466,828
51,454,777	-	7,708,539	-	-	59,163,316
<u>5,143,441,674</u>	<u>542,183,995</u>	<u>7,708,539</u>	<u>-</u>	<u>-</u>	<u>6,285,750,261</u>
29,419,100	-	-	-	-	29,419,100
220,615,000	-	-	-	-	220,615,000
221,336,405	-	-	453,771	-	241,072,876
84,669,400	-	-	-	-	84,669,400
72,070,100	-	1,500,000	-	-	73,570,100
1,649,572,900	-	-	-	-	1,649,572,900
407,782,000	-	11,125,000	-	-	418,907,000
115,560,100	-	3,100,000	-	-	118,660,100
865,715,300	100,000	-	-	-	865,815,300
<u>1,516,060,375</u>	<u>542,083,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,608,377,600</u>
<u>5,182,800,680</u>	<u>542,183,995</u>	<u>15,725,000</u>	<u>453,771</u>	<u>-</u>	<u>6,310,679,376</u>
<u>(39,359,006)</u>	<u>-</u>	<u>(8,016,461)</u>	<u>(453,771)</u>	<u>-</u>	<u>(24,929,115)</u>
<u>39,359,006</u>	<u>-</u>	<u>15,000,000</u>	<u>(54,359,006)</u>	<u>-</u>	<u>-</u>
<u>39,359,006</u>	<u>-</u>	<u>15,000,000</u>	<u>(54,359,006)</u>	<u>-</u>	<u>-</u>
-	-	-	100,000,000	-	100,000,000
-	-	6,983,539	45,187,223	-	75,070,885
-	-	21,455,890	310,602,999	147,469,056	673,989,439
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,439,429</u>	<u>\$ 355,790,222</u>	<u>\$ 147,469,056</u>	<u>\$ 749,060,324</u>
85300	85100	85400	85200	84300	

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

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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* 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 2003, legislation was enacted (Laws of 2003, Chapter 312) that made the fund a reserve within the *Component Appropriation Funds*. The amendment is not written clearly; however, the intent of the legislation was to make the fund a reserve within the *Component Appropriation Funds*.

The statute allows balances in the fund to be appropriated by the Legislature if balances in the *Component 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. 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.

Section 6-4-9(B), NMSA 1978, requires that all money received by the State Treasurer in fiscal years 2003 through 2006 be distributed from the *Tobacco Settlement Permanent Fund* to the *Component Appropriation Funds*. Subsection C of that section requires that, in fiscal year 2007 and beyond, an annual distribution be made from the *Tobacco Settlement Permanent Fund* to the *Tobacco Settlement Program Fund* of an amount equal to fifty percent of the total amount distributed to the *Tobacco Settlement Permanent Fund* in that fiscal year until the amount is less than an amount equal to four and seven-tenths percent of the average of the year-end market values of the *Tobacco Settlement Permanent Fund* for the immediately

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preceding five years. If the amount distributed to the *Tobacco Settlement Program Fund* is insufficient to meet appropriations, the secretary of the NM Department of Finance and Administration shall reduce each appropriation proportionately. In fiscal year 2009 through 2013, the remaining fifty percent of money distributed to the *Tobacco Settlement Permanent Fund* shall be distributed to the *Tobacco Settlement Program Fund*. Transfers will be presented as expenditures in these financial statements.

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.

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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 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 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

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Sections 6-7-1 through 6-7-3 NMSA 1978 in the event there is no surplus of unappropriated money in the *General Fund*.

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

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appropriate balances in the fund without any restrictions, in the event that resources are not sufficient to meet authorized appropriations.

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 receivable, are recognized before the revenues.

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 1st 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 \$72.4 million, which represents the estimated amount of personal income tax refunds in excess of final personal income tax settlements, at June 30, 2015. The estimate is based on a ten

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year average of final settlement payments and refunds. Fiscal year 2015 is the fifth year the estimate was based on a ten year average. The estimate for fiscal year 2007 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 2015, 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	\$ 39,359,006
Appropriations Accounts Fund	85300	Current School	71700	41,964,988
Current School Fund	71700	Common School Fund	71600	41,964,988
				<u>\$ 123,288,982</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

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the accompanying financial statements, the cash returned to the Funds is treated as general revenue and presented as “reversions.”

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: nonspendable, 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 General Operating Reserve Fund because the balance is legally restricted for specific purposes.

The General Operating Reserve Fund reports \$36 million of restricted fund balance to address potential Maintenance of Effort (MOE) shortfalls in FY 13 and FY 14 by the New Mexico Public Education Department (PED). As enacted, the *Laws of 2013 chapter 191, 51st legislature first session* includes appropriations and language that commit the General Operating Reserve Fund to cover such shortfalls. The U.S. Department of Education and PED are in dispute over the calculations of the amount needed for maintenance of effort. An estimated \$36 million transfer will be made upon PED appearing at a future Board of Finance meeting to confirm the exact amount of the

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transfer needed to meet maintenance of effort requirements. Based on this information, restricted fund balance in the amount of \$36 million is reported in the General Operating Reserve Fund.

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

G. Recently Issued Accounting Standards

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The objective of this Statement is to improve the information provided in government financial reports about pension related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Adopting GASB 68 did not impact the Component Appropriation Funds' financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Adopting GASB 71 did not impact the Component Appropriation Funds' financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The objective is to establish general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. 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 72 on its financial statements.

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In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments 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 73 on its financial statements.

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The Component Appropriation Funds have not completed the process of evaluating the impact of GASB 75 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.

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2) Investments

As of June 30, 2015, 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>572,057,713</u>
New Mexico State Investment Council		
Equities	Not Applicable	
Large Cap Index Pool		\$ 115,818,293
Small/Mid Cap Active Pool		1,335,182
Small/Mid Cap Index Pool		307,875
Non-U.S. Developed Markets Pool		11,475,890
Non-U.S. Emerging Markets Pool		6,793,956
Core Bonds		
U.S. Core Bonds Pool	1 to 10 years	41,863,021
Hedge Fund Pool	Not Applicable	19,156,091
Cash/Cash Equivalents/Accruals	Not Applicable	<u>19,611,309</u>
		<u>\$ 216,361,617</u>

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. Accordingly, the investments of the Funds' consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

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, 2015.

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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 yet been collected. Advances from the State General Fund Investment Pool totaling \$848,080,685 at June 30, 2015, 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, 2015:

SHARE System Fund Number	Source	Amount
83200	Gross Receipt Tax	\$ 339,913,505
83200	Withholding Taxes	172,239,904
83300	Severance School Taxes	84,005,155
11820	Insurance Suspense Taxes	50,485,817
60100	Land Grant Permanent Fund	41,964,988
27900	Corporate Income Taxes	26,533,204
64200	Regular Income Tax - PIT	21,220,871
2000	Tribal Revenue Sharing (Indian Gaming)	16,795,745
60200	Severance Tax Permanent Fund Income	15,226,915
57800	Fire Protection Fund - Insurance Fees	15,156,471
85800	Public Education Department	14,259,323
82800	Luxury Tax	13,272,518
82800	Gaming Tax	12,297,605
82500	Motor Vehicle Excise Tax	9,591,917
Various	Other	49,089,580
		<u>\$ 882,053,518</u>

State of New Mexico
Component Appropriation Funds
Notes to Financial Statements
June 30, 2015

5) Transfers

For fiscal year 2015, the laws of 2014, Chapter 63 from the 51st legislature, second session, section 13(B) provides the Funds with authority to transfer \$60 million from the General Operating Reserve Fund to the Appropriation Contingency Reserve Fund to meet fiscal year 2015 obligations. In addition, for fiscal year 2015, the laws of 2015, Chapter 101 from the 52nd legislature, 1st Session, section 12(A) provides the Funds with authority to transfer \$140 million from the General Operating Reserve Fund to the Appropriation Account Fund to meet fiscal year 2015 obligations. For fiscal year 2015, appropriations exceeded revenues by \$39.4 million.

6) General Operating Reserve Fund Contingency

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP) which is managed by the Office of the State Treasurer. The SGFIP is not a part of the accompanying financial statements, but is reported as a fiduciary fund in the financial statements of the State Treasurer's Office. Claims on the SGFIP are reported as assets by the various agencies investing in the SGFIP. By statute, the Department of Finance and Administration (DFA) is responsible for reconciling the SGFIP balances. As of June 30, 2015, the Component Appropriations Funds report an aggregate investment of \$572,057,713 in the SGFIP (see Note 2).

As noted in prior years, the statewide cash balances in the SHARE general ledger accounts were not reconciled to the SGFIP during the period beginning with the implementation of SHARE in July 2006 through January 2013. Changes in statewide business processes, bank account structure and SHARE System configuration, which occurred in 2013, enabled reconciliation of activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013.

Since 2013, the reconciliation process has evolved and matured to a point where the uncertainties associated with this long outstanding issue can now be quantified and monitored. The current reconciliation process has produced a difference between statewide agency claims against the SGFIP and the fiduciary resources held at the State Treasurer's Office to fulfill those claims. The difference has remained within a relatively narrow range over the period in which the process has been used. Recognizing that the comprehensive effort to reconcile the historical transactions which occurred during the period of July 2006 through January 2013 was unsuccessful due to incomplete data sets, and that future efforts would probably be equally inconclusive, there will always be some uncertainty related to this period. However,

State of New Mexico
Component Appropriation Funds
Notes to Financial Statements
June 30, 2015

based on the on-going process it now seems unlikely that either a significant loss or gain occurred during this timeframe.

For the past nine months, management has compared reconciled aggregated agency claims on the SGFIP to the related resources held by the State Treasurer's Office in its fiduciary role. The monthly reconciliations suggest a variable but reasonable difference between claims and resources. A contingency occurs because circumstances exist that create uncertainty as to possible gain or loss that will ultimately be resolved when the difference between claims and resources is eliminated. Management has determined that the likelihood of a loss is remote, and the potential magnitude of such a loss could be absorbed by the Component Appropriations Funds' General Operating Reserve Fund without the need for a contingency. In accordance with GASB 62, because the likelihood that a loss has occurred is not probable, management does not believe a loss contingency is necessary in the current period.

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, 2015.

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, 2015, the States Funded Divisions' net pension liability is \$1.8 billion, and the States' total net pension liability is \$3.3 billion.

8) State General Fund Investment Pool

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

State of New Mexico
Component Appropriation Funds
Notes to Financial Statements
June 30, 2015

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertions can be made:

- 1) The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
- 2) Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve Fund. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

Supplementary Information

State of New Mexico
Component Appropriation Funds
Schedule of Revenues by Source
For the Year Ended June 30, 2015

	General and Selective Taxes	Income Taxes	Severance Taxes
Motor vehicle miscellaneous fees	\$ -	\$ -	\$ -
MVD penalty assessment	-	-	-
Notary public fees	-	-	-
Public Defender reimbursements	-	-	-
Legislative receipts	-	-	-
Media lease payments	-	-	-
District judges' receipts	-	-	-
Fines and forfeitures	-	-	-
Supreme Court fees	-	-	-
Public utilities	-	-	-
Financial institution fees	-	-	-
Manufacturing housing receipts	-	-	-
Construction industry receipts	-	-	-
Security receipts	-	-	-
Gaming receipts	-	-	-
Corporate filing	-	-	-
Alcohol receipts	-	-	-
Corporate special	-	-	-
Pipeline fees	-	-	-
State Engineer's fees	-	-	-
Licensure of health facilities	-	-	-
Birth and death certificates	-	-	-
Workers' compensation fees	-	-	-
Environment Department filing fees	-	-	-
Telephone fees	-	-	-
Drivers' training fees	-	-	-
Land office income	-	-	-
Insurance	189,952,955	-	-
Fire protection	15,156,472	-	-
Gross receipts tax	2,095,153,198	-	-
Compensating tax	71,839,715	-	-
Bed surcharge tax	-	-	-
Tobacco (Luxury) tax	82,347,847	-	-
Alcoholic beverage tax	26,262,360	-	-
Private car	660,267	-	-
Motor vehicle excise tax	138,701,128	-	-
Gaming tax	70,409,006	-	-
Leased vehicles surcharge	5,236,260	-	-
Gasoline tax	(1,152,179)	-	-
Telecommunications relay surcharge	122,650	-	-

License Fees	Investment Income	Rents and Royalties	Miscellaneous Receipts and Reversions	Total
\$ 100,050	\$ -	\$ -	\$ -	\$ 100,050
-	-	-	5,657,725	5,657,725
-	-	-	680,603	680,603
-	-	-	269,668	269,668
-	-	-	28,358	28,358
-	-	-	18,615	18,615
-	-	-	925,420	925,420
-	-	-	5,241,213	5,241,213
-	-	-	747	747
12,128,731	-	-	-	12,128,731
3,556,682	-	-	-	3,556,682
752,939	-	-	-	752,939
6,198,719	-	-	-	6,198,719
21,266,610	-	-	-	21,266,610
416,261	-	-	-	416,261
4,020,027	-	-	-	4,020,027
3,930,721	-	-	-	3,930,721
3,308,211	-	-	-	3,308,211
195,776	-	-	-	195,776
-	-	-	-	-
-	-	-	-	-
-	-	-	1,019,074	1,019,074
-	-	-	4,772	4,772
-	-	-	4,211,714	4,211,714
-	-	-	-	-
-	-	-	-	-
-	-	42,234,931	-	42,234,931
-	-	-	-	189,952,955
-	-	-	-	15,156,472
-	-	-	-	2,095,153,198
-	-	-	-	71,839,715
-	-	-	-	-
-	-	-	-	82,347,847
-	-	-	-	26,262,360
-	-	-	-	660,267
-	-	-	-	138,701,128
-	-	-	-	70,409,006
-	-	-	-	5,236,260
-	-	-	-	(1,152,179)
-	-	-	-	122,650

State of New Mexico
Component Appropriation Funds
Schedule of Revenues by Source — continued
For the Year Ended June 30, 2015

	General and Selective Taxes	Income Taxes	Severance Taxes
Net personal income taxes	\$ -	\$ 1,332,201,728	\$ -
Net corporate income taxes	-	254,476,780	-
Estate taxes	-	1,343	-
Franchise receipts	-	-	-
Fiduciary	-	7,509,776	-
Land grant permanent fund distribution	-	-	-
Federal mineral leasing	-	-	-
Oil and gas emergency school tax	-	-	375,423,372
Oil and gas conservation tax	-	-	20,091,023
Resource excise tax	-	-	13,344,571
Natural gas processors	-	-	18,594,269
State Treasurer earnings on state balances	-	-	-
Severance tax permanent fund distribution	-	-	-
Tribal revenue sharing	-	-	-
Unclaimed property	-	-	-
Small county assistance	-	-	-
Small city assistance	-	-	-
Law enforcement protection	-	-	-
Boat excise tax	183,874	-	-
Racing receipts	669,964	-	-
Reversions	-	-	-
Settlement/miscellaneous	-	-	-
Totals	<u>\$ 2,695,543,517</u>	<u>\$ 1,594,189,627</u>	<u>\$ 427,453,235</u>

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License Fees	Investment Income	Rents and Royalties	Miscellaneous Receipts and Reversions	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,332,201,728
-	-	-	-	254,476,780
-	-	-	-	1,343
-	-	-	-	-
-	-	-	-	7,509,776
-	502,757,086	-	-	502,757,086
-	-	542,183,996	-	542,183,996
-	-	-	-	375,423,372
-	-	-	-	20,091,023
-	-	-	-	13,344,571
-	-	-	-	18,594,269
-	17,012,992	-	-	17,012,992
-	182,722,980	-	-	182,722,980
-	-	-	67,178,035	67,178,035
-	-	-	24,644,298	24,644,298
-	-	-	5,808,970	5,808,970
-	-	-	-	-
-	-	-	7,641,529	7,641,529
-	-	-	-	183,874
-	-	-	-	669,964
-	-	-	59,163,317	59,163,317
-	7,147,026	-	36,136,086	43,283,112
<u>\$ 55,874,727</u>	<u>\$ 709,640,084</u>	<u>\$ 584,418,927</u>	<u>\$ 218,630,144</u>	<u>\$ 6,285,750,261</u>

State of New Mexico
Component Appropriation Funds
Schedule of Appropriations
For the Year Ended June 30, 2015

Laws of 2014 - 51st

Agency No.	SHARE		Chapter 63		Other Appropriations Chapter, Section
	Fund No.	Share Fund Name	Section 4 Amounts	Section 5 and 8 amount	
11100	12900	Legislative Council Services	\$ -	\$ -	Chapter 1, Section 3 (A)
11200	13000	Legislative Finance Committee	-	-	Chapter 1, Section 4
11400	74300	Legislative Council Services/Senate Interim	-	-	Chapter 1, Section 8
11500	74400	Legislative Council Services/House Interim	-	-	Chapter 1, Section 7
11700	13100	Legislative Education Study Committee	-	-	Chapter 1, Section 5
11900	13200	Legislative Maintenance	4,285,400	-	
13100	13300	Legislature	38,300	-	Chapter 1, Section 3 (B,C,D) and Section 6
13101	20030	Legislature - Senate	-	-	
13102	20040	Legislature - House	-	-	
		Total - Legislative	4,323,700	-	
20500	13400	Supreme Court Law Library	1,532,000	-	
21000	13500	Judicial Standards Commission	839,100	-	
21500	13700	Court of Appeals	5,853,800	-	
21600	13800	Supreme Court	3,208,600	-	
21800	11600	Magistrate Drug Court	50,600	-	
21800	13600	Judge's Pro Tempore	31,000	-	
21800	13900	Administrative Office of the Courts	7,973,800	-	
21800	58300	AOC-Non Grant Projects	197,600	-	
21800	68900	Information System	3,392,900	-	
21800	69200	Magistrate Courts	25,339,700	-	
21801	1200	Jury and Witness Fee Fund	4,454,500	-	
21800	12400	Court Appointed Attorney Fees	4,887,000	-	
21900	14000	Supreme Court Building Commission	905,200	-	
23100	14100	First Judicial District Court	6,758,700	-	
23200	14200	Second Judicial District Court	22,640,900	-	
23300	14300	Third Judicial District Court	6,476,100	-	
23400	14400	Fourth Judicial District Court	2,214,000	-	
23500	14500	Fifth Judicial District Court	6,503,800	-	
23600	14600	Sixth Judicial District Court	3,207,300	-	
23700	14700	Seventh Judicial District Court	2,350,700	-	
23800	14800	Eighth Judicial District Court	2,869,800	-	
23900	14900	Ninth Judicial District Court	3,345,300	-	
24000	15000	Tenth Judicial District Court	874,600	-	
24100	15100	Eleventh Judicial District Court	4,903,200	-	
24100	33500	Eleventh Judicial District Court/Drug Court	1,305,500	-	
24200	15200	Twelfth Judicial District Court	2,904,700	-	
24200	92900	Twelfth Judicial District Court - Other Programs	316,000	-	
24300	15300	Thirteenth Judicial District Court	6,988,900	-	
24400	15400	Bernalillo County Metropolitan Court	23,413,300	-	
25100	15500	First Judicial District Attorney	5,151,500	-	
25200	15600	Second Judicial District Attorney	18,000,800	-	
25300	15700	Third Judicial District Attorney	4,624,200	-	
25400	15800	Fourth Judicial District Attorney	3,122,400	-	
25500	15900	Fifth Judicial District Attorney	4,765,300	-	

Legislature - Second Session

Laws of 2015 - 51st Legislature - First Session

		Chapter 101				Total Appropriations
Amount	Total	Section 5 Amount	Section 6 Amount	Other Appropriations Chapter, Section	Amount	Fiscal Year 2015
\$ 5,821,000	\$ 5,821,000	\$ -	\$ -		\$ -	\$ 5,821,000
4,216,700	4,216,700	-	-		-	4,216,700
1,188,800	1,188,800	-	-		-	1,188,800
1,155,000	1,155,000	-	-		-	1,155,000
1,271,000	1,271,000	-	-		-	1,271,000
-	4,285,400	-	-		-	4,285,400
				Chapter 1, HB 1, Section 1B (9) & Section 9		
1,358,300	1,396,600	-	-		1,825,500	3,222,100
				Chapter 1, HB 1, Section 1B (1,3,5,7)		
-	-	-	-		3,981,600	3,981,600
				Chapter 1, HB 1, Section 1B (2,4,6,8)		
-	-	-	-		4,277,500	4,277,500
<u>15,010,800</u>	<u>19,334,500</u>	<u>-</u>	<u>-</u>		<u>10,084,600</u>	<u>29,419,100</u>
-	1,532,000	-	-		-	1,532,000
-	839,100	-	-		-	839,100
-	5,853,800	-	-		-	5,853,800
-	3,208,600	-	-		-	3,208,600
-	50,600	-	-		-	50,600
-	31,000	-	-		-	31,000
-	7,973,800	-	-		-	7,973,800
-	197,600	-	-		-	197,600
-	3,392,900	-	-		-	3,392,900
				Laws 2015, 1st SS, Chapter 1, Sec 3		
-	25,339,700	-	-		300,000	25,639,700
-	4,454,500	-	1,146,900		-	5,601,400
-	4,887,000	-	300,000		-	5,187,000
-	905,200	-	-		-	905,200
-	6,758,700	-	-		-	6,758,700
-	22,640,900	-	-		-	22,640,900
-	6,476,100	-	-		-	6,476,100
-	2,214,000	-	-		-	2,214,000
-	6,503,800	-	-		-	6,503,800
-	3,207,300	-	-		-	3,207,300
-	2,350,700	-	-		-	2,350,700
-	2,869,800	-	-		-	2,869,800
-	3,345,300	-	-		-	3,345,300
-	874,600	-	-		-	874,600
-	4,903,200	-	-		-	4,903,200
-	1,305,500	-	-		-	1,305,500
-	2,904,700	-	-		-	2,904,700
-	316,000	-	-		-	316,000
-	6,988,900	-	-		-	6,988,900
-	23,413,300	-	-		-	23,413,300
-	5,151,500	-	-		-	5,151,500
-	18,000,800	150,000	-		-	18,150,800
-	4,624,200	-	-		-	4,624,200
-	3,122,400	-	-		-	3,122,400
-	4,765,300	-	46,900		-	4,812,200

State of New Mexico
Component Appropriation Funds
Schedule of Appropriations — continued
For the Year Ended June 30, 2015

Laws of 2014 - 51st

Agency No.	SHARE Fund No.	Share Fund Name	Chapter 63		Other Appropriations Chapter, Section
			Section 4 Amounts	Section 5 and 8 amount	
25600	16000	Sixth Judicial District Attorney	\$ 2,733,100	\$ -	
25700	16100	Seventh Judicial District Attorney	2,459,500	-	
25800	16200	Eighth Judicial District Attorney	2,625,300	-	
25900	16300	Ninth Judicial District Attorney	2,799,100	-	
26000	16400	Tenth Judicial District Attorney	1,163,600	-	
26100	16500	Eleventh Judicial District Attorney/Division 1	3,466,000	-	
26200	16600	Twelfth Judicial District Attorney	2,701,300	-	
26300	16700	Thirteenth Judicial District Attorney	4,951,900	-	
26400	16800	Administrative Office of the District Attorneys	2,173,600	-	
26500	16900	Eleventh Judicial District Attorney/Division 2	2,167,000	-	
		Total - Judicial	<u>218,643,200</u>	<u>-</u>	
30500	17000	Attorney General	10,240,100	-	
30500	27800	AG - Medicaid Fraud	526,900	-	
30800	11100	State Auditor's Office	3,134,600	-	
33300	17200	Taxation & Revenue Department - Operating	57,018,700	-	
34100	900	DFA - Computer Systems Enhancement Fund	-	-	
34100	1000	Department of Finance and Administration - Operating	20,244,500	-	
34100	10780	DFA - Juvenile Adjudication	19,900	-	
34100	20130	DFA - County Detention Reimbursement Fund	3,290,900	-	
34100	20900	DFA - Board of Finance Emergency (85200)	-	-	NMSA 6-4-2.1, 6-1-2, Chapter 227, 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	99,700	22,680,505	
34100	62400	Civil Legal Services Fund	2,199,600	-	
34100	69700	DFA - Tobacco Settlement Program Fund	-	-	NMSA 6-4-9
35000	17400	General Services Department	13,595,600	-	
35000	41700	General Services Department - State Aircraft Pool	641,800	-	
35400	34700	New Mexico Sentencing Commission	578,200	-	
35500	17500	Public Defender Department	43,899,000	-	
35600	17600	Governor's Office	3,599,100	-	
36000	17700	Lieutenant Governor's Office	588,200	-	
36100	20370	Department of Information Technology	863,200	-	
36900	17900	State Commission of Public Records	2,746,800	-	
37000	18000	Secretary of State	7,390,300	200,000	
37800	18100	State Personnel Board	4,221,600	-	
37900	84800	Public Employees Labor Relations Board	231,100	-	
39400	18200	State Treasurer's Office	3,729,300	-	
		Total - General Control	<u>179,105,700</u>	<u>22,880,505</u>	

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Legislature - Second Session		Laws of 2015 - 51st Legislature - First Session				Total Appropriations	
Amount	Total	Chapter 101		Other Appropriations Chapter, Section	Amount	Fiscal Year 2015	
		Section 5 Amount	Section 6 Amount				
\$ -	\$ 2,733,100	\$ -	\$ -		\$ -	\$ 2,733,100	
-	2,459,500	-	-		-	2,459,500	
-	2,625,300	-	-		-	2,625,300	
-	2,799,100	-	-		-	2,799,100	
-	1,163,600	-	28,000		-	1,191,600	
-	3,466,000	-	-		-	3,466,000	
-	2,701,300	-	-		-	2,701,300	
-	4,951,900	-	-		-	4,951,900	
-	2,173,600	-	-		-	2,173,600	
-	2,167,000	-	-		-	2,167,000	
-	218,643,200	150,000	1,521,800		300,000	220,615,000	
-	10,240,100	-	-		-	10,240,100	
-	526,900	-	-		-	526,900	
-	3,134,600	-	-		-	3,134,600	
-	57,018,700	-	-		-	57,018,700	
-	-	13,780,000	-		-	13,780,000	
-	20,244,500	-	-		-	20,244,500	
-	19,900	-	-		-	19,900	
-	3,290,900	-	-		-	3,290,900	
453,771	453,771	-	-		-	453,771	
-	118,100	-	-		-	118,100	
-	128,500	-	-		-	128,500	
-	22,780,205	5,570,200	-		-	28,350,405	
-	2,199,600	-	-		-	2,199,600	
19,282,700	19,282,700	-	-		-	19,282,700	
-	13,595,600	-	-		-	13,595,600	
-	641,800	-	-		-	641,800	
-	578,200	-	-		-	578,200	
-	43,899,000	-	-		-	43,899,000	
-	3,599,100	-	-		-	3,599,100	
-	588,200	-	-		-	588,200	
-	863,200	-	-		-	863,200	
-	2,746,800	-	-		-	2,746,800	
-	7,590,300	-	-		-	7,590,300	
-	4,221,600	-	-		-	4,221,600	
-	231,100	-	-		-	231,100	
-	3,729,300	-	-		-	3,729,300	
19,736,471	221,722,676	19,350,200	-		-	241,072,876	

State of New Mexico
Component Appropriation Funds
Schedule of Appropriations — continued
For the Year Ended June 30, 2015

Laws of 2014 - 51st

Agency No.	SHARE		Chapter 63		Other Appropriations Chapter, Section
	Fund No.	Share Fund Name	Section 4 Amounts	Section 5 and 8 amount	
34101	85300	Cumbres and Toltec Scenic Railroad Commission	\$ 123,200	\$ -	
41700	48000	NM Border Authority	329,200	-	
41800	18800	Tourism Department	12,288,200	500,000	
41900	18900	Economic Development Department	7,337,600	-	
41900	63800	Industrial Development (In-Plant Training)	-	1,000,000	
42000	20120	Regulation and Licensing Department	28,700	-	
42000	43300	Regulation and Licensing Department	13,460,500	-	
43000	55000	Public Regulation Commission Operating	7,727,100	-	
46500	53600	Gaming Control Board	5,650,100	-	
46900	19200	State Racing Commission	2,415,700	-	
49100	74800	Office of Military Base Planning and Support	200,500	-	
49500	87100	New Mexico Space Port Authority	458,600	-	
		Total - Commerce and Industry	50,019,400	1,500,000	
50500	19300	Office of Cultural Affairs	29,972,400	-	
50800	39500	New Mexico Livestock Board	1,376,200	-	
52100	19900	Energy, Mineral and Natural Resource Department	11,273,300	-	
52100	20010	EMNRD / State Parks	10,893,300	-	
52100	21300	EMNRD - Emergency Fire/ Insect and Disaster	-	-	Executive Orders
53800	82900	Intertribal Ceremonial Office	104,700	-	
55000	21400	Office of State Engineer	18,300,200	-	
		Total - Agriculture, Energy and Natural Resources	71,920,100	-	
60300	28400	Office of African American Affairs	804,800	-	
60400	4600	Commission for Deaf and Hard of Hearing	299,200	-	
60500	6000	Martin Luther King, Jr., Commission	336,600	-	
60600	4700	Commission for the Blind	2,072,700	-	
60900	4800	New Mexico Office of Indian Affairs	2,685,800	-	
62400	4900	Aging and Long-term Services Dept. - Administration	47,165,000	-	
63000	5200	Human Services Department - General Operating Fund	108,428,700	-	
63000	97500	HSD Income Support - Care & Support	12,628,800	-	
63000	97600	HSD Medical Assistance	891,029,600	-	
63100	32900	NMDWS Operating Fund	11,327,200	-	
64400	20570	DVR - Independent Living Services	1,282,900	-	
64400	50000	Division of Vocational Rehabilitation	4,467,100	-	
64500	5800	Governor's Commission on Disability	1,313,400	-	
64700	7900	Developmental Disabilities Planning Council	5,197,600	-	
66500	6100	Department of Health / General Operating	294,966,000	-	
66500	20480	DOH - Fort Bayard Medical Center	4,050,000	-	
66500	25700	DOH - Trauma System Fund	3,935,400	-	
66500	75600	DOH - Emergency Medical Services	3,064,700	-	
66500	95811	DOH - Birthing Workforce Retention	31,300	-	
66700	6400	Department of Environment	12,550,500	-	
66800	49300	Office of the Natural Resources Trustee	271,300	-	
67000	6500	Veterans' Service Department	3,319,700	-	
69000	6700	Children, Youth and Families Department	160,664,700	-	
69000	20080	Children, Youth and Families Department	14,264,700	-	

Legislature - Second Session		Laws of 2015 - 51st Legislature - First Session				Total
Amount	Total	Chapter 101		Other Appropriations Chapter, Section	Amount	Appropriations
		Section 5 Amount	Section 6 Amount			Fiscal Year 2015
\$ -	\$ 123,200	\$ -	\$ -		\$ -	\$ 123,200
-	329,200	-	-		-	329,200
-	12,788,200	-	-		-	12,788,200
-	7,337,600	27,650,000	-		-	34,987,600
-	1,000,000	5,500,000	-		-	6,500,000
-	28,700	-	-		-	28,700
-	13,460,500	-	-		-	13,460,500
-	7,727,100	-	-		-	7,727,100
-	5,650,100	-	-		-	5,650,100
-	2,415,700	-	-		-	2,415,700
-	200,500	-	-		-	200,500
-	458,600	-	-		-	458,600
-	51,519,400	33,150,000	-		-	84,669,400
-	29,972,400	150,000	-		-	30,122,400
-	1,376,200	-	-		-	1,376,200
-	11,273,300	-	-		-	11,273,300
-	10,893,300	-	-		-	10,893,300
1,500,000	1,500,000	-	-		-	1,500,000
-	104,700	-	-		-	104,700
-	18,300,200	-	-		-	18,300,200
1,500,000	73,420,100	150,000	-		-	73,570,100
-	804,800	-	-		-	804,800
-	299,200	-	-		-	299,200
-	336,600	-	-		-	336,600
-	2,072,700	-	-		-	2,072,700
-	2,685,800	-	-		-	2,685,800
-	47,165,000	-	100,000		-	47,265,000
-	108,428,700	-	-		-	108,428,700
-	12,628,800	-	-		-	12,628,800
-	891,029,600	2,500,000	-		-	893,529,600
-	11,327,200	-	-		-	11,327,200
-	1,282,900	-	-		-	1,282,900
-	4,467,100	-	-		-	4,467,100
-	1,313,400	-	-		-	1,313,400
-	5,197,600	-	-		-	5,197,600
-	294,966,000	-	-	Laws 2015, 1st SS, Chapter 1, Sec 3	4,000,000	298,966,000
-	4,050,000	-	-		-	4,050,000
-	3,935,400	-	-		-	3,935,400
-	3,064,700	-	-		-	3,064,700
-	31,300	-	-		-	31,300
-	12,550,500	-	-		-	12,550,500
-	271,300	-	-		-	271,300
-	3,319,700	-	-		-	3,319,700
-	160,664,700	-	500,000		-	161,164,700
-	14,264,700	-	-		-	14,264,700

State of New Mexico
Component Appropriation Funds
Schedule of Appropriations — continued
For the Year Ended June 30, 2015

Laws of 2014 - 51st

Agency No.	SHARE Fund No.	Share Fund Name	Chapter 63		Other Appropriations Chapter, Section
			Section 4 Amounts	Section 5 and 8 amount	
69000	20090	Children, Youth and Families Department	\$ 2,690,000	\$ -	
69000	48900	CYFD / Protective Services	19,352,700	-	
69000	49100	CYFD / Child Care Payments Fund	30,290,400	-	
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	102,100	-	
		Total - Health, Hospitals and Human Services	<u>1,641,472,900</u>	<u>-</u>	
70500	7000	Dept. of Military Affairs - Adjutant General Emergency	-	-	Executive Order
70500	89200	Department of Military Affairs	-	-	
70500	93200	Dept. of Military Affairs - Service Member Life Ins	5,889,400	-	
70500	99200	Department of Military Affairs	1,135,000	-	
76000	90500	Parole Board	488,400	-	
76500	90600	Juvenile Parole Board	15,000	-	
77000	90200	Community Corrections Program	3,769,600	-	
77000	90700	Corrections Department	247,140,800	-	
77000	91500	Probation & Parole Division	26,475,200	-	
78000	90900	Crime Victims Reparation Commission	1,863,600	-	
79000	12800	Department of Public Safety	104,631,200	-	
79500	20050	Homeland Security	2,494,800	-	
79500	20380	Homeland Security - Governor's Disaster Declarations	-	-	Executive Order
		Total - Public Safety	<u>393,903,000</u>	<u>-</u>	
92400	5700	Public Education Department	11,787,300	-	
92400	11420	PED / Pre K Plus Fund	21,223,000	-	
92400	51300	PED / Pre Kindergarten Fund	19,236,600	-	
92400	79000	PED / Special Projects	54,663,200	3,000,000	
92400	79000	PED / Special Projects	-	-	
92400	85600	PED / Instructional Materials	-	-	
		Total - Other Education	<u>106,910,100</u>	<u>3,000,000</u>	
34100	10300	San Juan College	24,934,800	-	
34100	10400	New Mexico Junior College	6,465,400	-	
34100	10500	New Mexico State University	203,163,700	-	
34100	10600	Central New Mexico Community College	55,111,500	-	
34100	10700	Eastern New Mexico University	46,086,900	-	
34100	10800	Luna Vocational Technical Institute	8,660,000	-	
34100	10900	Santa Fe Community College	14,398,100	-	
34100	22200	New Mexico Highlands University	31,260,000	-	
34100	22300	Mesalands Community College	4,477,700	-	
34100	22400	New Mexico Institute of Mining and Technology	37,843,200	-	
34100	22400	New Mexico Institute of Mining and Technology (851)	100,000	-	
34100	22600	New Mexico Military Institute	2,891,100	-	
34100	22700	Western New Mexico University	20,247,800	-	
34100	22800	Northern New Mexico Community College	11,514,100	-	

Legislature - Second Session		Laws of 2015 - 51st Legislature - First Session			Total Appropriations	
Amount	Total	Chapter 101		Other Appropriations Chapter, Section	Amount	Fiscal Year 2015
		Section 5 Amount	Section 6 Amount			
\$ -	\$ 2,690,000	\$ -	\$ -		\$ -	\$ 2,690,000
-	19,352,700	1,000,000	-		-	20,352,700
-	30,290,400	-	-		-	30,290,400
-	221,400	-	-		-	221,400
-	2,658,600	-	-		-	2,658,600
-	102,100	-	-		-	102,100
-	1,641,472,900	3,500,000	600,000		4,000,000	1,649,572,900
1,750,000	1,750,000	-	-		-	1,750,000
-	-	-	-		-	-
-	5,889,400	-	-		-	5,889,400
-	1,135,000	-	-		-	1,135,000
-	488,400	-	-		-	488,400
-	15,000	-	-		-	15,000
-	3,769,600	500,000	-		-	4,269,600
-	247,140,800	7,050,000	4,774,000		-	258,964,800
-	26,475,200	-	-		-	26,475,200
-	1,863,600	-	200,000		-	2,063,600
-	104,631,200	1,355,000	-		-	105,986,200
-	2,494,800	-	-		-	2,494,800
9,375,000	9,375,000	-	-		-	9,375,000
11,125,000	405,028,000	8,905,000	4,974,000		-	418,907,000
-	11,787,300	-	-		-	11,787,300
-	21,223,000	-	-		-	21,223,000
-	19,236,600	-	-		-	19,236,600
-	57,663,200	5,650,000	-		-	63,313,200
-	-	3,100,000	-		-	3,100,000
-	-	-	-		-	-
-	109,910,100	8,750,000	-		-	118,660,100
-	24,934,800	-	-		-	24,934,800
-	6,465,400	-	-		-	6,465,400
-	203,163,700	-	-		-	203,163,700
-	55,111,500	-	-		-	55,111,500
-	46,086,900	-	-		-	46,086,900
-	8,660,000	-	-		-	8,660,000
-	14,398,100	-	-		-	14,398,100
-	31,260,000	-	-		-	31,260,000
-	4,477,700	-	-		-	4,477,700
-	37,843,200	-	-		-	37,843,200
-	100,000	-	-		-	100,000
-	2,891,100	-	-		-	2,891,100
-	20,247,800	-	-		-	20,247,800
-	11,514,100	-	-		-	11,514,100

State of New Mexico
Component Appropriation Funds
Schedule of Appropriations — continued
For the Year Ended June 30, 2015

Laws of 2014 - 51st

Agency No.	SHARE Fund No.	Share Fund Name	Chapter 63		Other Appropriations Chapter, Section
			Section 4 Amounts	Section 5 and 8 amount	
34100	23000	Clovis Community College	\$ 10,101,800	\$ -	
34100	23100	New Mexico School for the Blind and Visually Impaired	1,263,900	-	
34100	23200	New Mexico School for the Deaf	4,172,000	-	
34100	23300	University of New Mexico	311,520,500	-	
95000	21600	HED/Special Programs	23,357,400	-	
95000	47900	HED/Endowment Fund	-	-	
95000	63700	HED/Lottery Tuition Fund	-	11,500,000	
95000	91000	Higher Education Department/Operations	<u>11,884,300</u>	<u>9,111,100</u>	
		Total - Higher Education	<u>829,454,200</u>	<u>20,611,100</u>	
92400	63300	PED / Indian Education	1,819,600	-	
92400	72500	Public School Energy Fund	210,546	-	
92400	79000	PED / Dual Credit Instructional Materials	854,600	-	
92400	85600	Instructional Material Fund (851)	20,308,600	-	
92400	85800	Public School Support/ML (851)	-	-	
92400	85800	Public School Support/CS (717)	-	-	
92400	85800	Public School Support	<u>2,585,184,254</u>	<u>-</u>	
		Total - Public School Support	<u>2,608,377,600</u>	<u>-</u>	
		Total - Component Appropriation Funds	<u>\$ 6,104,129,900</u>	<u>\$ 47,991,605</u>	

— continued

Legislature - Second Session		Laws of 2015 - 51st Legislature - First Session				Total
Amount	Total	Chapter 101		Other Appropriations Chapter, Section	Amount	Appropriations
		Section 5 Amount	Section 6 Amount			Fiscal Year 2015
\$ -	\$ 10,101,800	\$ -	\$ -		\$ -	\$ 10,101,800
-	1,263,900	-	-		-	1,263,900
-	4,172,000	-	-		-	4,172,000
-	311,520,500	250,000	-		-	311,770,500
-	23,357,400	-	9,500,000		-	32,857,400
-	-	5,500,000	-		-	5,500,000
-	11,500,000	-	-		-	11,500,000
-	20,995,400	500,000	-		-	21,495,400
-	850,065,300	6,250,000	9,500,000		-	865,815,300
-	1,819,600	-	-		-	1,819,600
-	210,546	-	-		-	210,546
-	854,600	-	-		-	854,600
-	20,308,600	-	-		-	20,308,600
-	-	-	-		-	521,775,395
-	-	-	-		-	550,233,230
-	2,585,184,254	-	-		-	1,513,175,629
-	2,608,377,600	-	-		-	2,608,377,600
<u>\$ 47,372,271</u>	<u>\$ 6,199,493,776</u>	<u>\$ 80,205,200</u>	<u>\$ 16,595,800</u>		<u>\$ 14,384,600</u>	<u>\$ 6,310,679,376</u>

State of New Mexico
Component Appropriation Funds
Schedule of Amounts Due From Other State Entities
June 30, 2015

Share System Fund Number	Description	Amount
12900	Legislative Council Services	\$ 662,761
13000	Legislative Finance Committee	144,262
74300	Legislative Council Services-Senate	251,773
74400	Legislative Council Services-House	311,031
13100	Legislative Education Study Committee	116,617
13200	Legislative Building Services	277,332
13400	Supreme Court Law Library	39,142
13500	Judicial Standards Commission	6,093
13700	Court of Appeals	2,468
Various	Administrative Office of the Courts	7,564
67900	Second Judicial District Court	24,335
14300	Third Judicial District Court	26,807
14400	Fourth Judicial District Court	482
14500	Fifth Judicial District Court	49,480
14600	Sixth Judicial District Court	3,302
14700	Seventh Judicial District Court	9,494
14800	Eighth Judicial District Court	9,948
14900	Ninth Judicial District Court	242
15000	Tenth Judicial District Court	2,235
33500	Eleventh Judicial District Court	221
15400	Bernalillo County Metropolitan Court	18,839
15500	First Judicial District Attorney	3,782
15700	Third Judicial District Attorney	103
15900	Fifth Judicial District Attorney	232
16000	Sixth Judicial District Attorney	9,891
16100	Seventh Judicial District Attorney	49,313
16200	Eighth Judicial District Attorney	8,738
16300	Ninth Judicial District Attorney	34,340
16500	Eleventh Judicial District Attorney	2,660
16600	Twelfth Judicial District Attorney	21,560
16800	Administrative Office of the District Attorney	6,189
16900	Eleventh Judicial District Attorney, Division II	10,998
17510	Public Defender Department	98,544
11100	Office of the State Auditor	143,810
17200	Taxation and Revenue Department	2,069,228
27900	Corporate Income Taxes	26,533,204
64200	Personal Income Tax	21,220,871
82500	Motor Vehicle Excise Tax	9,591,917
82500	Weight Distance Tax	17,128
82500	Traffic Violations/Penalty Assessment	414,526
82800	Fiduciary Income Taxes	1,683,872

State of New Mexico
Component Appropriation Funds
Schedule of Amounts Due From Other State Entities — continued
June 30, 2015

Share System Fund Number	Description	Amount
82800	Liquor Tax /Alcoholic Beverages	4,637,831
82800	Bingo and Raffle Tax	22,353
82800	Gasoline Tax	(388,673)
82800	Special Fuel Tax	(656)
82800	IFTA	(20,237)
82800	911 Emergency Surcharge Tax	455
82800	Luxury Tax	13,272,518
82800	Gaming Tax	12,297,605
82800	Telecommunications Relay Surcharge	11,877
82800	Environment Dept. Filing Fees	11,179
83100	Worker's Compensation	151,822
83200	Withholding Taxes	172,239,904
83200	Gross Receipt Tax	339,913,505
83200	Compensating Tax	(5,185,846)
83200	Lease Vehicle Surcharge	957,701
83300	Severance - School Tax	84,005,155
83300	Severance Tax - Processors	3,133,937
83300	Severance - Conservation Resource	136,373
83300	Severance - Conservation	3,893,114
83300	Resource Excise - Copper	1,320,334
83300	Resource Excise - Potash	67,651
83300	Resource Excise - Others	567,599
60100	Land Grant Permanent Fund	41,964,988
60200	Severance Tax Permanent Fund Income	15,226,915
Various	Department of Finance and Administration	1,954,968
73600	DFA Law Enforcement Protection	7,641,529
73700	DFA Small County Assistance	5,808,970
17600	Office of the Governor	232,657
17700	Office of the Lieutenant Governor	56,692
20370	Department of Information Technology	51,945
17900	State Commission of Public Records	184,406
18000	Secretary of State	29,012
N/A	Tobacco Luxury/New Mexico Finance Authority	788,595
02000	Tribal Revenue Sharing (Indian Gaming)	16,795,745
18200	State Treasurer's Office	154,588
18800	Tourism Department	115,377
18900	Economic Development Department	60,743
43300	Regulation and Licensing Department	65,488
57800	Fire Protection Fund - Insurance Fees	15,156,471
11810	Superintendent of Insurance	6,579,164
11820	Insurance Suspense Tax	50,485,817

State of New Mexico
Component Appropriation Funds
Schedule of Amounts Due From Other State Entities — continued
June 30, 2015

Share System Fund Number	Description	Amount
53600	Gaming Control Board	246,200
19200	State Racing Commission	281,328
74800	Military Homebase Planning	12,882
19900	Energy, Mineral and Natural Resources Department	11,389
77300	Boat Excise Tax	41,516
21400	Department of Cultural Affairs	308,425
28400	Office of African American Affairs	29,918
04800	Indian Affairs Department	715,023
04900	Aging and Long-Term Services Department	9,069
05800	Governor's Commission on Disability	24,317
50204	Death and Birth Certificate Fees	102,438
11415	Department of Health	101,278
06400	Environment Department	123,666
65200	Environment Department	149,916
49300	Office of the Natural Resources Trustee	23,681
06700	Children, Youth and Families Department	473,729
90500	Adult Parole Board	40,725
90700	Corrections Department	6,454
90900	Crime Victims Reparation Commission	503
12800	Department of Public Safety	53,309
20050	Department of Homeland Security and Emergency Management	54,615
5700	Public Education Department	23,043
79000	Public Education Department	6,234,708
85800	Public Education Department	14,259,323
91000	Higher Education Department	441,158
	Total due from other state entities	\$ 882,053,518

State of New Mexico
Component Appropriation Funds
Schedule of Amounts Due From Taxpayers
June 30, 2015

Share System Fund Number	Description	Amount
27900	Corporate Income Tax	\$ 8,123,570
64200	OGP - Remitter	4,976,608
64200	PTW - Remitter	2,059,959
64200	Personal Income Tax	11,863,790
82800	Fiduciary	25,988
82800	Liquor Excise Tax	2,618
83100	Workers' Compensation	21,036
83200	Withholding Taxes	4,244,645
83200	Gross Receipt Tax	17,363,249
83200	Compensating Tax	<u>(7,902,499)</u>
	Total due from taxpayers	<u>\$ 40,778,964</u>

State of New Mexico
Component Appropriation Funds
Schedule of Amounts Due to Local Governments
June 30, 2015

Share System Fund Number	Description	Amount
832	Taxation and Revenue Dept. (Unidentified 60 Day Remittances) due to local governments	\$ 30,660,180
	Total due to local governments	<u>\$ 30,660,180</u>

State of New Mexico
Component Appropriation Funds
Schedule of Amounts Due to Taxpayers
June 30, 2015

Share System Fund Number	Description	Amount
833	Taxation and Revenue Dept. (Oil & Gas Advance Payments)	\$ <u>42,671,659</u>
	Total due to taxpayers	\$ <u><u>42,671,659</u></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*

Mr. Thomas E. Clifford, Ph.D., Cabinet Secretary
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, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2013-001, that we consider to be a significant deficiency.

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*.

The Component Appropriation Funds' Response to the Finding

The Component Appropriations Funds' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Component Appropriation Funds' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

REDW LLC

Albuquerque, New Mexico
November 30, 2015

State of New Mexico
Component Appropriation Funds
Schedule of Finding and Response
For the Year Ended June 30, 2015

Section I — Financial Statement Findings

2013-001 – Timely Resolution of Uncertainties (Significant Deficiency) (Repeated)

Condition: As of June 30, 2014, the General Operating Reserve Fund reported a \$100 million allowance for potential loss related to the reconciliation of the New Mexico State General Fund Investment Pool (the “Pool”). For the current year (FY15) audit and reflective of reconciliation procedures performed during the year this allowance was reduced as of June 30, 2015. Based on the reconciliation for the period ending June 30, 2015, the Pool’s financial asset balance exceeds claims recorded in the general ledger by \$4 million, 0.1% of the Pool value. While procedures have been implemented to reconcile current Pool activity and compare cumulative claims to existing resources, transactional activity that occurred during the period beginning July 2007 through January 2013 has not been reconciled.

Criteria: Procedures should be in place to enable timely resolution of uncertainties impacting the financial statements including those related to historical Pool activity.

Cause and Effect: The final components of a comprehensive remediation process were implemented in the last quarter of the fiscal year and a minor unreconciled difference remains. A late 2014 effort to reconcile transactions which occurred during the period of July 2006 through January 2013 was unsuccessful in part due to incomplete data sets.

Auditor’s Recommendations: Continue to perform monthly reconciliation of Pool resources to claims and take steps to align bank balance with that shown in the general ledger.

Management’s Response: The reconciliation process has evolved and matured to a point where the uncertainties associated with this long outstanding issue can be addressed. Our current reconciliation process has produced a difference between statewide agency claims against the Pool and the fiduciary resources held at the State Treasurer’s Office to fulfill those claims that has remained within a relatively narrow range over the period in which the reconciliation process has been used. Recognizing that the effort to reconcile transactions which occurred during the period of July 2007 through January 2013 was unsuccessful and that future efforts due to the lack of data and less than optimal business processes in place at that time would yield equally inconclusive results, there will always be some uncertainty related to this period. However, based on the on-going process it now seems remote that a significant loss or gain occurred during this period. We are currently reviewing a previous unrecorded claim on cash that reverts back to the General Fund. After proper review and assuming the claim is deemed valid this action alone will address 75% the unreconciled difference. Additionally, an annual process will be developed to evaluate the significance of difference identified during the reconciliation process and assess the need to process an accounting adjustment to recognize the variance.

State of New Mexico
Component Appropriation Funds
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2015

Audit Finding	Status
2013-001	Unresolved

State of New Mexico
Component Appropriation Funds
Corrective Action Plan
For the Year Ended June 30, 2015

Audit Finding	Responsible Party	Corrective Action to Be Taken	Target Date
2013-001	Deputy Cabinet Secretary	See Management's Response 2013-001	

State of New Mexico
Component Appropriation Funds
Exit Conference
For the Year Ended June 30, 2015

Exit Conference

An exit conference was conducted on November 30, 2015, in which the contents of this report were discussed with the following:

Component Appropriation Funds Management

Mr. Thomas E. Clifford, Ph.D.	Cabinet Secretary, DFA
Ron Spilman	State Controller
Steve Gonzales	Deputy Director, Financial Control Division
Stephanie Schardin Clark	Deputy Secretary
Duffy Rodriguez	Deputy Secretary
Lizzy Vedamanikam, CPA	Administrative Services Director
Eric Riggs	Deputy Director - Administrative Services Department

REDW_{LLC}

Joshua Trujillo, CPA, CGFM, FHFMA	Principal
Javier Machuca, CPA, CGFM, CGMA	Senior Manager
Melissa D. Spangler, CPA, CGFM, CFE	Manager

New Mexico Office of the State Auditor

Sanjay Bhakta, CPA, CGFM, CFE, CGMA	Deputy State Auditor
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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.