



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

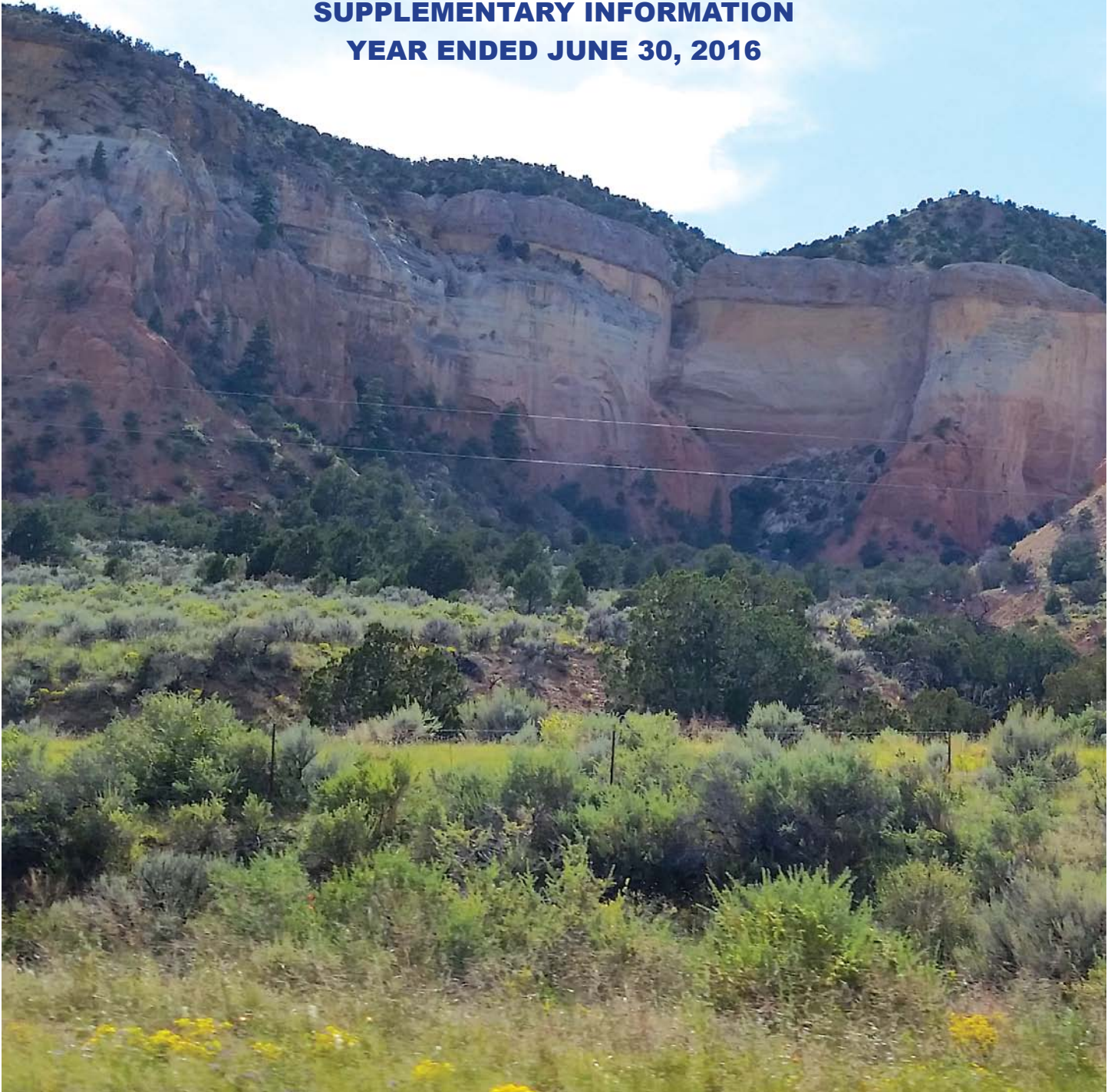


PHOTO: Marie Andemam



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>
ASSETS	
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	28,101
Total Assets	<u>\$ 264,068,288</u>
LIABILITIES	
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	186,076
Total Liabilities	<u>669,576</u>
NET POSITION	
Investment in Capital Assets	
Restricted for:	28,101
Debt Service	263,556,687
Unrestricted	(186,076)
Total Net Position	<u>263,398,712</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 264,068,288</u>

Financial Statements



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Primary Government
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
General Government	\$ 4,672,766	\$ -	\$ (4,672,766)
Interest on Debt Service Activity	34,703,441	-	(34,703,441)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 39,376,207	\$ -	(39,376,207)
GENERAL REVENUES:			
State Property Tax Levy			74,139,519
Severance Taxes			254,966,459
BOND ACTIVITY:			
Bond Proceeds			-
Bond Principal Payments			(198,418,896)
TRANSFER FROM (TO) STATE AGENCY:			
State General Fund Appropriations			3,756,800
Reversions to State General Fund FY15			(138,868)
Other State Agencies			(1,719,206)
Interest			10,467,331
Other State Funds			122,312
Total General Revenues and Transfers			<u>143,175,451</u>
CHANGE IN NET POSITION			103,799,244
Net Position - Beginning			<u>159,599,468</u>
NET POSITION - ENDING			\$ <u>263,398,712</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	
ASSETS				
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
Total Assets	\$ 364,300	\$ 45,894,883	\$ 217,781,004	\$ 264,040,187
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
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
Total Liabilities	364,300	-	119,200	483,500
FUND BALANCES:				
Restricted for:				
Debt Service	-	45,894,883	217,661,804	263,556,687
Unassigned	-	-	-	-
Total Fund Balances	-	45,894,883	217,661,804	263,556,687
TOTAL LIABILITIES AND FUND BALANCES	\$ 364,300	\$ 45,894,883	\$ 217,781,004	\$ 264,040,187



**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**

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	\$	263,556,687
---	----	-------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital assets total acquisition value		187,770
Total accumulated depreciation		(159,669)
Total Capital Assets, Net		28,101

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

		(186,076)
--	--	-----------

Net Position of Governmental Activities (Statement of Net Position)	\$	<u><u>263,398,712</u></u>
--	-----------	----------------------------------



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	
REVENUES				
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
EXPENDITURES				
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
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,749,128)	(2,291,583)	107,896,640	101,855,929
OTHER FINANCING SOURCES (USES):				
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
NET CHANGE IN FUND BALANCES	(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
FUND BALANCES - END OF YEAR	\$ -	\$ 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**

Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 103,876,967
---	-----------------------

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	10,562

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	(88,285)
----------------------------------	----------

Change in Net Position of Governmental Activities	\$ <u>103,799,244</u>
--	------------------------------



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		
REVENUES				
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>
EXPENDITURES				
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>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	129,984	<u>\$ 129,984</u>
RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE				
Unbudgeted Reversions to State General Fund			<u>(138,868)</u>	
NET CHANGE IN FUND BALANCES (GAAP BASIS)			<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>
ASSETS		
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	3,840,388,211	-
Securities Receivable	3,911	-
Other Receivables	-	15,203,938
Accrued Interest Receivable	7,872,216	-
TOTAL ASSETS	\$ 3,848,264,338	\$ 15,203,938
LIABILITIES		
Due to Broker	\$ 39,295,605	\$ -
Other Liabilities	28,307	-
Due To State General Fund	-	15,203,938
Total Liabilities	39,323,912	\$ 15,203,938
NET POSITION - HELD IN TRUST	3,808,940,426	
TOTAL LIABILITIES AND NET POSITION	\$ 3,848,264,338	



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