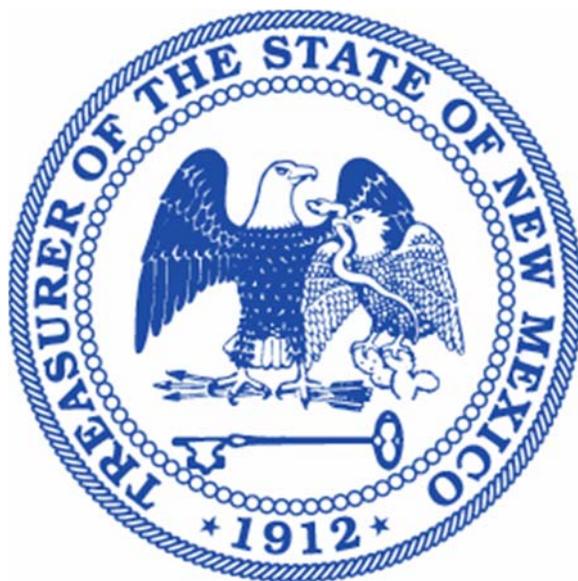


# New Mexico State Treasurer's Office



## 2015 Annual Report

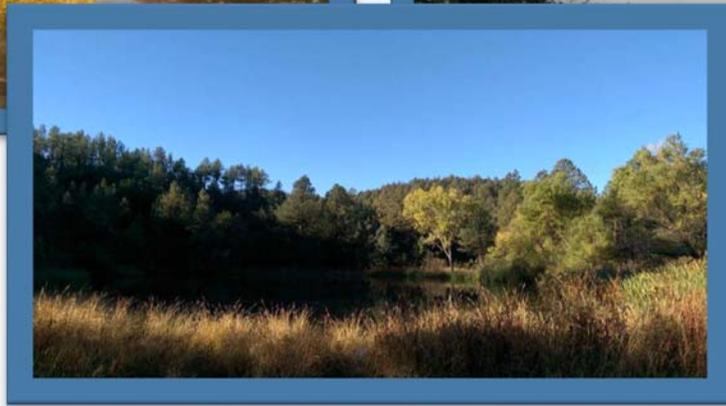
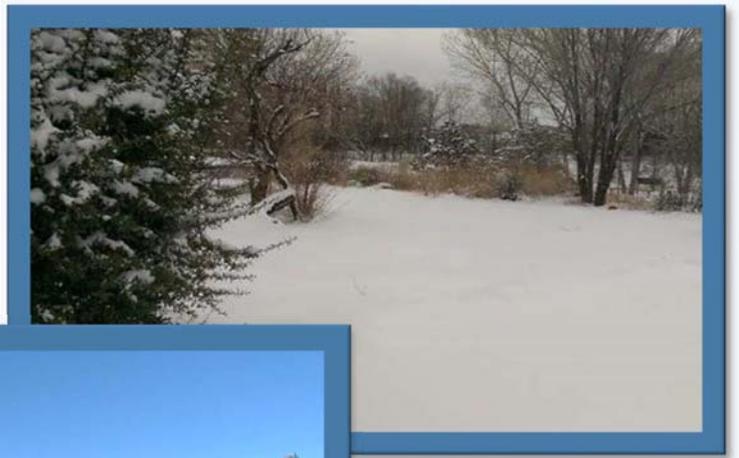
The Honorable Tim Eichenberg

The New Mexico State Treasurer's Office Annual Financial Report for the Fiscal Year ended June 30, 2015 provides a synopsis of STO's achievements.

An electronic version of this report is available at [www.stonm.gov](http://www.stonm.gov).



# TABLE OF CONTENTS



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## **Main Section**

Biography of the State Treasurer	5
Statutory Authority	6
In-House Policies	7
History of the State Treasurer’s Office	8
Significant Milestones	9
State Treasurer’s Office Staff	11

## **Division Reports**

Budget and Finance Division	12
Cash Management Division	15
Investment Division	18
Operations Division	22
Financial Statements	23
Boards and Commission	35



**TIM EICHENBERG**  
State Treasurer



**SAMUEL K. COLLINS, JR.**  
Deputy State Treasurer

STATE OF NEW MEXICO  
**OFFICE OF THE STATE TREASURER**  
December 7, 2015

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,

I respectfully submit the Annual Report for the State Treasurer's Office for the fiscal year ending June 30, 2015. The report includes financial statements and other pertinent information regarding the operations and accomplishments of the State Treasurer's Office for the past fiscal year.

I am honored to have been elected your State Treasurer, assuming office on January 1, 2015. I pledge to be a full-time State Treasurer and to maintain the highest level of ethics and transparency for the office. I will continue to represent the citizens of New Mexico with honesty and integrity, while safeguarding the taxpayer's money through sound management practices and a safe investment program.

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, 2015 deadline. The Independent Auditors' Report and the State Treasurer's Office financial statements are included in the report.

I want to acknowledge the efforts of the employees who contributed to the production of the Annual Report; and I especially want to thank 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



**The Honorable Tim Eichenberg**  
**New Mexico State Treasurer**



## *Tim Eichenberg*

New Mexico State Treasurer  
2015—Present

Tim Eichenberg assumed office on January 1, 2015, becoming the 29<sup>th</sup> State Treasurer of New Mexico. Raised in Albuquerque, NM he attended Albuquerque Public Schools and graduated from the University of New Mexico. Eichenberg 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, Eichenberg 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 as a Real Estate Broker.

In 1994, Eichenberg was elected to the Albuquerque Metropolitan Arroyo Flood Control Authority Board, a position he still holds today. Then in 2004, Eichenberg 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, Eichenberg 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, Eichenberg 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.



## STATUTORY AUTHORITY

**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 require the Treasurer to act as the State’s banker to receive, keep, and account for State funds collected and disbursed, and 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 moneys 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 moneys 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.



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, 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 a 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 © Velvet Valentine



# 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

**TIM EICHENBERG**  
**2015–PRESENT**

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



## **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 the State's 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 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 seven 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.

## **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.



## SIGNIFICANT MILESTONES

### **Business Continuity and Disaster Recovery Planning**

The State Treasurer's Office has initiated its first true disaster recovery plan allowing 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.



Photo © Velvet Valentine



## Staff as of June 30, 2015



Photo © Velvet Valentine

### Administration

Ricky A. Bejarano  
*Deputy Treasurer*

Deborah Bransford  
*Executive Assistant to the Treasurer*

Cindy Cordova  
*General Council*

Cassandra Nicasio  
*Administrative Assistant*

Bernard Raymond

### Operations Division

Clarence L. Smith  
*Chief Operations Officer*

Brent Johnson  
Yvonne Ramirez  
Paul Madrid

### Investment Division

Charmaine Cook, AAP  
*Chief Investment Officer*

Vikki Hanges  
Jeremy Landrum  
Arsenio Garduño  
Denise Payne  
Hannah Chavez  
Victoria Hutchison  
Derek Dominguez

### Cash Management Division

Edward Gallegos  
*State Cash Manager*

Dominic L. Chavez  
Antoinette Griego-Romero  
Yolanda Chavira  
Annabel Vigil  
Michael Romero

### Budget and Finance Division

Leo R. Marquez, II  
*Chief Financial Officer*

Christina Baca  
Alisha Dominick  
Steve Vigil  
Marie Andermann



## BUDGET AND FINANCE DIVISION

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 Office of the State Treasurer.

It is the responsibility of the Budget and Finance Division to reconcile and post operating, investment, 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 and various regulations and accounting standards that govern its activities.

### **Chief Financial Officer**

The State Treasurer's Chief Financial Officer (CFO) serves as Budget and Finance Division Director. The CFO is responsible for establishing strong budgetary controls and ensuring 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 be recorded and posted in the proper category and that cash account records are being reconciled in a timely manner with reports to the State Treasurer on a monthly basis.

The CFO is responsible for ensuring budget and accounting systems function properly and 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 payments to vendors are completed in compliance with the State procurement law.

### **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 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 the office is operating within budget guidelines.

### **Finance Bureau**

The Finance Bureau is charged with the following responsibilities:

Reconciliation and preparation of financial Statements and treasury transaction postings to the general ledger—the Finance Bureau coordinates information required by the independent public accounting firm performing the annual external audit.

Procurement of supplies, furniture, equipment and services for the Treasurer's Office—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 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 ensures 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 (DFA); upon receipt of the payment, the warrant is reviewed for accuracy prior to release to the vendor.

Records management for internal and external storage of required documents in accordance with the New Mexico Public Records Act—when records are received for storage the contents are verified and labels prepared by the division and either stored at the State Treasurer's Office or transferred to the State Records Center and Archives for retention and disposal as mandated by the State Treasurer's Office records retention schedule. All documents generated within the division are being digitized and categorized for more controlled document retention and retrieval.

### **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 is managed by the bureau.

### **Significant Milestones and Accomplishments FY 2015:**

Financial Procedures - The Budget and Finance Division has completed the documentation of all financial procedures and continues to update them as changes occur at the Department of Finance & Administration.

### **Training:**

Staff is now fully trained in division financial transactions and new internal procedures were implemented to monitor all encumbrances and payments. These changes ensured the timely closing of the year in June.

### **Procurement Procedures:**

Under NMSA Section 13-1-95.2, each State agency must register its Chief Procurement Officer with the State Purchasing Division as outlined in the updated version of the Model Accounting Practices Manual (MAPs) FIN 4.13.2. Two staff were trained and certified as procurement officers. One being designated as the State Treasurer's Chief Procurement Officer and the other serving as a backup.



### Initiatives FY 2016:

- The Budget & Finance Division 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.
- Training will continue for generating various reports in SHARE and using those reports to project expenditures.
- The preparation duties for the “Budget Status Report” and the OPBUD 2 which are due in May of 2016 will be transferred to several staff by January 1, 2016.



Photo © Marie Andermann



Cash Management can be defined as a systematic gathering of information about the State's receipts, disbursements and balances, and the use of that information to effectively manage the funds available to the State. The position of State Cash Manager was established in 1993 under 8-6-3.1 NMSA 1978 and its duties are defined to include: issuance of 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, preparation of monthly written report to the State Treasurer's Investment Committee and State Board of Finance of State fund balances in financial institutions.

## **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; 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 bank account transactions. 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 division also reviews the monthly fiscal agent account analysis for compliance with the agreement and to identify and prevent unauthorized use.

The bureau will continue to research and work with the State's fiscal agent, other banking institutions and other professional organizations in implementing modern cash management products to implement best practices and accelerate receipts for more effective cash management and thereby maximize funds available for investment.

## **Audit and Compliance Bureau**

The Audit and Compliance Bureau is responsible for projection of the State's short-term and long-term cash

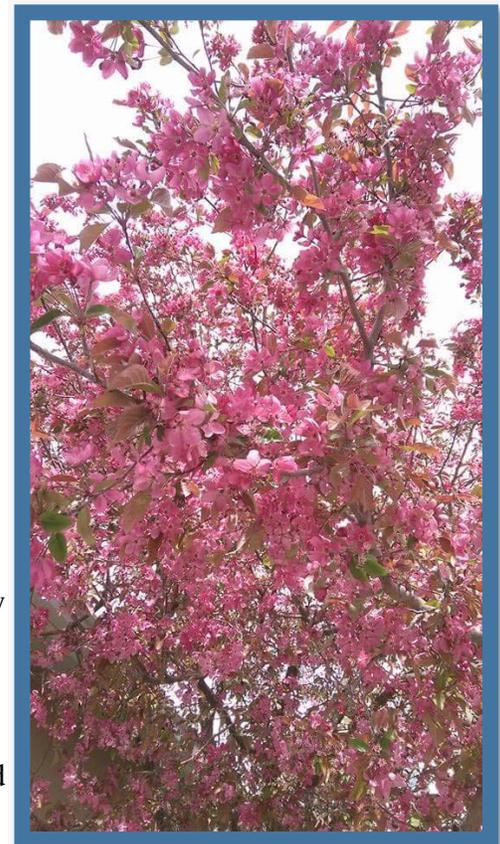


Photo © Marie Andermann



## CASH MANAGEMENT DIVISION

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 the largest inflows and outflows of funds to identify anomalies that could impact the daily cash position of the State Treasury. The Cash Flow model is updated monthly or more frequently if necessary and a written report is issued to the State Treasurer's Investment Committee and State Board of Finance on a monthly basis.

The bureau also performs daily cash positioning to determine the State's cash needs on an intra-day basis in order to meet its obligations. Cash positioning is a very critical function as 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 CMIA to ensure efficiency, effectiveness, and equity in the transfer of funds between State and federal governments. 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 bureau performs annual compliance audits of 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 utilized 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.

### **Significant Milestones and Accomplishments FY 2015:**

#### Electronic Depositing of Checks

Advances in technology make electronic depositing of checks more efficient and cost-effective than paper depositing. Wells Fargo's Desktop Deposit product allows Agency staff to deposit checks without physically going to the bank or utilizing costly couriers. Not only does use of Desktop Deposit provide users with extended deposit times (as

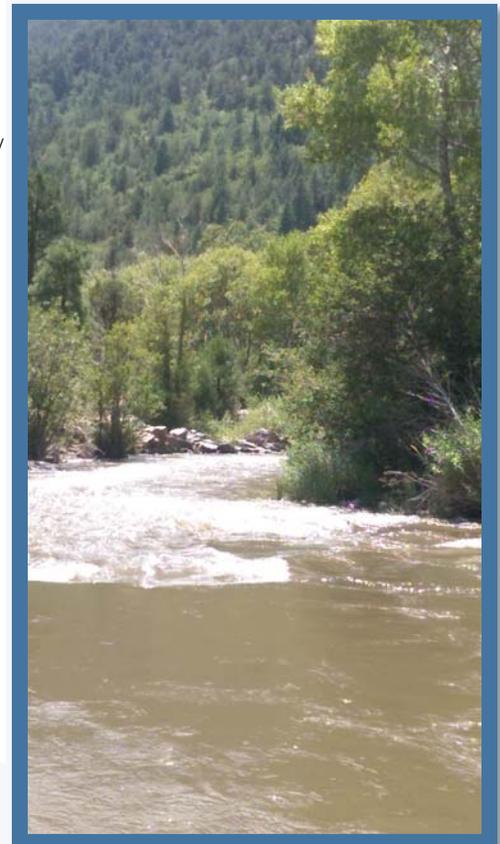


Photo © Marie Andermann



late as 8:00 pm daily) but electronic deposits are less costly. The State has saved a significant amount of expense since implementation of this product began. When checks are deposited using Desktop Deposit, the bank maintains a check image archive, relieving the State of this responsibility and Agency staff of the tedious task of photocopying checks to be deposited. The Division has pushed out close to one hundred Desktop Deposit machines to agencies throughout the State.

## Participation in Cash Remediation Phase 2

The Cash Management Division has played a major role in the Cash Remediation Phase 2 Project, working with the DFA and DoIT to bring all agencies Statewide into a centralized way of processing payments. The division will continue to work closely with these and all State agencies in order to ensure the payments are processed quickly, securely and in accordance with industry best practices.

## **Initiatives for FY 2016:**

- Work with DoIT and DFA on PCI DSS (bankcard data security) compliance
- Work with DoIT and DFA on Cash Remediation Project Phase 2
- Work with DoIT and DFA on implementation or upgrade of PeopleSoft Treasury Management System in SHARE
- Convert checks for deposit to ACH transactions to minimize bank fees
- Have agencies utilize post-verification deposit option at the bank to minimize bank fees
- Encourage agencies to minimize issuance of paper warrants and increase use of ACH payments
- Continue roll out of Desktop Deposit scanners
- Evaluate use of automated cash deposit products to minimize use of expensive couriers.

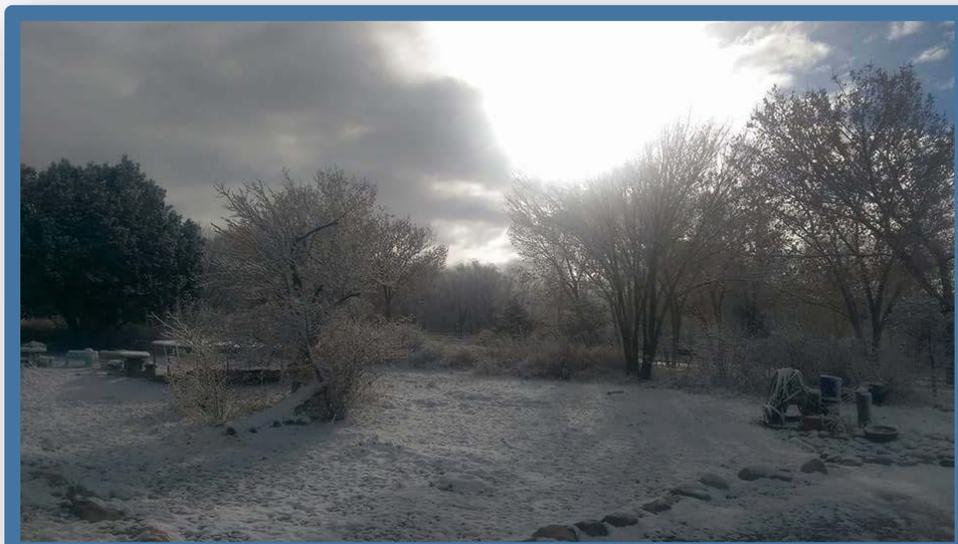


Photo © Marie Andermann



## INVESTMENT DIVISION

The Investment Division is responsible for investing money, transacting funds, ensuring sufficient collateral, 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, secures post-trade review signatures, and reports the executed portfolio activity to the State Treasurer's Investment Committee and to the State's Board of Finance monthly. 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, which is an advisory committee, meets monthly to review the investment portfolios for statutory compliance, quality, diversification, maturity, and performance; and also reviews portfolio controls, collateral adequacy, and recommends investment procedural changes. Periodically, the committee recommends changes to the State Treasurer's Investment Policy.

### **Investment Strategy**

During FY 2015, the division earned approximately \$23.5 MM. At the end of FY 2015, the five portfolios total approximately \$4.1 billion. All funds are invested in a manner that is in conformance with federal, State and other legal requirements. The division is charged with observing the following priorities in making investment decisions, in the order described:

- Safety – the first priority must be accorded to the preservation and protection of the principal of the funds to be invested;
- 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, in order to satisfy the reasonably anticipated, continuing operational requirements of the specific fund invested; and
- 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.

Fiscal agent bank balances are monies held at the fiscal agent bank and are managed to a target balance after payment of checks, warrants, ACHs and wire transfers processed by the State. All securities are held in custody and cash from these investment transactions moves to and from the fiscal agent bank and the custodial bank.

### **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. The Collateral Manager is also a member of the cash forecasting team.

### **Investment Transactions Bureau**

The movement of funds and recording of investment activity into the Treasurer's sub-ledger accounting system and the custody system is performed in the bureau. The bureau verifies all trade activity from trade documentation, enters the data into the sub-ledger accounting and custody systems and 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 they correspond with participants on a daily basis. The bureau also coordinates the annual Treasurer's LGIP Stakeholder Conference. A weekly reconciliation submission to the Standard & Poor's rating agency for the LGIP is one of several reconciliation processes that take place on a regular basis.

### **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 State Treasurer's Investment Committee 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.

### **The General Fund Investment Pool**

The General Fund Investment Pool consists of three main components:

1. General Fund Liquidity Portfolio – Immediate cash needs of the State are to be 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;
2. 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; and
3. 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 FY2015.

The State Treasurer's Office makes a portion of the General Fund money available for investment in certificates of deposit (CD) 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 FY 2015 the General Fund reported \$15.8 million in earnings. At fiscal year end, the General Fund



Investment Pool had more than \$ 1.8 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 the State of New Mexico.

The Bond Proceeds Investment Pool consists of two main components:

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

During FY 2015 the bond proceeds pools reported more than \$6.5 million in earnings. At fiscal year end, the bond proceeds pools had \$2.6 million in unrealized gains.

The Bond Proceeds Investment Pools (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, tribe 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 FY 2015 the Local Government Investment Pool reported more than \$1 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 Association, the State Investment Council, and the Public Employees Retirement Association.



## Accomplishments FY 2015:

- Portfolio performance in low interest rate environment.
- The Standard & Poor’s AAAM rating for LGIP was reaffirmed.
- Successfully transitioned to newly elected Treasurer and turnover in senior management.
- Completed annual broker dealer process using a revised methodology to maximize efficiencies and effectiveness for STO.
- Hosted 7th Annual Local Government Investment Pool (LGIP) Stakeholder Conference.
- Realigned Investment Accounting Bureau to Budget and Finance Division.
- Continued staff development and cross training.
- Continued Outreach (LGIP, Banks, CD program, Counties and Municipalities)
- Continued to refine cash projections to minimize liquidity balances
- Participated on an advisory committee to provide recommendations to Bernalillo County
- Represented STO in the formation of an Enterprise Payment Card Industry Compliance Steering Committee and charter.
- Worked with DFA on the bank to book reconciliation process
- Closure of the LGIP Reserve Contingency
- Created model to project General Fund Investment Pool earnings

## Initiatives FY 2016:

- Continue to evaluate overnight repurchase strategies and risks due to changing regulations and broker-dealer movement away from this sector.
- Evaluate vendor options for LGIP participant portal platforms and support efforts to request funding for implementation project and ongoing operational costs. If funding is obtained, participate in RFP process to select and implement a vendor solution.
- Continue strategic planning for LGIP pool variations including credit and longer duration. Addition of LGIP pools is dependent upon getting front end automation for participants’ contributions, withdrawals and reporting.
- Facilitate 2016 Local Government Investment Pool (LGIP) Stakeholder Conference.
- Implement infrastructure and processes to support credit as an investment sector for portfolios.
- Continue outreach (LGIP, banks, CD program, counties and municipalities)
- Explore professional development for staff.
- Serve as a voting member on the Enterprise PCI (Payment Card Industry) Steering Committee and actively participate in projects designed to move the State toward full PCI compliance.
- Continue to be an active member in implementing Cash Remediation Project 2
- Continue to work with DFA on bank to book reconciliation
- Enhance processing of investment trade compliance

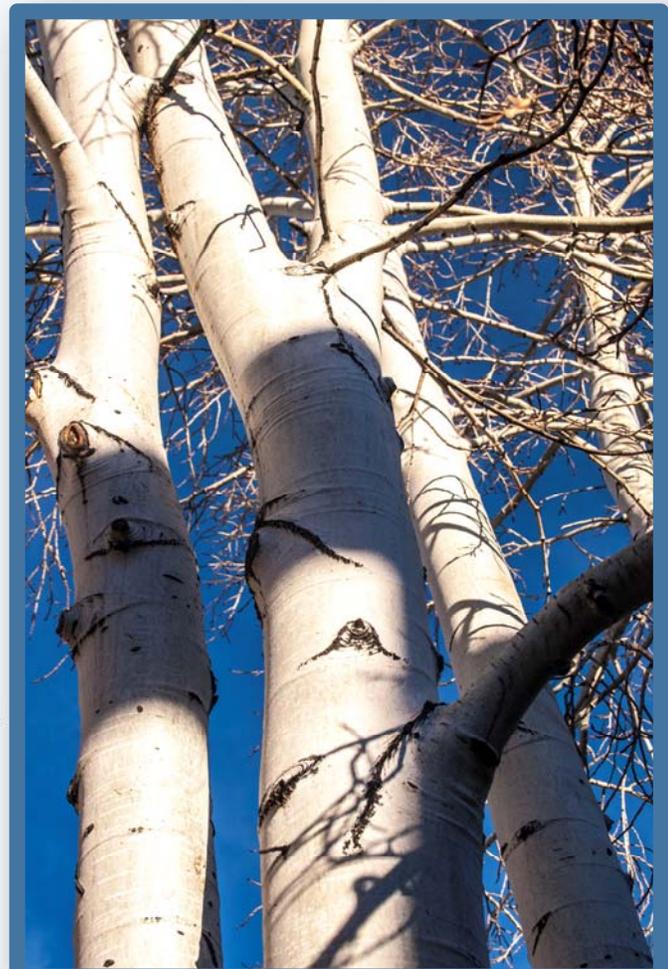


Photo © Velvet Valentine



## OPERATIONS DIVISION

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 cyber security and the maintenance of the State Treasurer's Office Disaster Recovery & Business Continuity Plan. The State Treasurer's Office maintains a Disaster Recovery Site (Hot Site) at an off-site location in NM. The bureau continuously reviews and evaluates the hardware and software to determine future technology needs to ensure the State Treasurer's Office can continue operations with minimal down time and maximum efficiency.

### **Accomplishments FY 2015:**

- Overall cyber security at the State Treasurer's Office was improved to a high degree. Firewall security was tightened, a third party security review was completed, and identified flaws in security were mitigated.
- All desktop computers in the agency had hard drive encryption implemented.
- The State Treasurer's Office has moved the on-site and off-site investment system to the web; which is maintained and managed by QED Financial Systems.
- The disaster recovery system for the investment system is stored in a bunker located in New Jersey, which is maintained and managed by QED Financial Systems, giving the State Treasurer's Office 24/7 access. These changes mark an increase in security for the State Treasurer's Office and long-term cost savings.
- Funds totaling \$1.9 million were appropriated by the legislature during the 2013 legislative session for the implementation and configuration of the PeopleSoft "Treasury Management System." The project is currently on hold pending the upgrade of SHARE PeopleSoft software to a more current version capable of running the Treasury Management Module.
- The Emergency Evacuation Plan and the Disaster Recovery & Business Continuity Plan were finalized and implemented.
- Successfully passed the State Fire Marshall's annual inspection.
- Loss Prevention & Control Program was developed and implemented, establishing the Loss Prevention and Control Committee, the Safety Committee, and an Alternative Dispute Resolution Program.
- 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 and the American Cancer Society Making Strides Walk.



**STATE OF NEW MEXICO  
OFFICE OF THE STATE TREASURER  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**



# FINANCIAL STATEMENTS

## 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, 2015, 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, 2015, 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, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 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 – 13 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 November 25, 2015 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Albuquerque, New Mexico

November 25, 2015



# FINANCIAL STATEMENTS

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 303,060
Repurchase Agreements (Held in State General Fund Investment Pool)	183,716,192
Due from Other Agencies	112,239,369
Bond Interest Receivable	660,636
Other Assets	3,451
Capital Assets, Net of Accumulated Depreciation: Equipment	17,539
Total Assets	<u>\$ 296,940,247</u>
<b>LIABILITIES</b>	
Accounts Payable	195,152
Accrued Payroll	58,954
Other Liabilities	136,829,045
Accrued Payroll Taxes	15,410
Due to State General Fund	144,427
Compensated Absences	97,791
Total Liabilities	<u>137,340,779</u>
<b>NET POSITION</b>	
Investment in Capital Assets	
Restricted for:	17,539
Debt Service	159,670,836
Unrestricted	(88,907)
Total Net Position	<u>159,599,468</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 296,940,247</u>



## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF NET ACTIVITIES YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Primary Government
<b>PRIMARY GOVERNMENT</b>			
<b>GOVERNMENTAL ACTIVITIES</b>			
General Government	\$ 4,482,917	\$ -	\$ (4,482,917)
Interest on Debt Service Activity	48,243,902	-	(48,243,902)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 52,726,819</b>	<b>\$ -</b>	<b>(52,726,819)</b>
<b>GENERAL REVENUES:</b>			
State Property Tax Levy			78,006,684
Severance Taxes			426,330,559
<b>BOND ACTIVITY:</b>			
Bond Proceeds			403,649
Bond Principal Payments			(524,987,150)
<b>TRANSFER FROM (TO) STATE AGENCY:</b>			
State General Fund Appropriations			3,729,300
Special Appropriations			178,100
Reversions to State General Fund FY15			(180,681)
Other State Agencies			1,347,785
Interest			6,517,825
Federal Funds			33,416
Total General Revenues and Transfers			(8,620,513)
<b>CHANGE IN NET POSITION</b>			<b>(61,347,332)</b>
Net Position - Beginning			220,946,800
<b>NET POSITION - ENDING</b>			<b>\$ 159,599,468</b>



# FINANCIAL STATEMENTS

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2015

	18200	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	\$ 303,060	\$ -	\$ -	\$ 303,060
Repurchase Agreements (Held in State General Fund Investment Pool)	-	31,513,960	152,202,232	183,716,192
Other Assets	3,451	-	-	3,451
Bond Interest Receivable	-	160,825	499,811	660,636
Due from Other Agencies	-	15,447,556	96,791,813	112,239,369
<b>Total Assets</b>	<b>\$ 306,511</b>	<b>\$ 47,122,341</b>	<b>\$ 249,493,856</b>	<b>\$ 296,922,708</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 78,836	\$ -	\$ 116,316	\$ 195,152
Other Liabilities	-	-	136,829,045	136,829,045
Due to State General Fund	144,427	-	-	144,427
Accrued Payroll	58,954	-	-	58,954
Accrued Payroll Taxes	15,410	-	-	15,410
<b>Total Liabilities</b>	<b>297,627</b>	<b>-</b>	<b>136,945,361</b>	<b>137,242,988</b>
<b>FUND BALANCES:</b>				
Restricted for:				
Debt Service	-	47,122,341	112,548,495	159,670,836
Unassigned	8,884	-	-	8,884
<b>Total Fund Balances</b>	<b>8,884</b>	<b>47,122,341</b>	<b>112,548,495</b>	<b>159,679,720</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 306,511</b>	<b>\$ 47,122,341</b>	<b>\$ 249,493,856</b>	<b>\$ 296,922,708</b>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

<b>Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)</b>	<b>\$</b>	<b>159,679,720</b>
 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		263,731
Total accumulated depreciation		<u>(246,192)</u>
Total Capital Assets, Net		17,539
 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		
		<u>(97,791)</u>
 <b>Net Position of Governmental Activities (Statement of Net Position)</b>	 <b>\$</b>	 <b><u>159,599,468</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, 2015

	Major Funds			Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	
<b>REVENUES</b>				
Interest Income - Debt Service	\$ -	\$ 995,011	\$ 5,552,933	\$ 6,547,945
Federal Funds	3,297	-	-	3,297
Severance Taxes	-	-	426,330,559	426,330,559
State Property Tax Levy	-	78,008,684	-	78,008,684
Total Revenues	3,297	79,001,695	431,883,492	510,888,484
<b>EXPENDITURES</b>				
Current:				
Personnel Services and Employee Benefits	2,836,603	-	-	2,836,603
Operating Costs:				
Contractual Services	299,794	-	-	299,794
Other Administrative Expenditures	593,619	-	-	593,619
Debt Service:				
Principal and Interest on Long-Term Debt	-	75,411,248	155,130,531	230,541,779
Principal and Interest on Short-Term Debt	-	-	342,689,273	342,689,273
Other Charges	-	301,663	460,078	761,741
Total Expenditures	3,730,016	75,712,911	498,279,882	577,722,809
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(3,726,719)	3,288,784	(66,396,390)	(66,834,325)
<b>OTHER FINANCING SOURCES (USES):</b>				
State General Fund Appropriations	3,729,300	-	-	3,729,300
Special Appropriation	178,100	-	-	178,100
Reversions to State General Fund FY13	(180,681)	-	-	(180,681)
Bond Proceeds	-	403,649	-	403,649
Transfer (to) from Other State Agency	-	-	1,347,785	1,347,785
Total Other Financing Sources (Uses)	3,726,719	403,649	1,347,785	5,478,153
<b>NET CHANGE IN FUND BALANCES</b>	-	3,692,433	(65,048,605)	(61,356,172)
Fund Balances - Beginning of Year	8,884	43,429,908	177,597,100	221,035,892
<b>FUND BALANCES - END OF YEAR</b>	\$ 8,884	\$ 47,122,341	\$ 112,548,495	\$ 159,679,720



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

<b>Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	<b>\$ (61,356,172)</b>
 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.	
This is the amount by which depreciation expense of \$15,003 exceeded capital outlay expense of \$0 in the current period:	(15,003)
 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:	
Decrease in Compensated Absences	<u>23,843</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (61,347,332)</u></b>



**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, 2015**

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State General Fund Appropriation	\$ 3,729,300	\$ 3,729,300	\$ 3,729,300	\$ -
Federal Grants	4,000	4,000	3,297	(703)
Other	178,100	178,100	178,100	-
Total Revenues	<u>3,911,400</u>	<u>3,911,400</u>	3,910,697	<u>(703)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel Services and Benefits	3,007,447	2,862,447	2,836,603	25,844
Contractual Services	312,053	357,053	299,794	57,259
Operating Costs	591,900	691,900	593,619	98,281
Total Expenditures	<u>3,911,400</u>	<u>3,911,400</u>	<u>3,730,016</u>	<u>181,384</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	180,681	<u>\$ 180,681</u>
<b>RECONCILIATION TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b>				
Unbudgeted Reversions to State General Fund			<u>(180,681)</u>	
<b>NET CHANGE IN FUND BALANCES (GAAP BASIS)</b>			<u>\$ -</u>	



# FINANCIAL STATEMENTS

## STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2015

	Investment Trust Fund	Agency Fund - Gaming Suspense Fund
<b>ASSETS</b>		
Cash and Investments:		
Fiscal Agent Bank Account	\$ 85,318,980	\$ -
Cash in Banks	493,691,193	-
Certificates of Deposit	77,950,178	-
U.S. Government Securities	3,028,345,064	-
Municipal Bonds	64,129,385	-
Repurchase Agreements	606,000,000	-
Discounted Notes	41,641,606	-
Total Cash and Investments	<u>4,397,076,406</u>	-
Securities Receivable	18,958	-
Other Receivables	-	17,157,050
Accrued Interest Receivable	<u>11,482,148</u>	-
<b>TOTAL ASSETS</b>	<u>\$ 4,408,577,512</u>	<u>\$ 17,157,050</u>
<b>LIABILITIES</b>		
Due to Broker	\$ 16,592,613	\$ -
Other Liabilities	28,307	-
Due To State General Fund	-	17,157,050
Total Liabilities	<u>16,620,920</u>	<u>\$ 17,157,050</u>
<b>NET POSITION - HELD IN TRUST</b>	<u>4,391,956,592</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 4,408,577,512</u>	



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2015**

	Investment Trust Fund
<b>ADDITIONS</b>	
Investment Income	\$ 26,082,419
Deposits	46,265,768,007
<b>DEDUCTIONS</b>	
Management Fees	(297,173)
Withdrawals	(46,304,164,686)
Change in Net Position	(12,611,433)
<b>NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2014</b>	<b>4,404,568,025</b>
<b>NET POSITION, HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2015</b>	<b>\$ 4,391,956,592</b>



## BOARDS AND COMMISSIONS

The State Treasurer serves on the following boards and commissions and 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 safe-keeping of all money and securities belonging to or in the custody of the State, and has 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, which 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

