

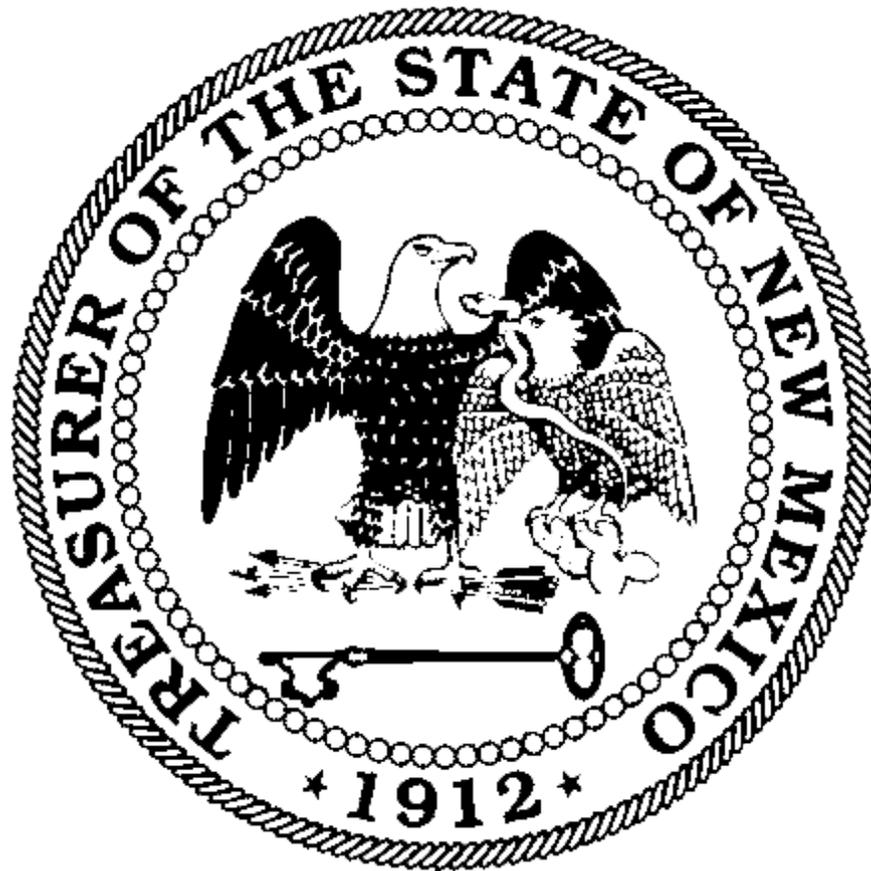
# 2016 Annual Report

## New Mexico State Treasurer's Office

The Honorable Tim Eichenberg  
New Mexico State Treasurer



# New Mexico State Treasurer's Office



## 2016 Annual Report

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New Mexico State Treasurer

The New Mexico State Treasurer's Office Annual Financial Report for the Fiscal Year ended June 30, 2016, provides a synopsis of STO's achievements. An electronic version of this report is available at [www.nmsto.gov](http://www.nmsto.gov).



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PHOTO: Julie Filareff



PHOTO: Marie Andermann

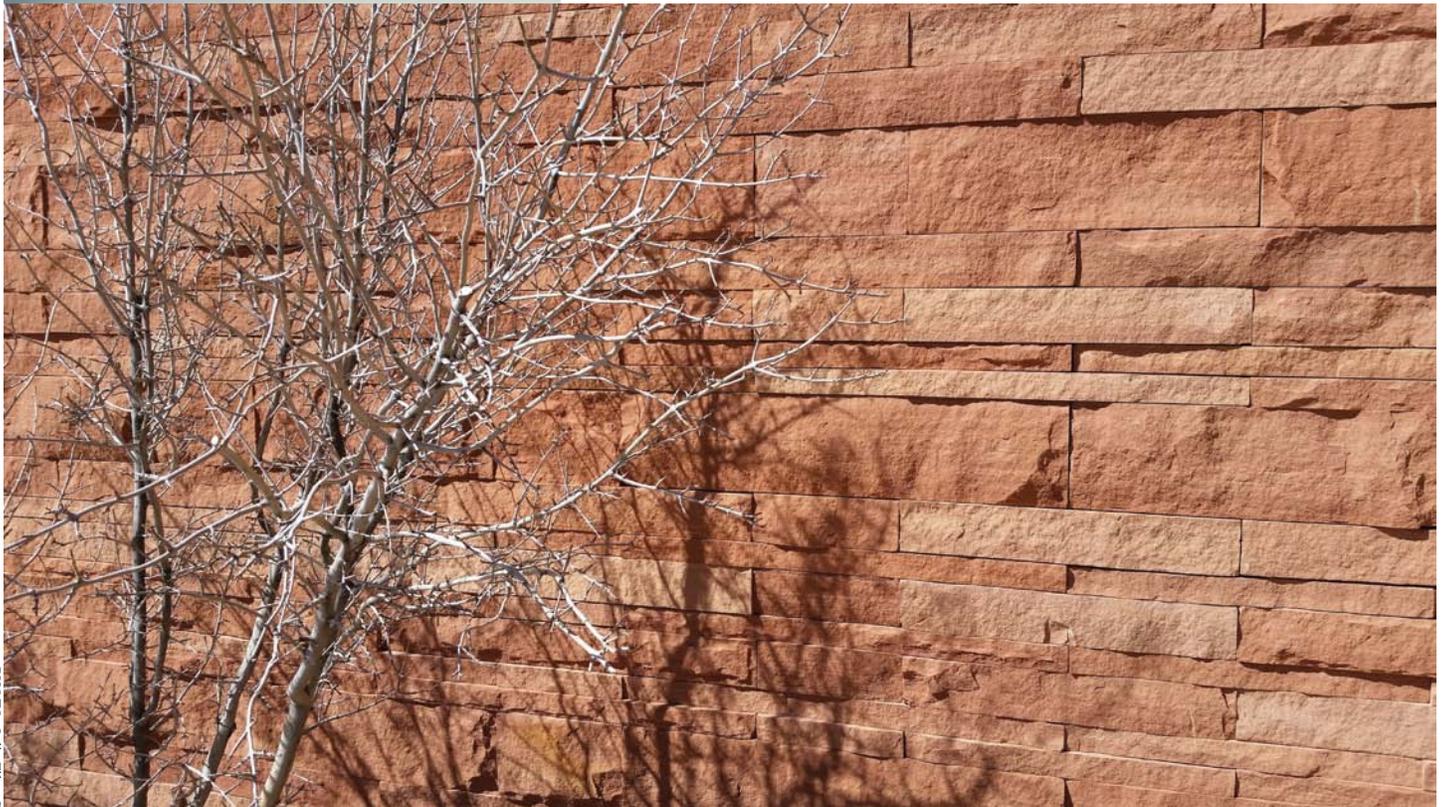


PHOTO: Julie Filareff

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STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER

THE HONORABLE TIM EICHENBERG  
State Treasurer

SAMUEL K. COLLINS, JR.  
Deputy State Treasurer

December 7, 2016

The Honorable Susana Martinez, Governor of New Mexico  
Members of the New Mexico State Legislature  
New Mexico State Board of Finance  
Citizens of the State of New Mexico

Dear Fellow New Mexicans,

The State Treasurer's Office respectfully submits the Annual Report for the fiscal year ending June 30, 2016. The report includes financial statements and other pertinent information regarding operations and accomplishments of the agency.

As required in State Audit Rule (2.2.2 NMAC), the annual external audit was completed and submitted to the State Auditor by the December 1, 2016 deadline. The Independent Auditors' Report and the State Treasurer's Office financial statements are included.

The State Treasurer's Office has negotiated the effects of the decline in oil and gas revenues, while successfully providing sufficient liquidity through the sale of securities without realizing losses, and generating more than \$17 million in earnings for FY2016.

It has been an honor to serve as your State Treasurer and I will continue to represent the citizens of New Mexico with honesty and integrity, while safeguarding the taxpayers' money through sound management practices and a safe investment program.

Many thanks to the dedicated employees of the State Treasurer's Office for their hard work and commitment to the success of the agency.

Sincerely,

Tim Eichenberg  
New Mexico State Treasurer



## Biography of the State Treasurer



**The Honorable Tim Eichenberg  
New Mexico State Treasurer  
2015–Present**

**T**im Eichenberg assumed office on January 1, 2015, becoming the 29<sup>th</sup> State Treasurer of New Mexico. Raised in Albuquerque, New Mexico, he attended Albuquerque Public Schools and graduated from the University of New Mexico. He and his wife have two adult children and two dogs.

Eichenberg's career in public service began in 1974, when he was elected Bernalillo County Treasurer. The reforms that were implemented during his tenure saved taxpayers money and led to his re-election. After serving two terms as Bernalillo County Treasurer, he went to work in the private sector. He operated a small business in Albuquerque for over 30 years as a Property Tax Consultant, State Certified Appraiser, General Contractor (GB-98), and Real Estate Broker.

In 1994, Eichenberg was elected to the Albuquerque Metropolitan Arroyo

Flood Control Authority Board, a position he still holds today. In 2004, he was appointed by Governor Richardson to the position of New Mexico State Property Tax Director.

Eichenberg was elected to the New Mexico State Senate in 2008. As a State Senator, he served on the Public Affairs and Judiciary committees, and was Chair of the Restructuring Committee, which sought to streamline State government and save taxpayers money. In 2010, he carried the Governmental Conduct Act, establishing a code of ethics for all government employees. In 2012, Eichenberg served as Chair of the Revenue Stabilization and Tax Policy Committee.



The Office of the State Treasurer was created under Article V, Section 1 of the New Mexico Constitution. The duties and responsibilities of the State Treasurer are primarily defined by Chapters 6 and 8 of the New Mexico Statutes Annotated 1978 (NMSA 1978). These and other Chapters of New Mexico Statute a) require the Treasurer to act as the State's banker to receive, keep, and account for State funds collected and disbursed, and b) define the State Treasurer's banking, cash management, and investment roles. The principal statutory provisions related to the State Treasurer's prudent management of the State's financial resources and investment authority are listed below.

**Sections 8-6-1 through 8-6-7 NMSA 1978** specify administrative and procedural requirements and define certain duties of the State Treasurer. Section 8-6-3 provides that, among other responsibilities, the State Treasurer shall "receive and keep all monies of the State, except when otherwise specially provided" as well as "disburse the public money upon warrants drawn according to law." This section also requires that the State Treasurer shall "keep a just, true, and comprehensive account of all monies received and disbursed."

**Section 6-1-13 NMSA 1978** provides that the State Treasurer shall authorize all deposit accounts for State agencies and prescribe conditions and reports appropriate to such accounts.

**Section 6-8-6 NMSA 1978** places the State permanent fund in the custody of the State Treasurer; and provides that the State permanent fund, or any part of the fund, shall at all times be available to the State Investment Officer for investment in accordance with State law.

**Section 6-8-11 NMSA 1978** places in the custody of the State Treasurer securities purchased or held by the State Investment Officer or the State Investment Council and authorizes the State Treasurer, with the approval of the Secretary of the Department of Finance and Administration, to deposit the securities with a bank or trust company for safekeeping and servicing.

**Section 6-10-10 NMSA 1978**, in part, permits the State Treasurer to deposit funds in certain financial institutions and to invest, in certain allowable securities and contracts, money not immediately required for the operation of State government.

**Section 6-10-10.1 NMSA 1978** creates a short-term investment fund, which serves as an optional investment opportunity for local governments and Native American tribes, nations, and pueblos; and provides for the investment of the fund, either separately or consolidated with other funds, by the State Treasurer.

**Sections 6-10-24.1, 6-10-25, 6-10-26, and 6-10-29 NMSA 1978** place conditions on the deposit and investment of State funds in New Mexico financial institutions; provide for reports from the State Treasurer concerning money on deposit in State depositories, including the amount required for operation of State government and the amount available for investment; and require depositories to submit an itemized monthly statement concerning the deposits to the State Treasurer.

**Section 6-10-24.2 NMSA 1978** establishes the linked deposit program, which allows the State Treasurer to invest up to 14 percent of State deposits, not to exceed \$49 million, in certain financial institutions located in financially at-risk rural communities; places conditions on the deposit of State funds in these financial institutions; and authorizes the State Treasurer to accept a rate of interest not more than 1 percent below the market rate.

**Section 6-10-28 NMSA 1978** allows the State Treasurer, upon order of the State Board of Finance, to invest the proceeds of general obligation and State revenue bonds.

**Section 6-12A-5 NMSA 1978**, in part, permits the State Treasurer, upon approval by the State Board of Finance, to issue and sell one or more tax revenue anticipation notes; and permits the State Treasurer to pledge the anticipated revenue to secure the payment of the principal of and interest on the anticipation notes.



## In-House Policies

The State Treasurer has implemented several In-House policies to help establish direction to staff on his expectations regarding carrying out the duties and responsibilities of the office. These policies include, but are not limited to, the following:

The Employee Code of Conduct provides directives to ensure that all employees maintain the highest standards of personal and professional conduct. This policy ensures compliance with the Government Conduct Act, and the State Personnel Act and its rules and regulations. It also requires all employees to complete a financial disclosure form and report any campaign contributions.

The Investment Policy provides for the investment of those public funds that are not immediately needed for the day-to-day operations of government. This policy requires full transparency to the State Treasurer's Investment Committee once per month. This ensures that the investments are conducted in compliance with State and federal law and the State Treasurer's directives. There is a separate policy for the investment of the Local Government Investment Pool funds, but this policy adheres to the standards set forth in the general investment policy.



PHOTO: Marie Andemann

# History of the State Treasurer's Office



In 1851, the Legislative Assembly of the Territory of New Mexico passed an act that created the Office of the Territorial Treasurer and defined the powers and duties of the Treasurer.

With Statehood in 1912, Article V Section I, of the New Mexico State Constitution created the Office of the State Treasurer and recognized the State Treasurer as one of the elected officials within the executive department of State government. While the Governor is the chief executive officer, under New Mexico's pluralistic form of executive branch of government, the other

elected members of the executive branch—the Lieutenant Governor, the Secretary of State, the State Treasurer, the Attorney General, the State Auditor, and the Commissioner of Public Lands—all share the responsibility for administering State government. The State Treasurer serves as the elected chief banking officer of the State and is entrusted with keeping, investing, and disbursing all State money, unless otherwise provided by law. In addition, the State Treasurer is charged with a variety of other duties directed toward ensuring prudent management of the State's financial resources as set forth in various sections of the statutes.

## NEW MEXICO STATE TREASURERS

Owen N. Marron	1912–1916	Joseph B. Grant	1957–1958
H.L. Hall	1917–1918	Joe Callaway	1959–1960
Charles U. Strong	1919–1920	Joe Callaway	1961–1962
O.A. Matson	1921–1922	Joseph B. Grant	1963–1964
John W. Corbin	1923–1924	Joseph B. Grant	1965–1966
Warren R. Graham, Sr.	1925–1926	H.E. Thomas, Jr.	1967–1968
Warren R. Graham, Sr.	1927–1928	Merrill B. Johns, Jr.	1968–1969
Emerson Watts	1929–1930	Jesse D. Kornegay	1969–1970
Warren R. Graham, Sr.	1931–1932	Jesse D. Kornegay	1971–1974
Clinton P. Anderson	1933–1934	Edward M. Murphy	1975–1978
James J. Connelly	1935–1936	Jan Alan Hartke	1979–1982
James J. Connelly	1937–1938	Earl E. Hartley	1983–1985
Rex French	1939–1940	James B. Lewis	1985–1986
Rex French	1941–1942	James B. Lewis	1987–1990
Guy Shepard	1943–1944	David W. King	1991–1994
Guy Shepard	1945–1946	Michael A. Montoya	1995–1998
H.R. Rodgers	1947–1948	Michael A. Montoya	1999–2002
H.R. Rodgers	1949–1950	Robert E. Vigil	2003–2005
R.H. Grissom	1951–1952	Douglas Minge Brown	2005–2006
R.H. Grissom	1953–1954	James B. Lewis	2006–2014
Joseph B. Grant	1955–1956	Tim Eichenberg	2015–Present



# Significant Milestones



PHOTO: Julie Filloff

## Accountability and Transparency

Treasurer Eichenberg supports full accountability and transparency to the public through a variety of sources. The State Treasurer’s website provides the most current information affecting the office. It provides daily investment rates, monthly investment reports, operating budget comparisons, annual financial audit reports, and a wealth of other information useful to the public. Additionally, the State Treasurer’s Office provides prompt responses to requests for public information through the Inspection of Public Records Act. The State Treasurer’s staff is fully knowledgeable in the day-to-day operations of the office and strives to provide excellent customer service. The State Treasurer utilizes such publications as local newspapers and *Round the Roundhouse* to update the public on special events or special appearances.

The State Treasurer’s Office maintains a number of internal and external checks and balances with respect to its activities. The State Treasurer engages an independent accounting firm with approval from the State Auditor to perform the annual financial audit of the State Treasurer’s Office. Additionally, the State Treasurer is asked to appear before various legislative committees to present selected information. The State Treasurer operates under significant scrutiny to assure that all transactions are in the best interest of the public.

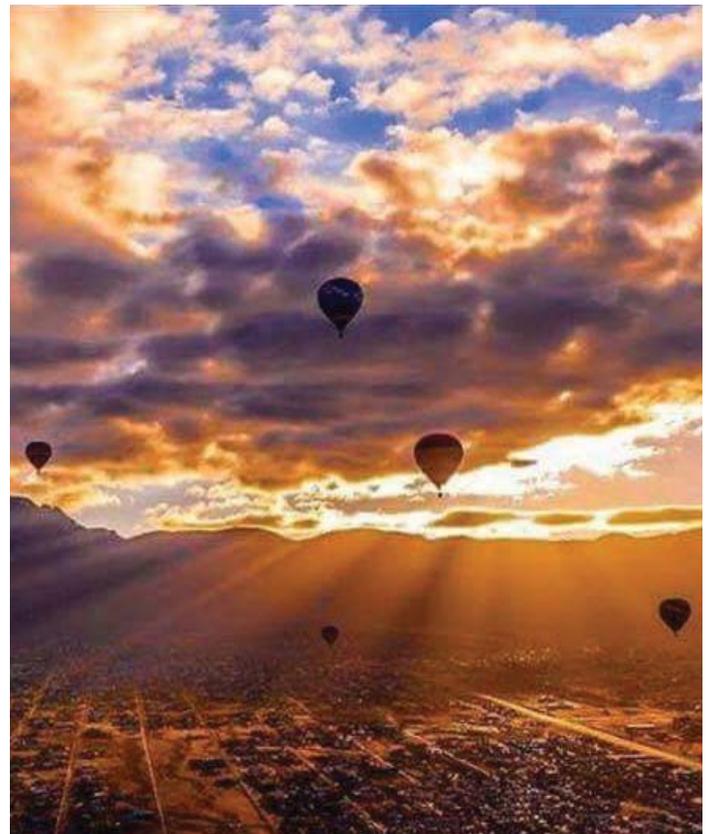
The State Treasurer’s Investment Committee (STIC) meets monthly to review activity affecting both cash management and the investment of public funds. The STIC report can be found on the State Treasurer’s Office website. The Senior Portfolio Manager also provides a monthly report to the State Board of Finance.

## Investing for New Mexico

The State Treasurer’s investment policy mandates the following principles for all investment decisions, in this priority order: preservation of principal, ensuring the safety of public funds; liquidity requirements; and finally, yield. The State Treasurer’s portfolios have maintained a positive return over the past eight years, enduring the most challenging investment environment since the Great Depression.

The State Treasurer invests short-term funds for the State including the General Fund, State bond proceeds, and debt service. Additionally, the Local Government Investment Pool is invested on behalf of numerous local government entities. All investment transactions have a substantial documentation and approval process to assure compliance with investment policy.

The State Treasurer increased the maximum allowable deposits in State banks through certificates of deposits from \$350 to \$400 million in fiscal year 2010 and authorized the use of bond proceeds investment pools for this purpose.





PHOTOS (3): Marie Andemanni

## Cash Forecasting

Accurate cash flow forecasting is essential to the State Treasurer's Office for liquidity management and short-term investing. In these challenging economic times, the General Fund has not seen returns this low in 30 years. The State Treasurer's Office continues to improve the cash forecasting model, closely tracking deposits and expenditures each day to assure sufficient cash flow for the State's daily expenditures, while efficiently investing surplus funds.

A joint initiative between the State Treasurer's Office, the Department of Finance and Administration, and the Legislative Finance Committee was established to work with agencies carrying large negative fund balances with the goal of reducing or eliminating those negative balances. The most common resolution for agencies receiving large federal fund reimbursements has been to increase the frequency of federal fund drawdowns.

## Business Continuity and Disaster Recovery Planning

In his first year in office, Treasurer Eichenberg initiated STO's first true disaster recovery plan, which would allow the office to continue to operate even when faced with a critical threat. Business continuity planning involves recognizing an organization's exposure to internal and external threats, identifying the organization's essential functions and key assets, and taking steps to effectively prevent and recover from both foreseeable and unforeseeable threats. The goal is to continue providing essential services with minimal disruption.

Examples of common threats include pandemic diseases, sabotage, earthquakes, fire, utility outage, floods, terrorism, and cyber-attacks. The threats in the examples above share a common theme—the potential to damage organizational infrastructure and cripple a very vital operation of the State.

The State Treasurer places the highest priority on the security and safety of State data and is committed to maintaining an accurate and viable disaster recovery plan. Critical functions handled by the State Treasurer's Office include time-sensitive services such as investments, cash reconciliation, and cash positioning (to ensure the availability of cash to pay State obligations). The nature of these responsibilities makes it critical for STO to respond within time-sensitive parameters and continue critical business agency operations.

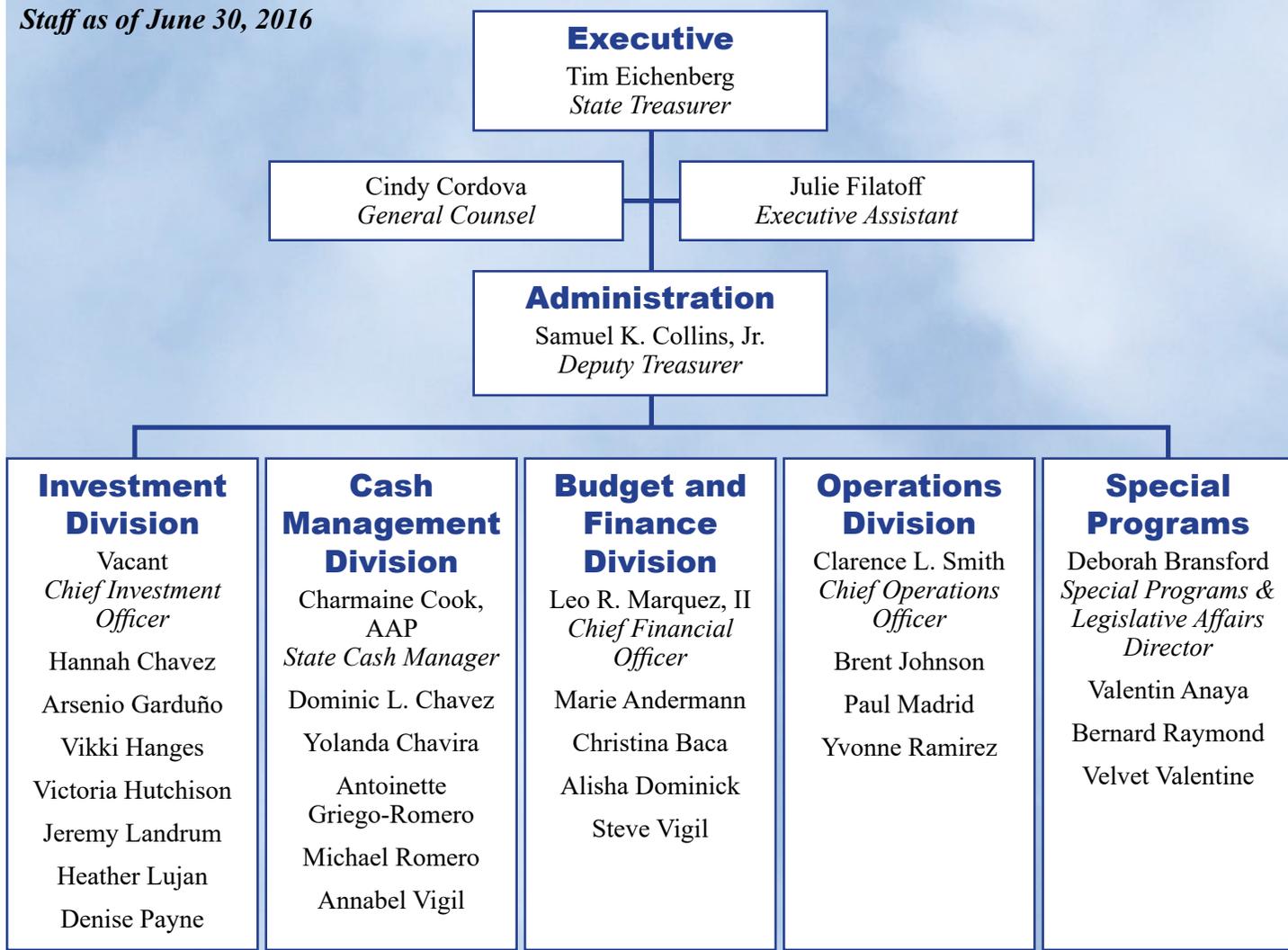
The State Treasurer's Office business continuity plan can be easily activated in the event of a threat or work disruption. The office would be able to continue providing critical banking and investment services to State and local governments with minimal disruption.





# State Treasurer's Office Staff

Staff as of June 30, 2016



## Deputy State Treasurer

**S**amuel K. Collins, Jr., was sworn in as Deputy State Treasurer on October 7, 2015, by District Judge Stan Whitaker.

Prior to his appointment, Mr. Collins served as Vice President—Public Funds Treasury Management with First National Bank. Previously he served as State Cash Manager at the appointment of the Honorable James B. Lewis, New Mexico State Treasurer.



Mr. Collins' background combines experience in the public sector with several years of senior-level bank management. Before beginning public service with the State Treasurer's Office, which serves as the bank for the State, he served for 15 years as President/Chief Executive Officer of Union Financial Corporation and its subsidiaries (Union Savings Bank and Union Savings Bank Mortgage Company) in Albuquerque. He also served as Vice President/Controller at Pioneer Bank in Roswell.

Mr. Collins is a native New Mexican who was born and raised in Roswell.

The Budget and Finance Division manages the annual budget, accounts payable, procurement, professional contracts, fixed-asset inventory, and all financial accounting and reporting activities for the State Treasurer's Office.

It is the responsibility of the Budget and Finance Division to reconcile and post operating, investment, and long-term debt fund activity in the State Treasurer's general ledger (financial statements), and coordinate the annual financial audit. The division must comply with State laws, various regulations, and accounting standards that govern its activities.

## Chief Financial Officer

The State Treasurer's Chief Financial Officer (CFO) serves as the Budget and Finance Division Director. The CFO is responsible for establishing strong budgetary controls and ensuring that financial transactions and reporting activities are in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) rules. This function requires that transactions are recorded and posted in the proper category and that cash account records are reconciled in a timely manner, with reports to the State Treasurer on a monthly basis.

The CFO is responsible for ensuring that budget and accounting systems function properly and that appropriation requests, operating budget, and quarterly performance reporting documents are submitted on time. In addition, the CFO coordinates annual external audit work between the State Treasurer's Office and the independent public accounting firm, and is responsible for having the audit reports completed by the deadline. This position oversees procurement of goods and services, and assures that payments to vendors are completed in compliance with the State procurement law.



PHOTO: Julie Fitzoff

## Budget Bureau

The Budget Bureau compiles and evaluates annual budget needs for each division within the State Treasurer's Office. Proper justification and documentation are required for all budget requests. Once division budget requests are approved by the State Treasurer, the appropriation request is submitted to the Department of Finance and Administration and the Legislative Finance Committee for consideration by the Legislature and the Governor. When the appropriations act is passed by the Legislature and signed by the Governor, the Budget Bureau prepares the operating budget for the upcoming fiscal year. Throughout the fiscal year, the Budget Bureau submits monthly status reports to the State Treasurer to ensure that the office is operating within budget guidelines.

## Finance Bureau

The Finance Bureau is charged with the following responsibilities:

### Reconciliation & Preparation of Financial Statements & Treasury Transaction Postings to General Ledger

The Finance Bureau coordinates information required by the independent public accounting firm performing the annual external audit.

### Procurement of Supplies, Furniture, Equipment, & Services for STO

This requires that the Chief Procurement Officer (CPO) comply with the State's procurement laws and ensures that contracts are complete and accurate. This unit is responsible for identifying fixed assets for the



# Budget and Finance Division

agency and maintaining the fixed-asset inventory. This unit is also responsible for the distribution and control of supplies and equipment for the office.

## Contract Management

This ensures that requests for proposals (RFPs) and service contracts are prepared in compliance with statutes, rules, and policies, and that vendor payments for completed services are timely. This unit also enters contract transactions into the general ledger and subsequently closes them out in accordance with the agreement and all applicable regulations.

## Accounts Payable to Receive and Process Invoices for Goods and Services Rendered

This includes the pre-audit of costs in accordance with the contract or purchasing agreement prior to payment. Accounts payable submits payment requests to the Department of Finance and Administration; upon receipt of the payment, the warrant is reviewed for accuracy prior to release to the vendor.

## Investment Accounting Bureau

The bureau makes all scheduled debt service payments to the designated paying agents on general obligation bonds, severance tax bonds, and supplemental severance tax bonds. The bureau tracks investment income to ensure compliance with arbitrage restrictions and rebate requirements in accordance with the Federal Tax Reform Act of 1986. The bureau reconciles all investment activity. All certificates of deposits (CDs) and New Mexico gaming revenue are managed by the bureau.

## Significant Milestones & Accomplishments for FY2016

- The Budget and Finance Bureau implemented a continuing “Cross-Training Plan” for all division staff so there will be at least two staff members trained in all budget, finance, and procurement procedures.
- The Budget and Finance Bureau developed and initiated an internal control for approving all

accounts payable transactions in reference to a FY2015 audit finding. This control was tested by our independent public accountant (IPA) and was resolved for FY2016.

- The Investment Accounting Bureau developed and initiated a cash confirmation process so that auditors of State agencies could obtain a confirmation of cash at the individual agency level from the State Treasurer’s Office: Audit Rule 2016 (2.2.2.10.M(3)(f)).

## Initiatives for FY2017

- Reduce the number of audit exceptions to zero
- Convert all physical warrant payments to paperless, all-electronic disbursements
- Post weekly budget status reports on the STO website for public viewing
- Continue updates of financial matrix developed by STO and DFA; continue working with agency’s other divisions to overcome obstacles of SHARE
- Continue improving procurement procedures for purchases of goods and services to ensure adherence to the State Purchasing Act
- Continue communication and improvement on internal and external customer service
- Begin work team development of written procedures for preparing the various internal reports generated by Budget and Finance, including:
  - QED to SHARE Report generation and reconciliation
  - Budget Status Report
  - Projection of Personal Services and Benefits Spreadsheet
  - Biweekly Payroll Reconciliation
  - Internal Purchasing and Payment Procedures
  - Weekly Encumbrance Report



The Cash Management Division provides treasury banking services to the State through the fiscal agent contract and relationship. These services include cash forecasting and liquidity management to ensure that payments issued by DFA and other agencies are funded on a timely basis. Cash Management also oversees depository activity by all agencies, and ensures that public funds held by financial institutions are collateralized appropriately.

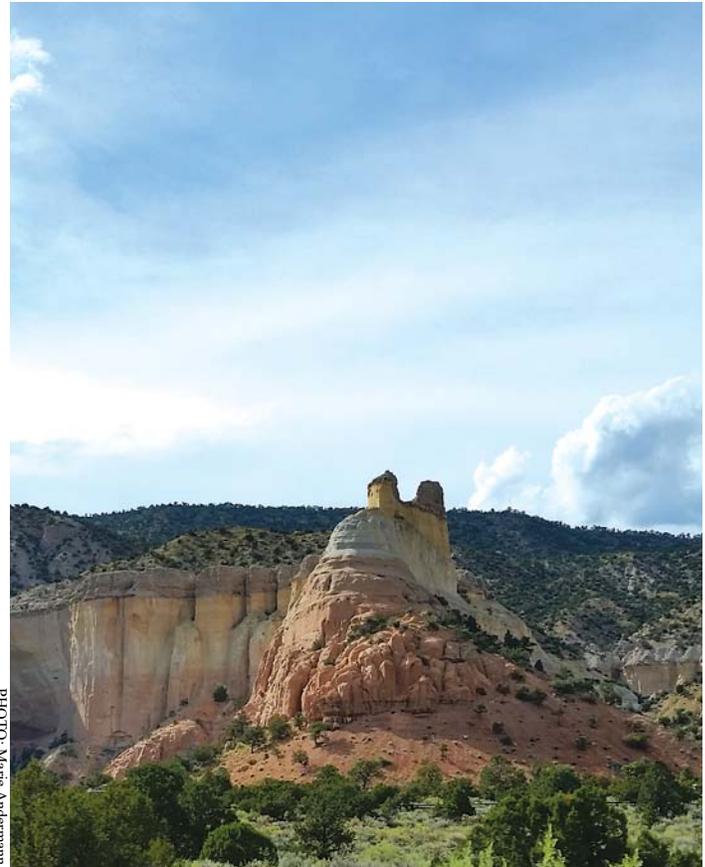
The position of State Cash Manager was established in 1993 under 8-6-3.1 NMSA 1978 and its duties are defined to include: issue regulations to enforce the Cash Management Improvement Act; monitor State agencies' cash activity and the balances on hand in financial institutions; monitor deposits and cash balances on hand to enable projection of short-term and long-term cash available for investment; determine and update warrant clearance patterns; and prepare a monthly written report to the State Treasurer's Investment Committee and the State Board of Finance of the State fund balances in financial institutions.

## Cash Management Functional Areas

### Banking Resources Bureau

The Banking Resources Bureau monitors all balances and activity related to State funds in financial institutions. Specific activities of this bureau include: development of regulations related to approximately 500 bank accounts; and approval, analysis, and authorization of these State agency bank accounts.

The bureau validates deposits and withdrawals into and out of the State's fiscal agent accounts, including all adjustments to the accounts such as returned checks, stop payments, and other miscellaneous transactions posting to the accounts. The bureau compares fiscal agent bank accounts' activity to transactions in the State's enterprise accounting system (SHARE) daily. The bureau is also responsible for all Banking and Treasury Module configuration in the SHARE system.



Monthly reports are obtained from State agencies detailing funds from any source in the agency's custody. The bureau authorizes State agency requests for depository bank accounts outside the fiscal agent bank; reports account balances in each financial institution to the State Board of Finance; verifies compliance with established bank account guidelines and reports any deviations to the agency and the State Board of Finance; and enforces laws and regulations that apply to financial institutions receiving State funds. This bureau also reviews the monthly fiscal agent account analysis for compliance with the agreement and to identify and prevent unauthorized use.

### Audit and Compliance Bureau

The Audit and Compliance Bureau is responsible for projection of the State's short-term and long-term cash balance needs, utilizing a model that was developed internally. Historical trends—together with information related to significant receipts and disbursements—are used as the primary indices to the model. The bureau coordinates with State agencies that have



## Cash Management Division

the largest inflows and outflows of funds to identify anomalies that could impact the daily cash position of the State Treasurer's Office. The cash-flow model is updated monthly (or more frequently, if necessary) and a written report is issued monthly to the State Treasurer's Investment Committee (STIC) and the State Board of Finance.

The bureau also performs daily cash positioning to determine the State's cash needs on an intra-day basis to meet its obligations. Cash positioning is a very critical function because errors can result in overdrafts or returned items at the fiscal agent bank.

The Audit and Compliance Bureau is also responsible for compliance with the Cash Management Improvement Act of 1990 (CMIA). Congress established the CMIA to ensure efficiency, effectiveness, and equity in the transfer of funds between state and federal governments. The CMIA addresses key federal funding issues such as funds drawn in advance of need, or late grant of award from the federal government. Major CMIA provisions require that federal agencies make timely fund disbursements and grant awards to states; state and federal agencies must minimize the time between the transfer of federal funds to states and the presentment of states' checks, warrants, or settlement of electronic fund transfer payments for program purposes; and, with minor exceptions, that states earn interest from the federal government for the time the state advances its own funds for program purposes prior to federal reimbursement.

The Audit and Compliance Bureau performs annual compliance audits of New Mexico State agencies that receive federal funds exceeding an established threshold and for compliance with the CMIA and regulations outlined in the U.S. Treasury/State Agreement (TSA). This agreement, negotiated between New Mexico and the federal government, identifies the funding

techniques used for covered programs. Audits begin at the end of the fiscal year and must be completed by mid-December. An annual report is submitted to the U.S. Treasury detailing State and/or federal government interest liability and any costs associated with the monitoring and reporting of CMIA compliance.

### **Collateral Management**

The Collateral Manager ensures that adequate protection of State monies is maintained in all State agency deposit accounts at all times. This is accomplished by requiring all qualified financial institutions to pledge collateral to secure public deposits. Risk assessment reports are analyzed to determine data accuracy, the institution's financial condition, and the percentage of collateral required. The pledged collateral is constantly monitored and must comply with all State requirements and custodial agreements. Both proposed and current pledged collateral are continuously evaluated for compliance with all applicable statutes, policies, and depository and custodial agreements. Pledged securities are monitored to assure that acceptable, valid, and marketable instruments secure public funds at all times. Custodial banks are monitored to evaluate their strength and stability. The Collateral Manager provides monthly reports to the State Treasurer's Investment Committee regarding compliance by all financial institutions and plays a key role in the Division's cash-forecasting activities.

### **Investment Compliance**

In the third quarter of FY2016, the investment compliance function was moved from Investments to the Cash Management Division to establish an arm's-length review of the trade documentation for adherence to the State Treasurer's Investment Policies and Investment Division procedures. The investment compliance function is performed by the Collateral Manager.

## Significant Milestones and Accomplishments for FY2016

- Continued efforts to maximize the conversion of checks deposited by State agencies to ACH transactions to minimize bank fees and maximize the potential for re-presentment if necessary for collection.
- Continued to promote the use of automated cash deposit products to minimize the use of armored couriers.
- Represented the Treasurer on the Enterprise PCI (Payment Card Industry) Steering Committee and actively participated in projects designed to move the State toward attaining, and sustaining, full PCI compliance.
- Played a major role in the Cash Remediation Phase 2 Project, working with DFA and the Department of Information Technology (DoIT) to bring all agencies statewide into a centralized way of processing payments.
- Integrated the collateral management and investment management functions into the Cash Management Division.



PHOTO: Julie Filatoff



PHOTO: Marie Andermann

## Initiatives for FY2017

- Work with DoIT and DFA on the Cash Remediation Project, Phase 3 in the conversion of agencies not yet processing payments through SHARE.
- Participate and provide subject-matter expertise for the SHARE 9.2 Upgrade projects for HCM (payroll) and Financial Reporting.
- Participate and provide subject-matter expertise in the initial phase of the Integrated Treasury Solutions project for the configuration (and eventual implementation) of the PeopleSoft 9.2 Treasury Module in conjunction with the SHARE 9.2 upgrade project.
- Continue to encourage agencies to utilize the post-verification deposit option at the fiscal agent bank to minimize bank fees.
- Participate in the development of a sustainable enterprise program to promote and support agencies in attaining, and sustaining, compliance with the current version of the Payment Card Industry (PCI) Data Security Standards (DSS).
- Realign functional areas in the Cash Management Division to further develop management talent and facilitate cross-training for all key functions.
- Continue to actively network within the banking industry and related professional organizations to support and promote leading treasury-management practices to maximize funds availability and the resulting investment potential.



The Investment Division is responsible for investing money, transacting funds, and accounting for and reconciling funds held in the custody of the State Treasurer that are not immediately needed for government operations or to fund capital projects. The managed funds are temporary in nature, originating from three major sources: revenue collected by the State awaiting disbursement, legislative appropriations, and proceeds from bond issues invested short-term until disbursed for legislatively authorized capital projects.

Investments are restricted to the highest-quality securities according to ratings by the major rating agencies and to a term of not more than five years. The State Treasurer’s Chief Investment Officer and internal investment team discuss, agree upon, and recommend the security types and terms prior to purchase; secure post-trade review signatures; and report the executed portfolio activity monthly to the State Treasurer’s Investment Committee and the State Board of Finance. The State Treasurer’s Office contracts with an independent investment advisor who provides advisory services to the State Treasurer and staff.

## The State Treasurer’s Investment Committee

The State Treasurer’s Investment Committee (STIC) is an advisory committee that meets monthly to review the investment portfolios for statutory compliance, quality, diversification, maturity, and performance. The STIC also reviews portfolio controls and collateral adequacy, and recommends investment procedural changes. Periodically, the committee recommends changes to the State Treasurer’s Investment Policy.

## Investment Strategy

During FY2016, the division earned approximately \$29.6 million. At the end of FY2016, the five portfolios totaled approximately \$3.8 billion. All funds are invested in a manner that conforms to federal, State, and other legal requirements. The division is charged with observing the following priorities in making investment decisions, in the order described:

1. **Safety**—The first priority must be accorded to the preservation and protection of the principal of the funds to be invested.
2. **Maintenance of Liquidity Needs**—The second level of priority must be accorded to maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, to satisfy the reasonably anticipated, continuing operational requirements of the specific fund invested.
3. **Maximum Return on Investments**—The third priority must be accorded to maximizing investment return, consistent with the higher priorities accorded to the safety and liquidity of principal.



PHOTO: Julie Fitaroff

## Investment Division Organization

### Investment Transactions Bureau

The bureau performs movement of funds and recording of investment activity into the Treasurer’s sub-ledger accounting system and the custody system. The bureau verifies all trade activity from trade documentation, enters the data into the sub-ledger accounting and custody systems, then performs trade compliance. The bureau also manages the overnight repurchase process. The bureau provides administrative management of the Local Government Investment Pool (LGIP), whereby the staff corresponds with participants daily. The bureau also coordinates the Treasurer’s annual LGIP Stakeholder Meeting.

Several reconciliation processes take place regularly, including a weekly reconciliation submission to the Standard & Poor’s rating agency for the LGIP.



## Investment Portfolio Management

The State Treasurer's Office makes statutorily defined investments that may be subject to further limitations or restrictions by the State Treasurer's Investment Policy, which provides guiding principles for all investment decisions. All portfolios are invested by qualified and experienced in-house portfolio managers. The internal investment advisory team discusses, agrees upon, and recommends the security types and terms prior to purchase and reports the executed portfolio activity to the STIC monthly. The division, with the assistance of the investment advisor, develops benchmarks against which the portfolios' performance can be measured. The portfolio managers invest the available cash based upon the intended uses into one of the pools described below.

## Investment Funds Managed by State Treasurer's Office

### The General Fund Investment Pool

The General Fund Investment Pool consists of three main components:

- **General Fund Liquidity Portfolio**—Immediate cash needs of the State are met with the General Fund Liquidity Portfolio. The Liquidity Portfolio is expected to have minimal liquidity risk and all investments in this portfolio are constrained to less than a year.
- **General Fund Core Portfolio**—The Core Portfolio is comprised of balances that are not necessary to meet the short-term cash-flow needs of the State. Accordingly, it may be invested over a longer term than the Liquidity Portfolio.
- **General Fund Tax and Revenue Anticipation Notes (TRAN) Portfolio**—The TRAN portfolio may temporarily hold proceeds of short-term Tax and Revenue Anticipation Notes, which are periodically issued and sold by the State Treasurer pursuant to NMSA 1978, Section 6-12A-5. There were no TRAN notes issued in FY2016.

The State Treasurer's Office makes a portion of the General Fund money available for investment in certificates of deposit (CDs) with New Mexico banks and credit unions to foster the economy of their communities. The passage of House Bill 471, the "Linked Deposit Program," during the 2007 legislative session expanded the CD program to allow the Treasurer to place time deposits with qualifying financial institutions (those serving economically disadvantaged rural communities) at favorable rates.

During FY2016 the General Fund reported \$17.2 million in earnings. At fiscal year end, the General Fund Investment Pool had more than \$13 million in unrealized gains.

### The Bond Proceeds Investment Pools

The State Treasurer is responsible for investing bond proceeds from the issuance of State bonds sold by the State Board of Finance for capital projects, which include general obligation bonds, severance tax bonds, and supplemental severance tax bonds. These bonds are long-term obligations issued by the State of New Mexico to fund various infrastructure projects on behalf of all New Mexicans.

Bond proceed monies are managed according to whether the issued bonds were tax-exempt or taxable.

1. **The Tax-Exempt Bond Proceeds Investment Pool (Tax-Exempt BPIP)** holds proceeds from tax-exempt general obligation and severance tax bonds issued by the State Board of Finance until they are expended on capital projects.
2. **The Taxable Bond Proceeds Investment Pool (Taxable BPIP)** holds proceeds from taxable severance tax bonds issued by the State Board of Finance until expended on capital projects.

During FY2016 the bond proceeds pools reported \$10 million in earnings. At fiscal year end, the bond proceeds pools had \$4.6 million in unrealized gains.



The BPIPs facilitate the tracking of investment earnings and project draws to assure compliance with arbitrage restrictions and rebate requirements in accordance with the Federal Tax Reform Act of 1986.

## Local Government Investment Pool (LGIP)

The LGIP is a fund created pursuant to NMSA 1978 6-10-10.1 to allow municipal, city, county, tribal, and quasi-governmental bodies to voluntarily remit money to the State Treasurer to receive professional money management on a pooled basis. The LGIP is rated “AAAm” by Standard & Poor’s, the highest principal stability credit rating awarded by Standard & Poor’s, and has been reaffirmed annually since August 2007.

The State Treasurer has expanded a statewide outreach program to inform eligible entities about the benefits of investing in the LGIP in concert with the New Mexico Municipal League and the New Mexico Association of Counties. Annual stakeholder meetings have been successful, informing LGIP participants of fund performance, investment strategies, and economic conditions.

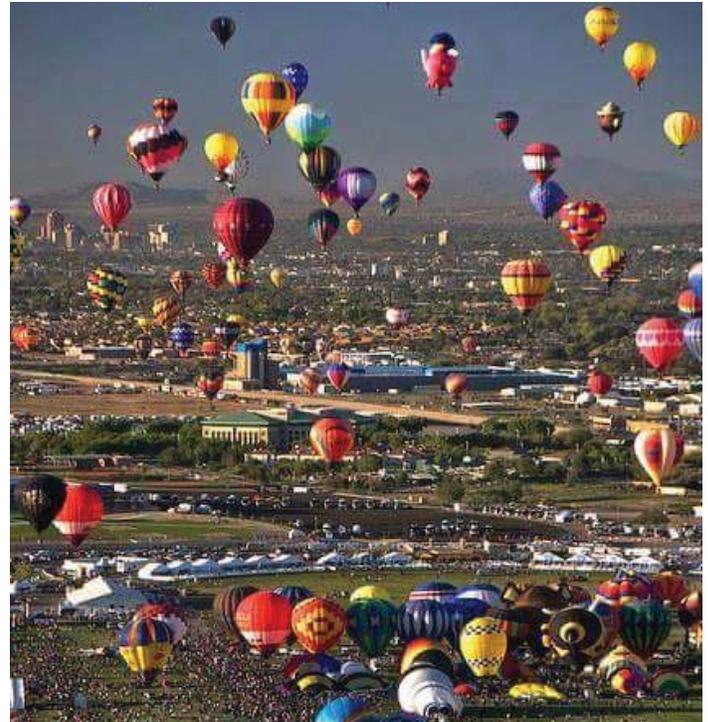
During FY2016 the Local Government Investment Pool reported more than \$2 million in earnings for its participants.

## The Severance Tax Bonding Fund Pool

The Severance Tax Bonding Fund holds severance tax receipts pledged for debt service on severance tax bonds before being spent on permitted uses or transferred to the Severance Tax Permanent Fund held by the State Investment Council.

## Overnight Repurchase Pool

The Repurchase Pool acts as a repository for cash balances from the portfolios managed by the State Treasurer and for cash from the Educational Retirement Board, the State Investment Council, and the Public Employees Retirement Association.



## Significant Milestones and Accomplishments for FY2016

- Continually evaluated overnight repurchase strategies and counterparty risk levels to protect liquidity funds.
- Actively managed the increasing demand for liquidity from the General Fund portfolio to cover disbursements by DFA and other agencies when revenues fell far below forecasts.
- Continued evaluation of potential interest in LGIP pool variations, including credit and longer duration.
- Developed the infrastructure and process to support credit investments for portfolios other than the LGIP. Sought and obtained support from the STIC for use of credit to enhance portfolio diversity and return.
- Presented the 8th Annual LGIP Stakeholder Meeting in Taos, New Mexico, in September 2016.
- Continued outreach (LGIP, banks, CD program, counties, and municipalities).

## Initiatives for FY2017

- Develop and implement investment options, such as government money market funds, to improve diversity of portfolios and decrease reliance on overnight repurchase.
- Continue strategic planning for LGIP pool variations, including credit and longer duration.
- Facilitate the 9th Annual Local Government Investment Pool Stakeholder Meeting in Albuquerque in August 2017.
- Continue with implementation of credit as an investment-sector option under infrastructure and processes developed in FY2016.
- Participate and provide subject-matter expertise in the initial phase of the Integrated Treasury Solutions project for the configuration (and eventual implementation) of the PeopleSoft 9.2 Treasury Module in conjunction with the SHARE 9.2 upgrade project.
- Continue outreach (LGIP, banks, CD program, counties, and municipalities).
- Explore professional development for staff.



PHOTOS: Marc Andermann



The Operations Division is responsible for facilities management and security, agency vehicle maintenance, mail processing, and inter-agency deliveries. It also provides information technology and daily office operations support to the State Treasurer's Office. The division responds to internal employee needs and works with external agencies and stakeholders.

## Information Technology Bureau

The IT Bureau operates, maintains, and monitors the State Treasurer's Office IT systems. The bureau evaluates business processes and plans for automating functions where possible. The bureau maintains the agency servers, computers, local area network, investment systems, accounting system, and telecommunications for the office. The bureau also maintains the disaster recovery network and manages the security systems and information systems (software and hardware). The bureau is responsible for cybersecurity and the maintenance of the State Treasurer's Office Disaster Recovery and Business Continuity Plan. The State Treasurer's Office maintains a disaster recovery site (hot site) at an off-site location in New Mexico. The bureau continuously reviews and evaluates the hardware and software to determine future technology needs to ensure that the State Treasurer's Office can continue operations with minimal downtime and maximum efficiency.

## Significant Milestones and Accomplishments for FY2016

- Improved overall cybersecurity at the State Treasurer's Office. Upgraded firewalls and networking, completed a third-party security review, and mitigated identified flaws in security.
- The \$1.9 million Treasury Management Module project commenced in the third quarter of 2016, with plans to complete it in late 2017.
- Successfully passed the State Fire Marshal's annual inspection.
- Successfully passed the Risk Management Division Annual Audit.
- Training for staff included policy and procedure revisions, emergency evacuation and general office safety, safe lifting methods, civil rights, and defensive driving.
- The State Treasurer's Office participated in the United Blood Services Drive.

## Initiatives for FY2017

- Complete an annual cybersecurity audit.
- Completion of the Treasury Management Module Project.
- Continue to use IT to support reduced business costs.
- Maintain facility security.

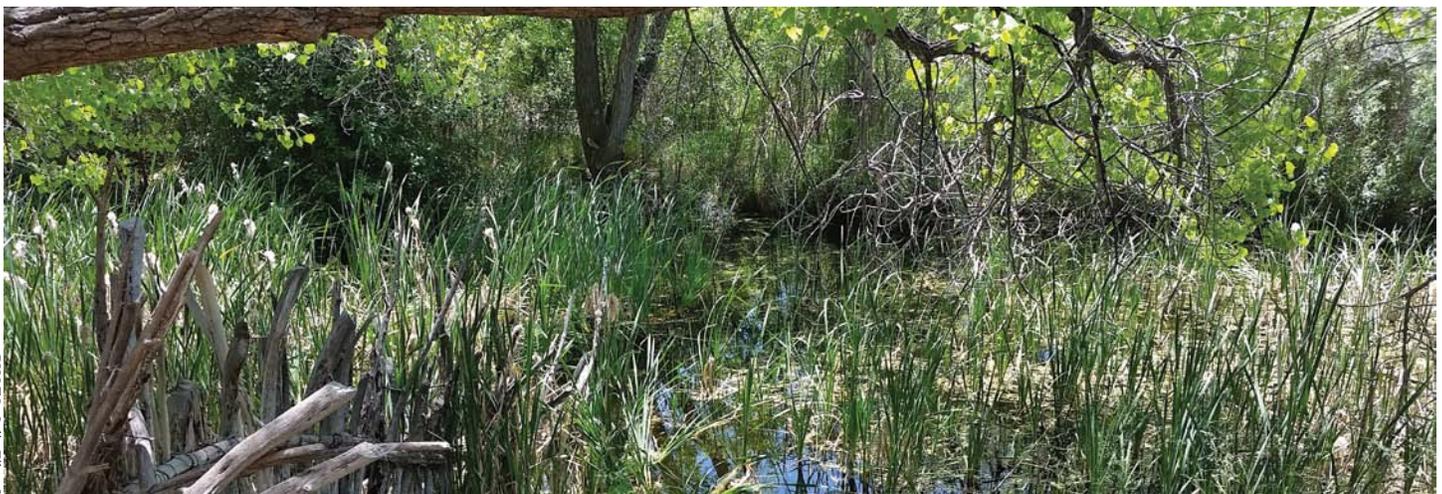


PHOTO: Julie Filaoff



The Special Programs and Legislative Affairs Division includes the Loss Prevention and Control, Alternative Dispute Resolution, Achieving a Better Life Experience (ABLE), Forfeiture, and Financial Literacy programs. Legislative Affairs works closely with the Legislative Council Service to ensure that issues important to STO are addressed in committees and during the legislative session.

## Loss Prevention and Control Program

The Loss Prevention and Control Program complies with the State Loss Prevention and Control Program rule (1.6.4 NMAC) to assure that loss prevention and control is: an integral part of the job (and the required training of each agency worker); a line-management responsibility of high priority (evaluated on the execution of this responsibility); an agency commitment (demonstrated by the appointment of knowledgeable and experienced loss-control personnel); and a priority (compliance with workplace safety and employment-related civil rights rules and regulations). All divisions within the State Treasurer's Office are covered by this program.

## Forfeiture Program

The Forfeiture Act is a new law that was passed during the 2015 Legislative session and amends portions of NMSA 1978 § 31-27-1 to 31-27-11 (2015) et. seq., known as the New Mexico Forfeiture Act. The purposes outlined in the Forfeiture Act are to make uniform standards and procedures for the process; protect people's constitutional rights; deter criminal activity by reducing its economic incentives; increase pecuniary loss from criminal activity; protect against wrongful forfeiture; and ensure that only criminal forfeiture is allowed. The Forfeiture Act further indicates in § 31-27-7:

B. Unless possession of the property is illegal or a different disposition is specifically provided for by law and except as provided in this section, forfeited property that is not currency shall be delivered

along with any abandoned property to the State Treasurer for disposition at a public auction. Forfeited currency and all sale proceeds of the sale of forfeited or abandoned property shall be deposited in the general fund.

While the program remains an unfunded mandate, the State Treasurer's Office continues to work with law enforcement across the State to implement a program and achieve compliance.

## Alternative Dispute Resolution Program

This program promotes early dispute resolution and positive collaboration among employees by providing mediation services to resolve workplace conflict.

## ABLE Program

The federal "Achieving a Better Life Experience" (ABLE) Act was adopted in 2014 and was enacted in the 2016 New Mexico Legislative session as the "Accounts for Persons with Disabilities Act." The ABLE Act allows qualifying people with physical and intellectual disabilities to establish tax-free savings accounts to put aside money to cover expenses related to their disability—including assistive technology, personal assistance services, housing, and healthcare—without losing their eligibility for public assistance. Individuals with disabilities with an onset before age 26 are eligible for the accounts and can contribute as much as \$14,000 per year with a lifetime limit of \$100,000.

The ABLE accounts will be administered as a 529A account, similar to the 529 College Savings Program, and beneficiaries may choose from a variety of investment options, similar to 529 college savings accounts or Roth IRAs. Participants can withdraw and spend money as needed for qualified expenses.

When ABLE was first enacted, the federal government required each State to establish its own ABLE plan. Since that time, the law has changed and individuals may now sign up under any State's plan



that best suits their needs. The State of New Mexico does not currently offer its own plan due to limited resources and the administrative fees involved with implementing a program. The State Treasurer’s Office will administer the program; however, residents will be joining other states’ plans.

## Financial Literacy Program

The Financial Literacy Program at the State Treasurer’s Office is an initiative that was implemented during Treasurer Eichenberg’s first year in office. This program is intended to teach financial literacy to youth across New Mexico to prepare them with the money-management skills they will need in the future. The State Treasurer’s Office has also collaborated with the Attorney General’s Office to educate students and senior citizens about the dangers of identity theft and to be “cyber aware.”

## Initiatives for FY2017

### Forfeiture Act

- Continue communication, collaboration, and cooperation with law enforcement
- Develop a plan of action for distribution of properties and instrumentalities subject or pursuant to the Forfeiture Act
- Create a tracking system to account for items auctioned and proceeds received from law enforcement



PHOTO: Julie Filiaoff

## Financial Literacy Program

- Continue to participate in the NAST Financial Education and Empowerment Committee
- Continue community outreach and presentations for schools once funding is obtained to restore program

## ABLE Program

- Continue to work with the CSPAN ABLE Implementation Task Force
- Continue to collaborate with partner agencies and community service providers to inform consumers about ABLE options
- Provide account options for citizens of New Mexico through partnerships with other states

## Loss Prevention and Control Program

- Continue to stay in compliance with the requirement NMAC 1.6.4
- Assure the STO’s commitment to make loss prevention and control an integral part of the job and the required training of every agency worker; with workplace safety and employment-related civil rights a priority

## Alternative Dispute Resolution Program

- Continue to work with the Risk Management Division Alternative Dispute Resolution Bureau to provide employees with mediation services
- Participate in presentations and trainings to ensure that employees are aware of the ADR process and conflict-resolution options

## Legislative Affairs Program

- Continuously monitor legislation that may have an impact on the STO
- Participate in the legislative process to ensure adequate representation on initiatives important to STO for FY2017



**STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

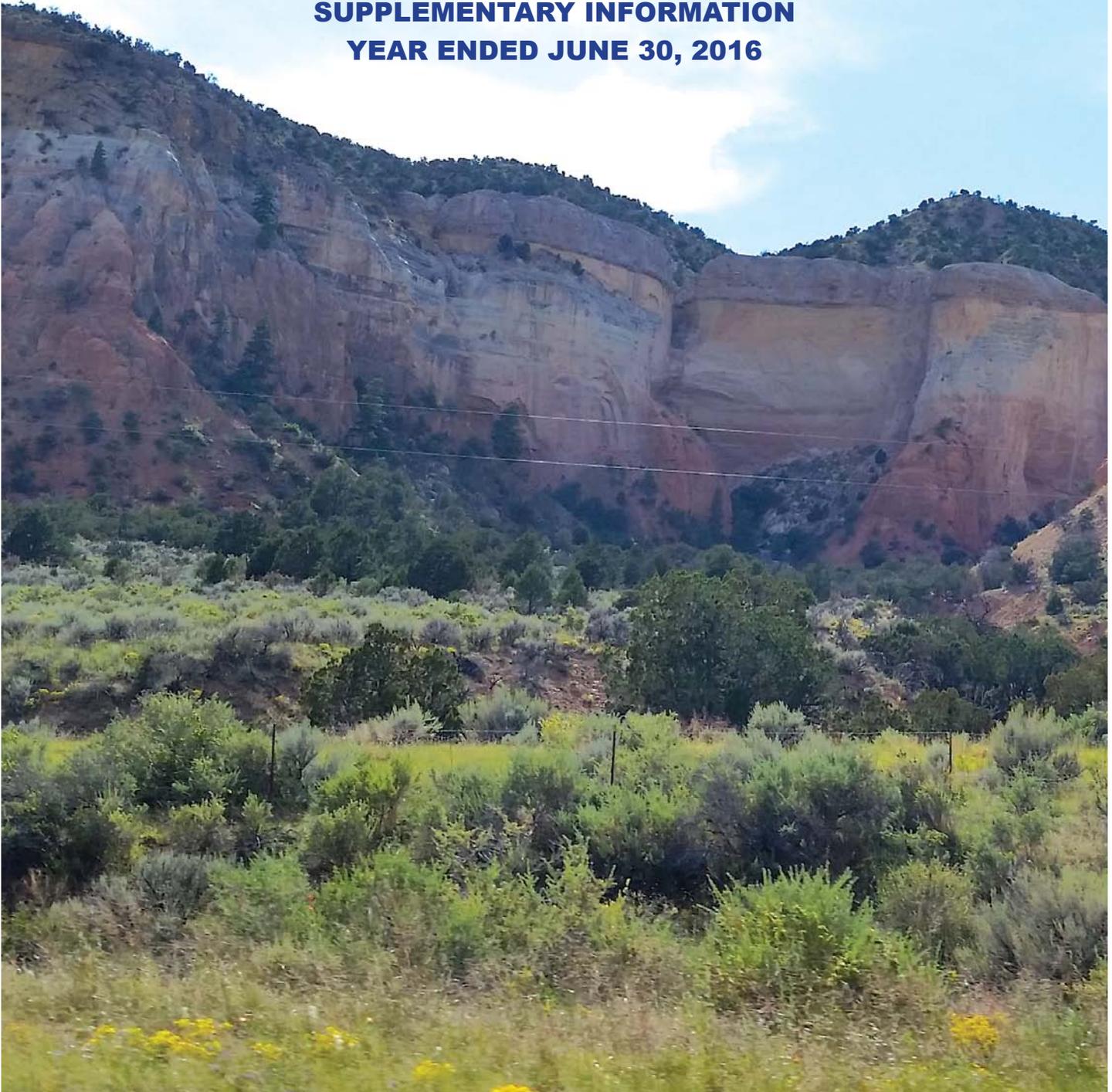


PHOTO: Marie Andemam



# Independent Auditors' Report

Honorable Susana Martinez, Governor  
State Board of Finance  
Honorable Tim Eichenberg, State Treasurer  
Honorable Timothy Keller, State Auditor  
State of New Mexico Office of the State Treasurer  
Santa Fe, New Mexico

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund, and each fiduciary fund, of the State of New Mexico Office of the State Treasurer (the Office) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures

in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, each fiduciary fund, and the aggregate remaining fund information of the Office as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the general fund 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 2, the financial statements of the State of New Mexico Office of the State Treasurer are intended to present the financial position, the changes in financial position, of only that portion of the governmental activities, and each major fund of the Office that is attributable to the transactions of the Office. They do not purport to, and do not present fairly the financial position of State of New Mexico as of June 30, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles gen-



erally 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 13 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 which 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 that collectively comprise the Office's basic financial statements. Schedules 1–13 in the Supplementary Information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 1–13 in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in

the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1–11 in the Supplementary Information section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The vendor schedule, required by 2.2.2.10(A)(2)(g) NMAC, and schedule of arbitrage on tax exempt bonds have not been subjected to the auditing procedures applied in the audit of the basic and combining and individual fund financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2016, on our consideration of the Office'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 result of that testing, and not to provide an opinion on 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 Office's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP  
Albuquerque, New Mexico  
December 1, 2016



# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF NET POSITION JUNE 30, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 360,850
Repurchase Agreements (Held in State General Fund Investment Pool)	190,453,025
Due from Other Agencies	73,222,862
Other Assets	3,450
Capital Assets, Net of Accumulated Depreciation: Equipment	<u>28,101</u>
Total Assets	<u><u>\$ 264,068,288</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 240,360
Accrued Payroll	81,262
Accrued Payroll Taxes	20,021
Unearned Revenue	2,326
Due to State General Fund	139,531
Compensated Absences	<u>186,076</u>
Total Liabilities	669,576
<b>NET POSITION</b>	
Investment in Capital Assets	
Restricted for:	28,101
Debt Service	263,556,687
Unrestricted	<u>(186,076)</u>
Total Net Position	<u><u>263,398,712</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 264,068,288</u></u>





# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2016

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	
<b>ASSETS</b>				
Investment in State General Fund				
Investment Pool	\$ 360,850	\$ -	\$ -	\$ 360,850
Repurchase Agreements (Held in State General Fund Investment Pool)	-	29,450,262	161,002,763	190,453,025
Other Assets	3,450	-	-	3,450
Bond Interest Receivable	-	-	-	-
Due from Other Agencies	-	16,444,621	56,778,241	73,222,862
<b>Total Assets</b>	<b>\$ 364,300</b>	<b>\$ 45,894,883</b>	<b>\$ 217,781,004</b>	<b>\$ 264,040,187</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 121,160	\$ -	\$ 119,200	\$ 240,360
Unearned Revenue	2,326	-	-	2,326
Due to State General Fund	139,531	-	-	139,531
Accrued Payroll	81,262	-	-	81,262
Accrued Payroll Taxes	20,021	-	-	20,021
<b>Total Liabilities</b>	<b>364,300</b>	<b>-</b>	<b>119,200</b>	<b>483,500</b>
<b>FUND BALANCES:</b>				
Restricted for:				
Debt Service	-	45,894,883	217,661,804	263,556,687
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>45,894,883</b>	<b>217,661,804</b>	<b>263,556,687</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 364,300</b>	<b>\$ 45,894,883</b>	<b>\$ 217,781,004</b>	<b>\$ 264,040,187</b>

# Financial Statements



## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2016

<b>Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)</b>	<b>\$ 263,556,687</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position</p>	
Capital assets total acquisition value	187,770
Total accumulated depreciation	<u>(159,669)</u>
Total Capital Assets, Net	28,101
<p>Some liabilities (compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position</p>	
	<u>(186,076)</u>
<b>Net Position of Governmental Activities (Statement of Net Position)</b>	<b><u><u>\$ 263,398,712</u></u></b>



# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	
<b>REVENUES</b>				
Interest Income - Debt Service	\$ -	\$ 1,690,897	\$ 8,776,434	\$ 10,467,331
Severance Taxes	-	-	254,966,459	254,966,459
State Property Tax Levy	-	74,139,519	-	74,139,519
Total Revenues	-	75,830,416	263,742,893	339,573,309
<b>EXPENDITURES</b>				
Current:				
Personnel Services and Employee Benefits	2,827,707	-	-	2,827,707
Operating Costs:				
Contractual Services	392,761	-	-	392,761
Other Administrative Expenditures	510,126	-	-	510,126
Debt Service:				
Principal and Interest on Long-Term Debt	-	78,118,581	19,098,064	97,216,645
Principal and Interest on Short-Term Debt	-	-	135,905,692	135,905,692
Other Charges	-	3,418	842,497	845,915
Capital Outlay	18,534	-	-	18,534
Total Expenditures	3,749,128	78,121,999	155,846,253	237,717,380
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(3,749,128)	(2,291,583)	107,896,640	101,855,929
<b>OTHER FINANCING SOURCES (USES):</b>				
State General Fund Appropriations	3,756,800	-	-	3,756,800
Special Appropriation	-	-	-	-
Reversions to State General Fund FY16	(138,868)	-	-	(138,868)
Miscellaneous other sources	122,312	-	-	122,312
Transfer (to) from Other State Agency	-	1,064,125	(2,783,331)	(1,719,206)
Total Other Financing Sources (Uses)	3,740,244	1,064,125	(2,783,331)	2,021,038
<b>NET CHANGE IN FUND BALANCES</b>	(8,884)	(1,227,458)	105,113,309	103,876,967
Fund Balances - Beginning of Year	8,884	47,122,341	112,548,495	159,679,720
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ 45,894,883	\$ 217,661,804	\$ 263,556,687



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

<b>Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	<b>\$ 103,876,967</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital Outlay	18,534
Depreciation expense	(7,972)
Excess of capital outlay over depreciation expense	<u>10,562</u>

Some expenses reported in the statement of activities do not require the use of current financial resources, and these are not reported as expenditures in governmental funds:

Increase in Compensated Absences	<u>(88,285)</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 103,799,244</u></u></b>
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# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND - BUDGET AND ACTUAL (BUDGETARY BASIS) YEAR ENDED JUNE 30, 2016

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State General Fund Appropriation	\$ 3,785,100	\$ 3,756,800	\$ 3,756,800	\$ -
Federal Grants	4,000	4,000	-	(4,000)
Other	122,300	122,300	122,312	12
Total Revenues	<u>3,911,400</u>	<u>3,883,100</u>	<u>3,879,112</u>	<u>(3,988)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel Services and Benefits	3,185,500	2,918,530	2,827,707	90,823
Contractual Services	206,400	426,400	392,761	33,639
Operating Costs	519,500	538,170	528,660	9,510
Total Expenditures	<u>3,911,400</u>	<u>3,883,100</u>	<u>3,749,128</u>	<u>133,972</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	129,984	<u>\$ 129,984</u>
<b>RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b>				
Unbudgeted Reversions to State General Fund			<u>(138,868)</u>	
<b>NET CHANGE IN FUND BALANCES (GAAP BASIS)</b>			<u>\$ (8,884)</u>	

# Financial Statements



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

	<u>Investment Trust Fund</u>	<u>Agency Fund - Gaming Suspense Fund</u>
<b>ASSETS</b>		
Cash and Investments:		
Fiscal Agent Bank Account	\$ 42,002,853	\$ -
Cash in Banks	393,269,534	-
Certificates of Deposit	65,950,066	-
U.S. Government Securities	2,329,998,845	-
Municipal Bonds	57,600,339	-
Repurchase Agreements	808,000,000	-
Asset Backed Bonds	20,300,922	-
Miscellaneous Cash	6,870,000	-
Discounted Notes	116,395,652	-
Total Cash and Investments	<u>3,840,388,211</u>	<u>-</u>
Securities Receivable	3,911	-
Other Receivables	-	15,203,938
Accrued Interest Receivable	<u>7,872,216</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,848,264,338</u></u>	<u><u>\$ 15,203,938</u></u>
<b>LIABILITIES</b>		
Due to Broker	\$ 39,295,605	\$ -
Other Liabilities	28,307	-
Due To State General Fund	-	15,203,938
Total Liabilities	<u>39,323,912</u>	<u><u>\$ 15,203,938</u></u>
<b>NET POSITION - HELD IN TRUST</b>	<u>3,808,940,426</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 3,848,264,338</u></u>	



# Financial Statements

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF CHANGES IN FIDUCIARY NET POSITION JUNE 30, 2016

	<u>Investment Trust Fund</u>
<b>ADDITIONS</b>	
Investment Income	\$ 38,107,400
Deposits	53,366,388,986
<b>DEDUCTIONS</b>	
Management Fees	(341,045)
Withdrawals	<u>(53,987,171,507)</u>
Change in Net Position	(583,016,166)
<b>NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2015</b>	<u>4,391,956,592</u>
<b>NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2016</b>	<u><u>\$ 3,808,940,426</u></u>



The State Treasurer serves on the following boards and commissions. Treasurer Eichenberg is the only elected State official to serve as a member of all State financial and investment boards and commissions, which have a total fiduciary responsibility of more than \$40 billion.

**State Board of Finance (BOF)** has general supervision of the fiscal affairs of the State. It is charged with the safekeeping of all money and securities belonging to or in the custody of the State, and has the authority to issue general obligation bonds and severance tax revenue bonds.

**State Investment Council (SIC)** administers and manages New Mexico's three permanent trust funds: the Land Grant Permanent Fund, the Severance Tax Permanent Fund, and the Tobacco Settlement Permanent Fund. Additionally, the State Investment Council manages long-term investment funds for multiple State and local government entities.

**Public Employees Retirement Association (PERA)** oversees the principal retirement and disability benefits programs of State, county, and municipal employees, including municipal police and firefighters. The Board serves as trustee for the association. Its mission is to preserve, protect, and administer the trust to meet its current and future obligations and provide quality services to association members.

**Educational Retirement Board (ERB)** provides retirement benefits for teachers and other school employees from public school districts, institutions of higher education, and educational agencies. The Board is the trustee of the Educational Retirement Fund.

**Retiree Health Care Authority (RHCA)** was created in 1990 to provide comprehensive and affordable group health insurance to eligible retirees of certain public service employers in New Mexico, to their spouses and dependents, and to surviving spouses and dependents.

**Mortgage Finance Authority (MFA)** is a quasi-public entity, financing housing and related services for low- to moderate-income and underserved families. The Mortgage Finance Authority provides affordable housing finance programs, including assistance for the homeless, apartment development, and home ownership.

**Educational Assistance Foundation (EAF)** is a non-profit corporation, created pursuant to the State Educational Assistance Act, that provides financial assistance to qualified post-secondary students. The purpose of the Foundation is to improve the educational opportunities of residents of New Mexico through educational assistance programs.

**Small Business Investment Corporation (SBIC)** is charged with creating new job opportunities and supporting new or expanding businesses in the State. The SBIC makes more capital available to small businesses through investing in alternative and micro lenders as well as venture capital funds.

**Martin Luther King, Jr. Commission (MLK)** promotes cultural awareness and human rights to all people of New Mexico through Dr. King's life philosophy and six principles of nonviolent social action.

**Capitol Buildings Planning Commission (CBPC)** is responsible for long-range planning and review of State properties and the development of an overall master plan.

**Renewable Energy Transmission and Authority (RETA)** has the authority to issue and sell revenue bonds and use the proceeds to finance eligible energy transmission and storage facilities and to acquire and operate facilities through leases.



# Notes



PHOTOS: Julie Filatoff

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