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A large, solid green circle is positioned on the left side of the page, partially overlapping the grey background.

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**STATE OF NEW MEXICO
OFFICE OF THE STATE TREASURER**

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2017

atkinson

CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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State of New Mexico
Office of the State Treasurer

OFFICIAL ROSTER

June 30, 2017

Office of the State Treasurer

Tim Eichenberg	State Treasurer
Sam Collins	Deputy State Treasurer

State Treasurer's Investment Committee

Tim Eichenberg	Chairman
Charmaine Cook	Chief Investment Officer, Investment Division Director
Paul Cassidy	Member
Mark Pike	Member
Leila Burrows Kleats	State Board of Finance Member

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Susana Martinez, Governor and
President, State Board of Finance
Honorable Tim Eichenberg, State Treasurer
Honorable Timothy Keller, State Auditor
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, 2017, 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, 2017, 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 Matters

Reporting Entity

As discussed in Note B, 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, 2017, 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.

Pension Accounting and Reporting

As discussed in Note B13, the State of New Mexico, as a single employer, has implemented GASB 68 *Accounting and Financial Reporting for Pensions*, in the June 30, 2016, Comprehensive Annual Financial Reports (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Office's governmental funds. All other required footnotes and other disclosures required by the Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2017. Our opinion is not modified with respect to this matter.

Accounting Policy Statements Adopted

As discussed in Note V to the financial statements, during the year ended June 30, 2017, the Office adopted two new accounting policies, Accounting Policy Statement Three (APS #3) *Interfund Transactions* and Accounting Policy Statement Four (APS #4), *Custodial Funds*, for reporting in the State's comprehensive annual financial report (CAFR) in accordance with DFA's interpretation of GASB 34. 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 14 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 – 12 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 – 12 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. Except for Schedule 12, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2017

The New Mexico Office of the State Treasurer's (State Treasurer or STO) Management's Discussion and Analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of the State Treasurer's financial activity, identify changes in the State Treasurer's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The MD&A is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the State Treasurer's financial statements and notes which follow this section.

Financial Highlights

- The State Treasurer's net position increased by \$38,665,927.
- The General Fund's main financing source was appropriations, which amounted to \$3,428,600 or 74.7% of all revenue.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State Treasurer's basic financial statements. The State Treasurer's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide a broad overview of the State Treasurer's finances, in a manner similar to a private sector business. The statement of net position presents information on all of the State Treasurer's assets and liabilities, which is the difference between the two being reported as net position.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal year periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The State Treasurer, like other State and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State Treasurer can be divided into two categories: governmental funds and fiduciary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The State Treasurer maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Fund and the Severance Tax Bond Fund and the Gaming Suspense Fund. The General Obligation and Severance Tax Bond funds combine into a single, aggregated presentation of the activity of each individual bond issue.

Individual bond transaction data of these governmental funds is provided in the form of combining statements elsewhere in this report. During 2017, the State Treasurer adopted a new accounting policy issued by the Department of Finance and Administration (DFA) to transfer the Gaming Suspense Fund as an agency fund included within the Statement of Fiduciary Net Position into the Balance Sheet – Governmental Funds as a change in accounting policy. In addition, all debt service principal and interest expenditures related to general obligation and severance tax bond payments made on behalf of the State Board of Finance were reclassified to transfers to other state agencies. The Gaming Suspense Fund was established to collect monies owed to the State from gaming establishments. It is no longer reported as an agency fund.

The State Treasurer adopts an annual operating budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the State Treasurer. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the State Treasurer's own programs.

Fiduciary funds provide the same type of information as the government-wide financial statements, only in more detail. The fiduciary fund financial statements provide separate information for the Short-term Investment Pool, Consolidated Investment Pool (comprised of the Bond Proceeds Investment Pools #1 (Tax Exempt) and #2 (Taxable)), and the State Funds Investment Pool. The State Treasurer's fiduciary funds account for cash, securities, and other

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

investments identified and held on behalf of local and State government agencies. The Short-term Investment Pool accounts for the Local Government Investment Pool (LGIP), the Consolidated Investment Pool accounts for funds held in custody for both State and local government agencies, and the State Funds Investment Pool accounts for funds identified and held on behalf of State agencies. Collectively, these funds are shown on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position as the Investment Trust Fund.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a user's full understanding of the data provided in the government-wide and fund financial statements, and begin on page 24 of this report.

Other Information. The combining statements referred to earlier in connection with the General Obligation and Severance Tax Bond funds are presented immediately following the notes to the financial statements. Schedules of capital assets, and combining schedules of long-term debt can be found beginning on page 74 of this report. Fiduciary schedules begin on page 88.

Government-wide Financial Analysis

Net Position: Table A-1 summarizes the State Treasurer's net position as of June 30, 2017. Total State Treasurer net position for fiscal year 2017 is \$302,064,639, the majority of which is restricted as to purpose.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

**Table A-1
The State Treasurer's Net Position**

	Years Ended June 30,	
	2017	2016
ASSETS		
Cash, Cash Equivalents and Repurchase Agreements	\$ 242,182,048	\$ 190,813,875
Due from Other Agencies	59,566,108	73,222,862
Other Receivable	15,420,232	-
Other Assets	3,450	3,450
Capital Assets, Net	558,232	28,101
Total Assets	\$ 317,730,070	\$ 264,068,288
CURRENT LIABILITIES		
Accounts Payable and Others	\$ 15,563,311	\$ 483,500
Compensated Absences, Amounts Due in One Year	102,120	186,076
Total Liabilities	15,665,431	669,576
NET POSITION		
Investment in Capital Assets	558,232	28,101
Restricted	301,608,527	263,556,687
Unrestricted	(102,120)	(186,076)
Total Net Position	302,064,639	263,398,712
Total Liabilities and Net Position	\$ 317,730,070	\$ 264,068,288

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the State Treasurer, assets exceeded liabilities by \$302,064,639 at the close of the most recent fiscal year.

By far, the largest portion of the State Treasurer's net position reflects amounts to be provided to satisfy its General Obligation and Severance Tax Bond obligations. It is the responsibility of the State Treasurer to record and administer debt service payments on behalf of the agencies and departments of the State of New Mexico. The proceeds of bond issues authorized by the State Board of Finance are transferred to various State agencies in the form of grants.

The State Treasurer anticipates the future tax revenues generated will be adequate to service the debt obligations.

The restricted portion of the State Treasurer's net position, \$302,064,639, represents resources that are subject to external restrictions on their use.

State of New Mexico
Office of the State Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

Changes in Net Position: Governmental activities increased the State Treasurer's net position by \$38,665,927. Key elements of this decrease are shown in Table A-2.

**Table A-2
The State Treasurer's Statement of Activities**

	Years Ended June 30,	
	2017	2016
GOVERNMENTAL ACTIVITIES		
Revenues:		
Program Revenues:		
General Government	\$ -	\$ -
Total Program Revenues	-	-
General Revenues:		
State General Fund Appropriations, net	3,389,745	3,617,932
Special Appropriations	1,038,650	-
State Property Tax Levy	79,350,287	74,139,519
Severance Taxes	342,316,694	254,966,459
Interest Revenue	11,076,752	10,467,331
Other State/Federal Revenue	124,777	122,312
Transfers (to) other state agencies	(394,308,798)	-
Total General Revenues	42,988,107	343,313,553
Total Revenues	42,988,107	343,313,553
Expenses and Other Financing Uses:		
General Government	(4,322,180)	(4,672,766)
Debt Service Activity	-	(233,122,337)
Other Sources:		
Transfers in from Other State Agencies	-	(1,719,206)
Net Expenses	(4,322,180)	(239,514,309)
Increase in Net Position	38,665,927	103,799,244
Net Position - Beginning of Year	263,398,712	159,599,468
Net Position - End of Year	\$ 302,064,639	\$ 263,398,712

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

Financial Analysis of the Government's Funds

As noted earlier, the State Treasurer uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the State Treasurer's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State Treasurer's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the State Treasurer's governmental funds reported combined ending fund balances of \$302,064,639, which is an increase of \$38,665,927 in comparison with the prior year. The primary reason for the increase in fund balance is property and severance taxes and transfers in from other state agencies exceeding debt service payments recorded as transfers to other state agencies.

The fund balance of the State Treasurer's debt service funds decreased in comparison to the prior year due to large debt service payments offset by property and severance taxes and transfers in from other agencies as disclosed on page 77 in Schedule 3 - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - General Obligation Bond Debt Service Funds, and Schedule 5 - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Severance Tax Bond Debt Service Funds.

General Fund Budgetary Highlights

There were no significant variations between the original budget and the final amended budget.

There were no significant variances between final budget amounts and actual budget results for the General Fund. The General Fund actual expenditures were less than the final budgeted amounts by 11.8%.

Capital Assets and Debt Administration

Capital Assets. The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$558,232, net of accumulated depreciation. This investment in capital assets includes equipment. Additional information on the State Treasurer's capital assets can be found in Note H of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

Administered Debt Service Payments. For the year ended June 30, 2017, the State Treasurer was responsible for administering debt service payments on total bonded debt service requirements of \$398,351,296, all of which is secured by pledged tax revenues. More detailed information about the State Treasurer’s long-term debt is presented in Schedule 6. Long-term debt service requirements decreased by \$185,057,404 from the prior year.

	Years Ended June 30,	
	2017	2016
General obligation bonds	\$ 300,176,549	\$ 379,529,245
Severance tax bonds	1,033,777,984	1,139,482,692
Total debt service requirements	<u>\$ 1,333,954,533</u>	<u>\$ 1,519,011,937</u>

Significant Highlights

During fiscal year 2017, the State Treasurer’s Office continued to hold operating costs down to stay within state budget constraints. The executive management team continued to closely review weekly budget status reports in order to identify potential cost savings. By the end of fiscal year 2017, cost savings yielded a \$38,855 reversion to the General Fund. Over the past five years, the State Treasurer’s budget has been reduced by approximately \$482,800 through vacancies and other cost-saving measures.

Following the agency’s stated objective of selecting investments based primarily on safety, then liquidity, and finally, yield, the agency ended fiscal year 2017 with unrealized losses of \$2,590,839 as compared to unrealized gains of \$17,350,948 in fiscal year 2016. Earnings decreased to \$9,806,840 from \$38,107,400 in 2017, a decrease of 74.3%. The values of the agency’s portfolios which are primarily bond portfolios were negatively impacted by increases in interest rates from historically low levels. The market value of bonds decrease as market interest rates increase. Unrealized gains and losses are book transactions. The State Treasurer’s Office intends to hold its investments to maturity so these temporary unrealized gains and losses are not actually incurred unless a security is sold prior to maturity. Unrealized gains and losses are recorded as an adjustment of earnings. Assets of fiduciary funds managed by the State Treasurer totaled \$3,684,525,914 at June 30, 2017, a decrease of 4.3% from June 30, 2016, when balances totaled \$3,848,264,338. This decrease is due primarily to a decline in the balance of the State General Fund Investment Pool which has been negatively impacted by declining tax revenues related to oil and gas pricing and production.

The State Treasurer’s office began working with the Department of Finance and Administration (DFA) and the Department of Information Technology (DoIT) on the remediation of the business processes and issues with the Statewide Human Resources, Accounting, and Management Reporting (SHARE) system that prevented DFA from performing a meaningful reconciliation between its general ledger and funds held by STO. On June 20, 2012, the “Current State Diagnostic of Cash Control” report was issued by consultants that were hired to assess the current state of cash reconciliation and make recommendations for remediation. The Diagnostic identified a number of issues that were preventing the completion of a timely and accurate statewide cash reconciliation and recommended an approach to remediate the current cash control issues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

Most issues were a result of inadequate implementation of the SHARE system in 2006. The SHARE system which is Oracle/PeopleSoft based did not have the full treasury management system implemented at conversion. This resulted in many processes being disjointed and the system that tracks the investment portfolios that the State Treasurer's office manages not integrated into SHARE.

DFA considers the remediation project to be a success and is reconciling on a monthly basis. The next phase of the Department of Information Technology (DoIT) and Department of Finance and Administration (DFA) Cash Remediation project will be to bring the ACH payments being generated by third-party service providers through SHARE, rather than the service providers sending ACH origination files directly to the bank.

Additional remediation recommendations required that the SHARE system receive software upgrade to PeopleSoft version 9.2 which occurred in October 2017. The legislature appropriated \$1,950,000 to fund the implementation of the treasury module which will include the deal management module, an integrated investment and accounting system. The design and implementation of this system is underway and once completed will replace QED, the State Treasurer's Office legacy investment accounting software. Upon completion, the State Treasurer's Office will not have to enter financial information into two different systems, which will simplify reconciliations. This system is anticipated to go-live in November 2017.

Staff development programs provided ongoing education and training for the State Treasurer's Office employees, providing training on supervisory skills, working in a union environment, defensive driving, civil rights, ethics, sexual harassment prevention and EEOC. Other training was resourced on the benefits of the deferred compensation program, the state public employees retirement program and retiree health care coverage. The State Treasurer's Office continues to honor retiring employees and recognize employee years of service once they have been employed for five years or longer.

In fiscal year 2017, the State Treasurer's Office hosted ratings analysts from Standard & Poor's rating agency to review the status and management of the Local Government Investment Pool (LGIP), which is a pooled investment managed on behalf of local governments, school districts, higher education institutions, special districts, quasi-governmental agencies and Indian tribes and pueblos. Standard & Poor's representatives confirmed that the AAAM rating was reaffirmed based on a strong analysis of credit quality, market price exposure and management.

The State Treasurer's Office hosted the 8th Annual LGIP Stakeholder Meeting in September 2016, inviting all participants to attend. The program was held in Taos and included speakers such as James E. Glassman, Head Economist with JPMorgan Chase Bank and other notable speakers. Participants heard presentations on management of the LGIP, market conditions, the economic outlook and other specific topics and issues. Participants found the meeting beneficial and it was hosted with minimal cost to the Treasurer's Office.

The Cash Management Division successfully implemented a cash confirmation process to comply with the State Auditor's rule 2.2.2.10. This included verifying transaction activity to corroborate the integrity of statewide cash book balances totaling \$2.7 billion.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

The State Cash Manager represents the Treasurer on the New Mexico Enterprise Payment Card Industry (PCI) Compliance Steering Committee (PCISC) for bankcard data security standards. The committee is working with the vendor RiskSense and all agencies currently accepting credit cards on a remediation project to bring the State as a single entity into compliance with the PCI Data Security Standards (DSS). While the immediate focus is on reaching initial compliance by March 2018, PCI compliance is an ongoing process that will require support and resources at both agency and program levels.

The State Treasurer places a high priority on active participation on all of the boards and commissions on which he serves. In fiscal year 2017, a significant amount of time was dedicated to service on boards and commissions.

Economic Factors and Next Year's Budgets and Rates

- Challenging economic conditions require state government to reduce expenditure levels and the State Treasurer's Office will continue to look for cost savings within these budget constraints.
- The State Treasurer's Office continues to reduce budget through vacancy savings and through attrition. Staffing levels were reduced and existing staff job duties were enhanced.
- The overall costs of facilities, equipment and transportation were reduced within current budget constraints.
- Although authorized for 35 FTEs, given STO's current budget, only 31 of these positions can be filled currently. To attract or retain qualified staffing, STO has had to pay its staff higher wages. There are several key positions that are currently vacant due to budget constraints. The implementation of the SHARE treasury module will necessitate additional oversight and STO hopes to obtain adequate budget to fill all 35 positions.

These factors were considered in preparing the State Treasurer's budget for fiscal year 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

Contacting the State Treasurer's Financial Management

This financial report is designed to provide a general overview of the State Treasurer's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Tim Eichenberg, State Treasurer
Office of the State Treasurer
PO Box 5135
Santa Fe, New Mexico 87505

State of New Mexico
Office of the State Treasurer

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
ASSETS	
Investment in State General Fund Investment Pool	\$ 638,212
Repurchase agreements (Held in State General Fund Investment Pool)	241,543,836
Due from other agencies	59,566,108
Other receivables	15,420,232
Other assets	3,450
Capital assets, net of accumulated depreciation	558,232
Total assets	\$ 317,730,070
LIABILITIES	
Accounts payable	\$ 47,136
Accrued payroll	74,510
Accrued payroll taxes	18,894
Due to State General Fund	15,419,026
Other accrued liabilities	1,419
Unearned revenue	2,326
Compensated absences	102,120
Total liabilities	15,665,431
NET POSITION	
Investment in capital assets	558,232
Restricted for:	
Debt service	301,108,729
Treasury module	499,798
Unrestricted	(102,120)
Total net position	302,064,639
Total liabilities and net position	\$ 317,730,070

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position <u>Primary Government</u>
PRIMARY GOVERNMENT			
Governmental activities			
General government	\$ 4,322,180	\$ -	\$ (4,322,180)
Total governmental activities	\$ 4,322,180	\$ -	(4,322,180)
GENERAL REVENUES			
State property tax levy			79,350,287
Severance taxes			342,316,694
TRANSFER FROM (TO) STATE AGENCY			
State General Fund appropriations			3,428,600
Special appropriations			1,038,650
Reversions to State General Fund FY17			(38,855)
Other state agencies			(394,308,798)
Interest revenue			11,076,752
Other state funds			123,050
Federal funds			1,727
Total general revenues and transfers			42,988,107
Change in net position			38,665,927
Net position, beginning			263,398,712
Net position, ending			\$ 302,064,639

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2017

	Major Funds				Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	Gaming Suspense Fund	
ASSETS					
Investment in State General Fund					
Investment Pool	\$ 638,212	\$ -	\$ -	\$ -	\$ 638,212
Repurchase agreements (Held in State General Fund Investment Pool)	-	45,640,958	195,902,878	-	241,543,836
Due from other agencies	-	1,676,205	57,889,903	-	59,566,108
Other receivables	-	-	-	15,420,232	15,420,232
Other assets	3,450	-	-	-	3,450
	<u>3,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,450</u>
Total assets	<u>\$ 641,662</u>	<u>\$ 47,317,163</u>	<u>\$ 253,792,781</u>	<u>\$ 15,420,232</u>	<u>\$ 317,171,838</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 46,481	\$ -	\$ 1,215	\$ -	\$ 47,696
Accrued payroll	74,510	-	-	-	74,510
Accrued payroll taxes	18,894	-	-	-	18,894
Due to State General Fund	(347)	-	-	15,420,232	15,419,885
Unearned revenue	2,326	-	-	-	2,326
	<u>2,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,326</u>
Total liabilities	141,864	-	1,215	15,420,232	15,563,311
FUND BALANCES					
Restricted for:					
Debt service	-	47,317,163	253,791,566	-	301,108,729
Treasury module	499,798	-	-	-	499,798
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>499,798</u>	<u>47,317,163</u>	<u>253,791,566</u>	<u>-</u>	<u>301,608,527</u>
	<u>499,798</u>	<u>47,317,163</u>	<u>253,791,566</u>	<u>-</u>	<u>301,608,527</u>
Total liabilities and fund balances	<u>\$ 641,662</u>	<u>\$ 47,317,163</u>	<u>\$ 253,792,781</u>	<u>\$ 15,420,232</u>	<u>\$ 317,171,838</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

Year Ended June 30, 2017

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	\$ 301,608,527
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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	664,818
Total accumulated depreciation	<u>(106,586)</u>
Total capital assets, net	558,232

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

Net Position of Governmental Activities (Statement of Net Position)	<u>\$ 302,064,639</u>
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The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	Major Funds				Total Governmental Funds
	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund	Gaming Suspense Fund	
REVENUES					
Severance taxes	\$ -	\$ -	\$ 342,316,694	\$ -	\$ 342,316,694
State property tax levy	-	79,350,287	-	-	79,350,287
Interest income - debt service	-	1,360,034	9,716,718	-	11,076,752
Federal funds	1,727	-	-	-	1,727
Other income	-	750	-	-	750
Total revenues	1,727	80,711,071	352,033,412	-	432,746,210
EXPENDITURES					
Current:					
Personnel services and employee benefits	2,713,207	-	-	-	2,713,207
Operating costs:					
Contractual services	406,998	-	-	-	406,998
Other administrative expenditures	393,569	-	-	-	393,569
Other charges	-	15,013	868,630	-	883,643
Capital outlay	538,850	-	-	-	538,850
Total expenditures	4,052,624	15,013	868,630	-	4,936,267
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,050,897)	80,696,058	351,164,782	-	427,809,943
OTHER FINANCING SOURCES (USES)					
State General Fund appropriations	3,428,600	-	-	-	3,428,600
Special appropriation	1,038,650	-	-	-	1,038,650
Miscellaneous other sources	122,300	-	-	-	122,300
Reversions to State General Fund FY17	(38,855)	-	-	-	(38,855)
Transfer (to) from other state agencies	-	(79,273,778)	(315,035,020)	-	(394,308,798)
Total other financing sources (uses)	4,550,695	(79,273,778)	(315,035,020)	-	(389,758,103)
NET CHANGE IN FUND BALANCES	499,798	1,422,280	36,129,762	-	38,051,840
Fund balances, beginning of year	-	45,894,883	217,661,804	-	263,556,687
Fund balances, end of year	<u>\$ 499,798</u>	<u>\$ 47,317,163</u>	<u>\$ 253,791,566</u>	<u>\$ -</u>	<u>\$ 301,608,527</u>

The accompanying notes are an integral part of this financial statement.

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, 2017

Net Change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 38,051,840
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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	538,850
Depreciation expense	<u>(8,719)</u>
Excess of capital outlay over depreciation expense	530,131

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>83,956</u>
Change in Net Position of Governmental Activities	<u>\$ 38,665,927</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

**STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND –
BUDGET AND ACTUAL**

Year Ended June 30, 2017

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriation	\$ 3,628,200	\$ 3,428,600	\$ 3,428,600	\$ -
Special appropriation	1,038,650	1,038,650	1,038,650	-
Federal grants	4,000	4,000	1,727	(2,273)
Other	122,300	122,300	122,300	-
Total Revenues	4,793,150	4,593,550	4,591,277	(2,273)
EXPENDITURES				
Personnel services and benefits	2,990,100	2,725,500	2,713,207	12,293
Contractual services	1,446,450	1,461,450	945,848	515,602
Other operating costs	356,600	406,600	393,569	13,031
Total Expenditures	4,793,150	4,593,550	4,052,624	540,926
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	538,653	\$ 538,653
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance				
Unbudgeted reversions to state general fund			(38,855)	
Net change in fund balances (GAAP basis)			<u>\$ 499,798</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	<u>Investment Trust Fund</u>
ASSETS	
Cash and Investments:	
Fiscal agent bank account	\$ 47,030,926
Cash in banks	204,874,957
Miscellaneous cash	29,961
Certificates of Deposit	20,700,000
Government bonds	1,159,802,756
Treasury bills	676,365,442
Commercial paper	94,936,020
Municipal bonds	32,975,020
Repurchase agreements	1,099,000,000
Corporate bonds	81,979,008
Discounted notes	259,568,381
Bank acceptances	<u>1,118,572</u>
 Total cash and investments	 3,678,381,043
 Securities receivable	 30,910
Accrued interest receivable	<u>6,113,961</u>
 Total assets	 <u>\$ 3,684,525,914</u>
LIABILITIES	
Due to broker	14,428,977
Other liabilities	<u>28,307</u>
 Total liabilities	 14,457,284
 Fiduciary net position - held in trust	 <u>3,670,068,630</u>
 Total liabilities and fiduciary net position	 <u>\$ 3,684,525,914</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the State Treasurer

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

June 30, 2017

	<u>Investment Trust Fund</u>
ADDITIONS	
Investment Income	\$ 9,806,840
Deposits	63,003,470,865
DEDUCTIONS	
Management Fees	(376,335)
Withdrawals	<u>(63,151,773,166)</u>
Change in fiduciary net position	(138,871,796)
Fiduciary net position, held in trust for pool participants, beginning of year	<u>3,808,940,426</u>
Fiduciary net position, held in trust for pool participants, end of year	<u><u>\$ 3,670,068,630</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – DEFINITION OF REPORTING ENTITY

The Office of the State Treasurer (State Treasurer) has existed continuously since 1851 (Laws 1851-1852). The Legislative Assembly of the Territory of New Mexico passed an act to establish and regulate the Treasury Department of the Territory of New Mexico. This act established the office of territorial Treasurer and designed the duties of the Treasurer. The Office of the State Treasurer is established by the New Mexico Constitution, Article V, Section 1, which provides in part:

“The executive department shall consist of a governor, lieutenant governor, secretary of state, State auditor, State treasurer, attorney general, and commissioner of public lands, who shall, unless otherwise provided in the constitution of New Mexico, be elected for terms of four years beginning on the first day of January next after their election. The governor and lieutenant governor shall be elected jointly by the casting by each voter of a single vote applicable to both offices.”

Statutory powers and duties of the State Treasurer are contained in numerous articles of the New Mexico Statutes Annotated. Principal statutory provisions related to the New Mexico State Treasurer's Investment Fund are listed below:

1. Sections 8-6-1 through 8-6-7 NMSA 1978 (1983 Repl.), as amended. Section 8-6-3 NMSA 1978 (1983 Repl.) provides that the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, shall disburse the public money upon lawful warrants and shall keep a just, true and comprehensive account of all monies received and disbursed.
2. Section 6-1-13 NMSA 1978 (1978 Repl.) provides that the State Treasurer shall authorize all State agency deposit accounts and shall establish conditions and reports appropriate to the accounts.
3. Section 6-8-2 NMSA 1978 (1988 Repl.) provides that the State Treasurer shall be a member of the State Investment Council. Section 6-8-6 NMSA 1978 (1988 Repl.) states that the State Treasurer shall maintain custody of the State permanent fund.
4. Sections 6-10-10 (G), (H), and (I) NMSA 1978 (1988 Supp.) empower the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in demand deposits and not immediately needed for the operation of State government in certain specified securities or investments.
5. Section 6-12A-2 NMSA 1978 is to ensure an orderly and uninterrupted flow of money to the general fund by anticipating the receipt of taxes and other State revenue.
6. Section 6-10-10.1 NMSA 1978. Short-term investment fund created; distribution of earnings; report of investment.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE A – DEFINITION OF REPORTING ENTITY – CONTINUED

- a. There is created in the State treasury the “short-term investment fund.” The fund shall consist of all deposits from governmental entities and Indian tribes or pueblos that are placed in the custody of the State Treasurer for short-term investment purposes pursuant to this section. The State Treasurer shall maintain a separate account for each governmental entity and Indian tribe or pueblo having deposits in the fund.
- b. If any local public body is unable to receive payment on public money at the rate of interest as set forth in Section 6-10-36 NMSA 1978 from financial institutions within the geographic boundaries of the governmental unit, then a local public finance official having money of that local public body in his custody required for expenditure within thirty days or less may, with the consent of the appropriate local board of finance, if any, remit some or all of such money to the State Treasurer, bank, savings and loan association or credit union for deposit for the purpose of short-term investment as allowed by this section.
- c. Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to this section, the local public body finance official shall notify and make sure funds are made available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the State Treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.
- d. The local public body finance official shall specify the length of time each deposit shall be in the short-term investment fund, but in any event the deposit shall not be made for more than thirty days. The State Treasurer, through the use of the State fiscal agent, shall separately track each such deposit and shall make such information available to the public upon written request.
- e. The State Treasurer shall invest the fund as provided for State funds under Section 6-10-10 NMSA 1978 and may elect to have the short-term investment fund consolidated for investment purposes with the State funds under the control of the State Treasurer, provided that accurate and detailed accounting records are maintained for the account of each participating entity and Indian tribe or pueblo and that a proportionate amount of interest earned is credited to each of the separate government accounts. The fund shall be invested to achieve its objective, which is to realize the maximum return consistent with safe and prudent management.
- f. At the end of each month, all interest earned from investment of the short-term investment fund shall be distributed by the State Treasurer to the contributing entities and Indian tribes or pueblos in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. No fees or transfer expenses shall be charged to the participating entities and Indian tribes or pueblos for investment in the short-term investment fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE A – DEFINITION OF REPORTING ENTITY – CONTINUED

The State Treasurer is responsible for making the State of New Mexico's debt service and interest payments on general obligation and severance tax bonds and maintaining the related accounting records on behalf of the Department of Finance and Administration (DFA) recorded as transfers out to other state agencies. The proceeds from the issuance of these general obligation and severance tax bonds and the related debt are not part of this audit.

Certain investments owned and administered by the Department of Transportation are purchased through the State Treasurer's Office. The fair value and other gratuitous information related to these investments are not included in the financial statements of the Investment Trust Fund.

The State Treasurer's Office operates several investment pools which collectively represent the cash and investments held at the State Treasurer's Office. These pools represent amounts being held and invested for State agencies and for local governments. They have been identified as: 1) State funds investment pool, 2) short-term investment pool, 3) consolidated investment pool and 4) the reserve contingency fund.

Advice and Consent by the State Board of Finance

The State Board of Finance (Board) by statute is comprised of the State of New Mexico governor, lieutenant governor, State treasurer and four members from the general public, and each is a voting member of the Board.

The Board has the responsibility for the issuance of the general obligation and severance tax bonds and for the investment and distribution of the proceeds from such bonds. In that regard, the Board approves the issuance of all such bonds, and provides information for bond prospectuses in order to ensure compliance with financial disclosure requirements and to present information concerning bond issues in a meaningful and informative format. Debt Service Funds are maintained by the State Treasurer for Bonds issued by the Board. The State Treasurer does not record the corresponding debt obligation itself, which is a liability reported on DFA on behalf of the State. The debt is reported on the financial statements of the CAFR. The details of the debt are reported in the supplementary and additional information sections in this report.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Financial Reporting Entity and Basis of Presentation

The financial statements for the State Treasurer have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The State Treasurer is an office of the State of New Mexico. The financial statements and notes to the financial statements include all funds for which the State Treasurer is responsible. These financial statements only present activity related to the State Treasurer's Office. The State Treasurer receives funding from State and federal sources and must comply with the requirements of these funding source entities. However, the State Treasurer is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since the State Treasurer is elected by the public and has decision making authority, the power to designate management, and the ability to significantly influence operations and have primary financial accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement 14 (amended by GASBs 39 and 61) which are included in the State Treasurer's reporting entity.

The State Treasurer has implemented Governmental Accounting Standards Board Statement No. 72 "*Fair Value Measurements and Application*" (GASB 72), which requires certain assets and liabilities to be measured at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement was effective in the prior year.

The Office adopted Governmental Accounting Standards Board Statement No. 79 *Certain External Investment Pools and Pool Participants* (GASB 79) in the prior year, to address changes in the regulatory provisions referenced by previous accounting and financial reporting standards for certain external investment pools and their participants. Those provisions were based on the Investment Company Act of 1940, Rule 2a7 whereby external investment pool investments were measured at amortized cost. Rule 2a7 contains the Securities and Exchange Commission's (SEC) regulations that apply to money market funds and the SEC essentially eliminated Rule 2a7 in 2014. GASB 79 provides for continuation of amortized cost accounting and reporting for external investment pools such as the Local Government Investment Pool (LGIP), which is a 2a7-like pool, instead of converting to fair value measurement. The New Mexico LGIP has implemented GASB 79 and its participants qualify for accounting for the investment pool at amortized cost which approximates fair value.

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Government-Wide and Fund Financial Statements – Continued

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. General State Levy and Severance Tax revenues are recognized as revenues in the year for which they are billed.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

General Fund (SHARE Fund 18200)

The government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is funded through the 2016 General Appropriation Act (Laws of 2016, Chapter 11, Section 4) and is subject to reversion.

Debt Service Funds:

The General Obligation Bond Fund (see Schedules 2 and 3 in the Supplementary Information section for SHARE Fund numbers) accounts for payment of principal and interest on general obligation bonds. Financing sources are provided through the collection of property tax levies by other State agencies. The fund does not receive State General Fund appropriations that are subject to reversion.

The Severance Tax Bond Fund (see Schedules 4 and 5 in the Supplementary Information section for SHARE Fund numbers) accounts for tax receipts levied by other State agencies upon natural resource products, severed and saved from the lands of the State of New Mexico, and to account for payment of principal and interest on severance tax bonds. The fund does not receive State General Fund appropriations that are subject to reversion.

The Gaming Suspense Fund (SHARE Fund 02000) was established to collect monies owed to the State from gaming establishments. The fund does not receive State General Fund appropriations that are subject to reversion.

Additionally, the government reports the following fiduciary funds:

The LGIP Short-Term Investment Pool (SHARE Fund 68590) accounts for cash, securities and other investments identified and held in custody only for the Local Government Investment Pool (LGIP).

The Consolidated Investment Pool (SHARE Fund 10190) accounts for cash and short-term securities, such as overnight repurchase contracts, held in custody for State agencies.

The State Funds Investment Pool (SHARE Fund 10090) accounts for securities and other investments identified and held in custody only for State agencies.

Amounts reported as **Program Revenues** include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as **General Revenues** rather than as program revenues. Likewise, general revenues include all taxes.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Deposits and Investments

The State Treasurer's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the State Treasurer to invest in, subject to various restrictions, U.S. government debt securities; U.S. government agency debt securities; commercial paper; corporate bonds; asset backed debt securities; repurchase agreements; bank, savings and loan association or credit union deposits; variable rate notes; tax-exempt securities; securities issued by the State or a political subdivision of the State, or an agency, institution or instrumentality of the State, and money market mutual funds.

6. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are not recorded as revenue until received.

7. Capital Assets

Capital assets, which include equipment and major SHARE software upgrades under development (software-in-process), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5) and *AICPA Statement of Position 98-1*.

Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized in the year in which the project was completed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Equipment of the State Treasurer is depreciated using the straight-line method over the following estimated useful lives:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Capital Assets

<u>Assets</u>	<u>Years</u>
Office Equipment	5
Computer Equipment	5

8. Compensated Absences

Employees are entitled to accumulate annual leave at the rate based on appointment date and length of continuous service. A maximum of 240 hours of such accumulated annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period. There is no limit to the amount of sick leave which an employee may accumulate. State agencies are allowed to pay fifty percent (50%) of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at an employee-specified pay period in either January or July.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are not reported as liabilities in the applicable governmental activities. The State Treasurer is not the issuer of the debt, nor is it ultimately responsible for the debt. The details of the long-term debt are reported in the Supplementary Information section of the financial statements as Schedule 6. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method, and are reported as Supplementary Information in Schedule 6 of the financial statements. Bonds payable are reported net of the applicable bond premium or discount in Schedule 6.

10. Fund Balance

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or committed, assigned or unassigned. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation. See Note U for additional information about fund balances.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Fund Balance – Continued

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

11. Net Position

The government-wide statements utilize a net position presentation categorized as follows:

The government-wide financial statements utilize a net asset presentation. Net position is categorized as investments in capital assets (net of related debt), restricted and unrestricted.

Net Investment in Capital Assets is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position - Expendable are liquid assets (generated from revenues and not bond proceeds) which have third-party (statutory or granting agency) limitations that are legally enforceable on their use. When there is an option, the State Treasurer spends restricted resources first. Net position is restricted by the bond indenture for debt service. Restricted net position totals \$301,608,527.

Unrestricted Net Position are all other assets that do not meet the definition of "restricted assets" or "investments in capital assets".

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Office did not have any items that qualified for reporting in this category as of June 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Office did not have any items that were required to be reported in this category as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Pensions

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with the requirements of Government Accounting Standards Board Statement No.68 and No.71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

The Office, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE C – STATE GENERAL FUND INVESTMENT POOL

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE C – STATE GENERAL FUND INVESTMENT POOL – CONTINUED

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

The State Controller indicated on August 11, 2017, that the comprehensive cash reconciliation model is in its third year and the process has been determined to be sound and DFA has been fully compliant with the monthly process; therefore, resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

The State Treasurer has established daily and monthly procedures that mitigate the risk of misstatement of the Board's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

State law (Section 8-6-3 NMSA 1978) requires the State Treasurer's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the State Treasurer consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

NOTE D – INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

At June 30, 2017, the State Treasurer General Fund had \$635,852 invested in the State General Fund Investment Pool.

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

Credit Risk - The New Mexico State Treasurer pools are not rated.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE E – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Per the General Appropriation Act, Laws of 2016, Chapter 11, Section 3, Item K, “For the purpose of administering the General Appropriation Act of 2016, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration.” The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year’s budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control is at the appropriation unit level.

The debt service funds of the State Treasurer are not budgeted.

The State Treasurer follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By September 1, the State Treasurer prepares a budget appropriation request by category to be presented to the next legislature.
2. The appropriation request is submitted to the DFA’s Budget Division and to the Legislative Finance Committee (LFC).
3. The DFA makes recommendations and adjustments to the appropriation request which become the Governor’s proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA’s and LFC’s recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the category level of the State Treasurer as a whole and changes are approved by the DFA.
7. Formal budgetary integration is employed as a management control device during the year for the General Fund only. The debt service funds (General Obligation Bond Funds and Severance Tax Bonding Funds) are non-budgeted funds.
8. The General Appropriations Act of 2004 established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico beginning July 1, 2004. Accordingly, future budgets will be prepared using the modified accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE E – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgets and Budgetary Accounting – Continued

9. The State Treasurer's budget for the fiscal year ended June 30, 2017, was amended in a legally permissible manner by reallocating line item category totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.

NOTE F – DEPOSITS AND INVESTMENTS

1. Fiscal Agent Bank

The State Board of Finance entered into an agreement with Wells Fargo Bank in Albuquerque to provide banking services as Fiscal Agent for the State of New Mexico through May 1, 2016 with an option to renew to 2018. The Office exercised its option to extend the term until June 30, 2020.

2. Custody Bank

The State Board of Finance and JP Morgan Chase entered into an agreement whereby JP Morgan Chase would provide banking services as Custody Bank for the State of New Mexico effective July 1, 2014 for a two-year period, with the option to renew for up to six additional years at the discretion of the State Board of Finance. The Office exercised its option to extend the term until June 30, 2020.

3. Investment Trust Fund

Cash on deposit represents the demand deposit account with the fiscal agent bank. Current year transactions reflect all banking activity for the fiscal year as well as the activity of investments purchased and disposed of during the fiscal year.

The State Treasurer invests all public monies held in excess of the minimum compensating balance maintained with the fiscal agent bank in accordance with an investment policy approved by the State Board of Finance.

The State Treasurer has implemented Governmental Accounting Standards Board Statement No. 72 "*Fair Value Measurements and Application*" (GASB 72), which requires certain assets and liabilities to be measured at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement requires certain investments as defined in GASB Statement No. 31 to be valued at fair value. Fair value is based on quoted market prices as of the valuation date. The change in fair value is recognized as a component of investment income in the current year.

The State Treasurer invests excess cash balances on behalf of certain earmarked funds of State agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the State agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

3. Investment Trust Fund – Continued

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from fifty percent (50%) to one hundred two percent (102%) of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50 percent (50%) of the average investment balance.

At June 30, 2017, collateral pledged to public money deposits was as follows:

	Fiscal Agent Account	Certificates of Deposit
Cash in bank (bank balance)	\$ 35,537,325 *	\$ 20,700,000
Less: FDIC insurance coverage	-	1,000,000
 Total unsecured public funds	 \$ 35,537,325	 \$ 19,700,000
 Collateral requirement (50%, 75% or 102%) of uninsured public funds	 \$ 17,768,663	 \$ 9,850,000
Collateral Pledged:		
US Government Securities	90,910,613	8,305,573
Surety bond letter of credit	-	5,000,000
 Excess (Under) Collateralized	 \$ 73,141,950	 \$ 3,455,573

* Fiscal agent bank is required to collateralize the monthly average balance.

See Schedule 10 for reconciliation.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

4. Brokered Transactions

The State Treasurer initiated electronic purchase trades with the following brokers during the year ended June 30, 2017:

Broker Name	Number of Transactions
ACADEMY SECURITIES	2
BANK OF OKLAHOMA	5
BARCLAYS CAPITAL	26
BB&T CAPITAL MARKETS	8
BMO CAPITAL MARKETS	13
BOSC, INC.	24
CANTOR FITZGERALD & CO.	1
CASTLEOAK SECURITIES, L.P.	18
CITIGROUP GLOBAL MARKETS, INC.	1
DAIWA CAPITAL MARKETS AMERICA, INC.	16
DEUTSCHE BANK SECURITIES	8
DIRECT CERTIFICATE OF DEPOSIT PURCHASES	10
FTN FINANCIAL	3
GUGGENHEIM SECURITIES LLC	19
HILLTOP SECURITIES INC.	10
HSBC SECURITIES USA INC.	9
INTL FCSTONE PA	66
ISSUER DIRECT PURCHASES	78
JEFFRIES & CO	30
KEYBANC CAPITAL MARKETS	7
LOOP CAPITAL MARKETS	14
MIZUHO SECURITIES USA INC.	12
MORGAN STANLEY	27
MUTUAL SECURITIES INC.	1
RAMIREZ & CO, INC.	8
RBS CAPITAL MARKETS, LLC	8
ROBERT W BAIRD & CO.	14
STIFFEL NICOLAUS & CO., INC.	2
STO INTERFUND TRANSFER	2
TD SECURITIES LLC	24
UBS	9
WELLS FARGO SECURITIES, LLC	38
Total	<u>513</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

5. Investment Balances

The fair value of investments administered by the State Treasurer at June 30, 2017 follows:

	<u>Cost</u>	<u>Carrying Amount Fair Value</u>
Government bonds	\$ 1,161,666,075	\$ 1,159,802,756
Repurchase agreements	1,099,000,000	1,099,000,000
Treasury bills	677,087,338	676,365,442
Discounted notes	259,566,524	259,568,381
Cash in banks	204,874,957	204,874,957
Commercial paper	94,936,909	94,936,020
Corporate bonds	81,969,018	81,979,008
Municipal bonds	32,991,602	32,975,020
Fiscal agent bank account	47,030,926	47,030,926
Certificates of deposit	20,700,000	20,700,000
Investment in LGIP	26,769,842	26,769,842
Bankers acceptances	1,118,572	1,118,572
Miscellaneous cash	29,961	29,961
	<u>3,707,741,724</u>	<u>3,705,150,885</u>
Less interfund investments	<u>(26,769,842)</u>	<u>(26,769,842)</u>
Total	<u>\$ 3,680,971,882</u>	<u>\$ 3,678,381,043</u>

The fair value includes repurchase agreements of \$241,543,836 of debt service funds reported in the Statement of Net Position - Governmental Activities and Governmental Funds Activity for general obligation funds and severance tax bond funds. In addition, it includes \$638,212 of cash in STO's general fund.

6. General Fund Investment Pool

The General Fund is the State of New Mexico's main operating account. All State revenues are credited to the General Fund. Income taxes, sales taxes, rents and royalties, and other recurring revenues are deposited into the fund. The fund also comprises numerous State agency accounts whose assets, by statute, must be held at the State Treasury. Expenditures are disbursed only in accordance with appropriations authorized by the State Legislature.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

7. Consolidated Investment Pool (Tax-Exempt Bond Proceeds Investment Pool # 1)

The Tax-Exempt Bond Proceeds Investment Pool comprises pooled assets received through the issuance of tax-exempt State of New Mexico general obligation bonds, severance tax bonds, and supplemental severance tax bonds. The fund's objective is to preserve capital, provide liquidity, and generate returns relative to the true interest cost of all State of New Mexico debt outstanding in accordance with the Investment Policy of the Office of the State Treasurer.

8. Consolidated Investment Pool (Taxable Bond Proceeds Investment Pool # 2)

The Taxable Bond Proceeds Investment Pool comprises pooled assets received through the issuance of State of New Mexico severance tax bonds. The fund's objective is to preserve capital, provide liquidity, and generate returns relative to a benchmark and in accordance with the State Treasurer's Investment Policy.

9. Local Government Investment Pool (LGIP) (Short Term Investment Pool)

Cities, counties, and other agencies invest monies in the State Treasurer external investment pool (LGIP). In fiscal year 2016 LGIP implemented a portion of GASBS No. 79 *Certain External Investment Pools and Pool Participants* (See Note G for further detail), which permits external investments pools to elect to measure all of their investments at amortized cost. The LGIP investments are presented at fair value based on the valuation date in the financial statements. The individual participant balances remain at their amortized cost. As of June 30, 2017, LGIP amortized cost approximated fair value, difference is immaterial (see Schedule 7).

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies, and are either direct obligations of the United States or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other State investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary. As of June 30, 2017, the WAM(R) of the LGIP was 58 days, and the WAM(F) was 106 days. The fund was rated AAAM by Standard & Poor's as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

10. Investment Guidelines and Limitations

The investment policy is a comprehensive guide governing the investment functions of the New Mexico State Treasurer with respect to all financial assets of the State of New Mexico invested by the State Treasurer in the exercise of his authority and for which the State Treasurer acts as the investing authority. These assets include, as examples only, the State General Fund, the Local Government Investment Pool, bond proceeds, bond debt service funds, and those pension and permanent funds and other special funds with respect to which the State Treasurer is the investing authority.

The investment policy and the public finance investment decisions of the State Treasurer must serve and satisfy several fiduciary, fiscal and financial obligations. In making these decisions and in resolving any conflict or competing considerations that may arise from time to time among these obligations, the State Treasurer will observe the following priority:

1. Preservation of Principal – to ensure the performance of basic governmental functions, the first priority must be accorded to the preservation and protection of the principal of the funds to be invested;
2. Maintenance of Liquidity – the second level of priority must be accorded to maintaining sufficient liquidity to satisfy the reasonably anticipated, continuing operational requirements of State Government, and
3. Maximum Return – the third priority must be accorded to maximizing investment return, through budgetary and economic cycles, consistent with the higher priority accorded to the security and liquidity of principal.

The standard of prudence to be applied in the investment of State assets shall be the “Prudent Person” rule that specifies that: “Investments shall be made with the judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

The State Treasurer or his designees, acting in accordance with this policy and any other written procedures pertaining to the investment of public money and exercising due diligence, shall be relieved of personal responsibility, if any, for credit risk or market price changes of a particular security, provided that deviations from expectations are timely noted and appropriate action is taken to control and prevent further adverse developments.

The scope of investment authority of the State Treasurer is defined by the applicable investment statutes and constitutional provisions, principally Sections 6-10-10, 6-10-25, 6-10-26, 6-10-37, 6-10-44 and 6-14-10.1, NMSA 1978, as well as Article VIII, Section 4 of the New Mexico Constitution, specifying particular types of investments that may be made by the State Treasurer, which establish certain prerequisites, limitations and other requirements relating to those investments. Moreover, the State Treasurer, in his discretion, may further limit or restrict those investments.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

10. Investment Guidelines and Limitations – Continued

The State Treasurer and the State Board of Finance have determined that only the following statutorily authorized investments may be made, and these investments shall be subject to further limitations or restrictions as follows:

11. Investments Permitted by Policy

- a. U.S. Government Obligations – Securities backed by the full faith and credit of the U.S. Government including direct obligations of the U.S. Treasury and obligations of U.S. Government agencies and instrumentalities which are guaranteed by the U.S. Treasury. Investments shall be limited to a maximum maturity of five (5) years at time of purchase, except securities for any advance refunding escrow which may be invested in securities with a maturity of more than five (5) years. These securities may be either fixed rate or variable rate.
- b. U.S. Government Agency Obligations – Securities issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises, but which are not backed by the full faith and credit of the U.S. Government. These securities include mortgage-backed certificates, collateralized mortgage obligations, and debentures issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association.

Also included are direct obligations of the Federal Farm Credit Bank and the Federal Home Loan Bank. These obligations shall consist of discount notes, notes and debentures with either fixed or LIBOR-based floating rate coupons. Investments in U.S. Government agency obligations shall be limited to a maximum maturity of five (5) years at time of purchase.

- c. Commercial Paper – Unsecured obligations with a maturity up to 270 days at time of purchase issued by corporations organized and operating within the United States. The commercial paper shall have investment grade ratings and shall not be split-rated. If the rating declines below investment grade, the State Treasurer's Investment Committee (STIC) will meet to evaluate a course of action.
- d. Corporate Bonds – Debt instruments issued by a corporation organized and operating in the United States with a maturity not exceeding five (5) years at time of purchase. Corporate bonds with maturities up to three (3) years shall be rated A1 or better at the time of purchase. Corporate bonds with maturities between three (3) and five (5) years shall be rated AA or better. If the rating declines below investment grade, then the STIC will meet to evaluate a course of action.
- e. Asset-Backed Obligations – Debt instruments which are backed by defined cash flows or receivables with a final maturity not exceeding five (5) years at time of purchase and rated AAA, or its equivalent, by all national rating agencies that rate the security. If the rating declines below AAA, or its equivalent, then the STIC will meet to evaluate a course of action.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

11. Investments Permitted by Policy – Continued

- f. Repurchase Agreements – Contracts for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the State. No contract shall be invested in unless the contract is fully secured by obligations of the United States, or its agencies or instrumentalities, or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the amount of the contract. Repurchase agreements and flexible repurchase agreements shall be limited to a maximum maturity of one (1) year, but flexible repurchase agreements, in which bond proceeds are invested, may have a maximum maturity of three (3) years. Repurchase agreements for the Local Government Investment Pool shall be limited to a maximum maturity of thirty (30) days, although any underlying U.S. government obligations pledged as collateral may have maturities extending beyond the term of such repurchase agreements. Subject to these conditions and the prior approval of the State Board of Finance with respect to the custodial undertaking agreement, tri-party repurchase agreements are proper investments under this policy.
- g. Bank, Savings and Loan Association or Credit Union Deposits – Deposits are allowed in certified and designated New Mexico financial institutions whose deposits are insured by an agency of the United States. All deposits will comply with state statute and State Board of Finance policies related to interest rate and collateral requirements. CD deposits shall not be made with custodial banks. Deposits shall be limited to a maximum maturity of three (3) years. A deposit in any credit union shall be limited to the amount insured by an agency of the United States.
- h. Variable Rate Notes – Variable rate notes (VRN) may be United States government obligations, commercial paper or repurchase agreements. The use of VRNs is considered to be prudent in the management of the portfolio within certain maturity and index rating.
- i. Municipal Securities – Pursuant to 6-14-10.1, the State Treasurer or designee may also invest in municipal securities that at time of purchase are investment grade and have a final maturity of up to three (3) years. If the rating declines below investment grade, then the STIC will meet to evaluate a course of action.
- j. Securities Issued by the State or a Political Subdivision of the State, or any Agency, Institution or Instrumentality of the State or a Political Subdivision – These include, but are not limited to, the New Mexico Mortgage Finance Authority, the New Mexico Finance Authority and the New Mexico Educational Assistance Foundation, if the statute authorizing the issuance of such securities expressly authorizes the State or the State Treasurer to purchase such security.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

11. Investments Permitted by Policy – Continued

- k. Government Money Market Mutual Funds – Shares of an open-ended diversified investment company that: (i) is registered with the United State Securities and Exchange Commission; (ii) complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, of the United States Securities and Exchange Commission applicable to money market mutual funds; (iii) assesses no fees pursuant to Rule 12b-1, or any successor rule, of the United States Securities and Exchange Commission, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, however designated, provided that the State shall not, at any time, own more than five percent (5%) of a money market mutual fund's assets, and (iv) is rated AAA or equivalent by a nationally recognized rating agency. In addition, the State Treasurer may act as the investing authority for those agencies which have independent statutory authority to invest. The State Treasurer shall act in a manner consistent with each agency's guidelines and directives.
- l. Local Government Investment Pool: General fund dollars may be invested in the Local Government Investment Pool (LGIP), up to five percent (5%) of the LGIP.

12. Unauthorized Investments/Investment Actions

The State Treasurer will not borrow funds for the sole purpose of investing those funds at a higher yield. The State Treasurer is not authorized by law to invest or as a matter of policy has determined not to invest in securities, assets, investment agreements or instruments except as specifically permitted in this Investment Policy. Accordingly, as examples only, the following securities, assets, investment agreements or instruments are presently impermissible:

- 1. Common or preferred stock
- 2. Exchange traded future contracts
- 3. Inverse floaters
- 4. Whole-loan mortgage obligations
- 5. Interest only and principal strips only as they relate to asset-backed obligations
- 6. Currency swaps
- 7. Range notes and index amortizing notes
- 8. Reverse repurchase agreements
- 9. Short sale

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

13. Custodial Credit Risk

Custodial credit risk is the risk that the State Treasurer will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the State Treasurer and are held by either the counterparty of the counterparty’s trust department of agent but not in the State Treasurer’s name.

The State Treasurer’s Investment Policy for safekeeping and custody states that all investment securities purchased by the State, held as collateral on repurchase agreements or held as collateral on securities lending arrangements shall be held in third-party safekeeping at a fiduciary qualified to act in this capacity. All securities held for the State account will be held free and clear of any lien and all transactions will be conducted in compliance with Section 6-10-10(O) NMSA 1978, which requires contemporaneous transfer and same day settlement. On a monthly basis, the custodian will provide reports which list all transactions that occurred during the month and all securities held for the State at month-end, including the book and market value of holdings. The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the State shall be bonded in such a fashion as to protect from losses from malfeasance and misfeasance.

The State Treasurer’s Office Collateral Manager reviews and tracks all state funds held in state depository institutions. Deposits and collateral are reviewed almost daily and a statutorily required risk assessment is performed quarterly, although the assessments are not intended as an opinion as to the financial health of the subject institution. The \$341,748,467 in balances are collateralized in compliance with NMAC 2.60.4. Although in compliance with NMAC 2.60.4 as of June 30, 2017, there was \$102,725,033 of the State Treasurer’s bank balances exposed to custodial credit risk as uninsured and uncollateralized.

14. Credit Risk

The State Treasurer’s fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and/or as outlined in each portfolio manager contract.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor’s) at June 30, 2017 for the general fund investment pool are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA:		
Corporate bonds	\$ 2,506,375	0.15%
A-1+:		
Discounted notes	98,480,734	5.85%
Commercial paper	74,946,012	4.45%
Treasury securities	9,468,460	0.56%

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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AA+:		
Treasury securities	\$ 372,779,967	22.15%
Government agency securities	198,909,362	11.82%
Corporate bonds	4,998,435	0.30%
Municipal bonds	750,068	0.04%
AA:		
Municipal bonds	5,161,176	0.31%
AA-:		
Government agency securities	22,006,842	1.31%
Corporate bonds	5,021,550	0.30%
A+:		
Corporate bonds	4,999,160	0.30%
NR:		
Repurchase agreements	602,618,135	35.80%
Cash in banks	191,436,695	11.37%
Fiscal agent account	47,030,926	2.79%
Commercial paper	19,990,008	1.19%
Government agency securities	11,257,000	0.67%
Certificates of deposit	7,500,000	0.45%
Municipal bonds	3,194,539	0.19%
Miscellaneous cash	29,960	0.00%
Total	<u>\$ 1,683,085,404</u>	<u>100.00%</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2017 for the local government investment pool are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
A-1+:		
Discounted Notes	\$ 126,323,722	14.30%
Treasury securities	44,969,450	5.09%
AA+:		
Government agency securities	393,182,846	44.50%
Treasury securities	65,960,635	7.46%
Corporate bonds	24,998,500	2.83%
NR:		
Repurchase agreements	180,000,000	20.37%
Discounted Notes	34,763,925	3.93%
Cash in banks	13,438,262	1.52%
Miscellaneous cash	1	0.00%
Total	<u>\$ 883,637,341</u>	<u>100.00%</u>

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2017 for the Bond Proceeds Investment Pool #2 are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA:		
Corporate bonds	\$ 9,306,383	1.59%
Municipal bonds	3,552,500	0.61%
A-1+:		
Bankers acceptances	1,118,572	0.19%
AA+:		
Government agency securities	255,397,036	43.76%
Treasury securities	83,420,380	14.29%
Corporate bonds	2,499,160	0.43%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AA:		
Municipal bonds	\$ 563,023	0.10%
AA-:		
Government agency securities	14,389,200	2.47%
Corporate bonds	5,506,845	0.94%
Municipal bonds	2,360,890	0.40%
A+:		
Corporate bonds	2,499,580	0.43%
A:		
Municipal bonds	296,693	0.05%
NR:		
Repurchase agreements	171,584,036	29.40%
Investment in LGIP	16,912,966	2.90%
Certificates of deposit	10,200,000	1.75%
Municipal bonds	4,067,621	0.70%
Total	<u>\$ 583,674,885</u>	<u>100.00%</u>

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations (Standard & Poor's) at June 30, 2017 for the Bond Proceeds Investment Pool # 1 are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AAA:		
Corporate bonds	\$ 2,506,375	0.45%
Municipal bonds	1,088,173	0.20%
AA+:		
Government agency securities	250,271,270	45.11%
Treasury securities	99,766,550	17.98%
Municipal bonds	999,170	0.18%
AA:		
Municipal bonds	667,598	0.12%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

14. Credit Risk – Continued

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
AA-:		
Government agency securities	\$ 14,389,200	2.59%
Corporate bonds	9,614,165	1.73%
Municipal bonds	4,800,144	0.87%
A+:		
Corporate bonds	2,499,580	0.45%
Municipal bonds	100,162	0.02%
NR:		
Repurchase agreements	144,797,829	26.10%
Investments in LGIP	9,856,876	1.78%
Municipal bonds	5,373,263	0.97%
Corporate bonds	5,022,900	0.91%
Certificates of deposit	3,000,000	0.54%
Total	<u>\$ 554,753,255</u>	<u>100.00%</u>

15. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. It is the policy of the State to diversify its investment portfolios. Assets shall be diversified to reduce the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The following diversification limitations shall be imposed on the portfolio:

1. Investment maturities will be staggered to avoid undue concentration of assets in a specific maturity sector and to reflect cash flow requirements.
2. Investment in callable instruments is permitted for the State General Fund, but the amount invested in callable instruments should not exceed twenty-five percent (25%) of the total amount invested of each portfolio. Investment in callable investments may be allowed in the local government investment pool, bond proceeds, bond debt service funds and such pension and permanent fund monies for which the State Treasurer is the investing authority. Investment in callable investments is prohibited for tax and revenue anticipation note proceeds (and any other liquidity vehicle).
3. The maximum level of CD deposits for the entire portfolio shall be \$400 million with not more than \$30 million in any single financial institution. The State Board of Finance urges banks to loan this money out in their respective local communities to spur economic development.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

4. Investments in commercial paper, corporate bonds and asset-backed obligations shall not exceed forty percent (40%) of assets of each portfolio. Commercial paper and corporate bonds shall be limited, per issuer, to five percent (5%) of each portfolio.
5. Investments in United States agency securities issued by any single agency shall be limited to thirty-five percent (35%) of the combined portfolios.
6. Investment in repurchase agreements from any single provider shall be limited to thirty-five percent (35%) of the combined portfolios.
7. Investment in commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government, with a final maturity not to exceed the expiration date of any such guarantee, shall not exceed forty percent (40%) of the assets of each portfolio. Commercial paper and corporate bonds guaranteed by the full faith and credit of the United States government shall be limited, per issuer, to twenty percent (20%) of each portfolio.
8. United States Government Agency issued mortgage-backed securities and collateralized mortgage obligations shall be limited to twenty-five percent (25%) of a portfolio.
9. Securities issued by a municipal entity shall be limited to fifteen percent (15%) of a portfolio.
10. Securities issued by the State or a political subdivision of the State, or any agency, institution or instrumentality of the State shall be limited to fifteen percent (15%) of the general fund portfolio.

The following lists investments held in the general fund investment pool with a single issuer as a percentage of total:

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 382,248,427	22.71%
U.S. government agency securities:		
FFCB	23,614,940	1.40%
FHLB	39,002,815	2.32%
FHLMC	40,714,700	2.42%
FNMA	116,261,452	6.91%
Miscellaneous	12,579,297	0.75%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

Securities	Fair Value	Percentage of Portfolio
Municipal bonds:		
ALBUQUERQUE N MEX MUN SCH DIST NO 012 SCH BLDG	\$ 4,905,194	0.29%
LAS CRUCES N MEX HOLD HARMLESS GROSS RCPTS TAX	153,212	0.01%
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	300,003	0.02%
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	224,559	0.01%
SANDOVAL CNTY N MEX GROSS RCPTS TAX REV RFDG	363,092	0.02%
SANDOVAL CNTY N MEX GROSS RCPTS TAX REV RFDG	273,485	0.02%
SILVER CITY N MEX JT UTIL SYS REV RFDG-SER B	255,982	0.02%
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	750,068	0.04%
NEBRASKA PUB PWR DIST REV FOR ISSUES DTD PRIOR TO	1,880,188	0.11%
Corporate bonds:		
APPLE INC CALLABLE NOTES FIXED 1.55% 08/FEB/2019	2,499,275	0.15%
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	2,499,160	0.15%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	2,506,375	0.15%
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	4,999,160	0.30%
US BANK NA/CINCINNATI OH CALLABLE NOTES FIXED 2%	5,021,550	0.30%
Discounted notes	98,480,734	5.85%
Commercial paper	94,936,020	5.64%
Certificate of deposits	7,500,000	0.45%
Miscellaneous cash	29,960	0.00%
Fiscal agent account	47,030,926	2.79%
Repurchase agreements	602,618,135	35.80%
Cash in Banks	191,436,695	11.37%
Total	<u>\$ 1,683,085,404</u>	<u>100.00%</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

The following lists investments held in the local government investment pool with a single issuer as a percentage of total:

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 110,930,085	12.55%
U.S. government agency securities:		
FFCB	103,396,501	11.70%
FHLB	140,211,862	15.87%
FNMA	35,988,800	4.07%
FHLMC	65,183,749	7.38%
Miscellaneous	48,401,934	5.48%
Corporate bonds:		
FEDERAL HOME LOAN BANKS BOND VARIABLE 26/SEP/2017	24,998,500	2.83%
Cash	13,438,262	1.52%
Miscellaneous cash	1	0.00%
Discounted notes	161,087,647	18.23%
Repurchase agreements	<u>180,000,000</u>	<u>20.37%</u>
Total	<u>\$ 883,637,341</u>	<u>100.00%</u>

The following lists investments held in the bond proceeds investment pool #2 with a single issuer as a percentage of total:

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 83,420,380	14.29%
U.S. government agency securities:		
FFCB	15,421,250	2.64%
FHLMC	32,854,293	5.63%
FNMA	107,452,828	18.41%
FHLB	109,993,425	18.84%
Miscellaneous	4,064,440	0.70%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

Securities	Fair Value	Percentage of Portfolio
Municipal bonds:		
ALBUQUERQUE N MEX ARPT REV RFDG-SUB LIEN-SER A	\$ 296,693	0.05%
BELEN N MEX 20/JUL/2016 01/AUG/2017 2%	275,267	0.05%
BELEN N MEX 20/JUL/2016 01/AUG/2018 2%	287,756	0.05%
BELEN N MEX CONS SCH DIST NO 2	160,126	0.03%
BELEN N MEX CONS SCH DIST NO 2	318,503	0.05%
BELEN N MEX CONS SCH DIST NO 2	540,949	0.09%
JEMEZ VY N MEX PUB SCH DIST NO 031 25/NOV/2014	270,276	0.05%
LOS LUNAS N MEX SCH DIST NO 1 SCH BLDG 28/OCT/2015	277,742	0.05%
METROPOLITAN TRANSN AUTH N Y SPL OBLIG	2,500,025	0.43%
NEW MEXICO FIN AUTH REV SR LIEN-PUB PROJ REVOLVING	3,552,500	0.61%
NEW MEXICO ST SEVERANCE TAX SER A 24/MAR/2010	400,048	0.07%
NEW MEXICO ST SEVERANCE TAX TAXABLE-SER C	1,960,842	0.34%
Corporate bonds:		
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	2,499,160	0.43%
MICROSOFT CORP CALLABLE NOTES FIXED 2% 03/NOV/2020	9,306,383	1.59%
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	2,499,580	0.43%
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	2,499,225	0.43%
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	3,007,620	0.52%
Banker acceptances	1,118,572	0.19%
Repurchase agreements	171,584,036	29.40%
Certificate of deposit	10,200,000	1.75%
Investment in LGIP	16,912,966	2.90%
Total	<u>\$ 583,674,885</u>	<u>100.00%</u>

The following lists investments held in the bond proceeds investment pool #1 with a single issuer as a percentage of total:

Securities	Fair Value	Percentage of Portfolio
U.S. treasury securities	\$ 99,766,550	17.98%

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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

15. Concentration of Credit Risk – Continued

Securities	Fair Value	Percentage of Portfolio
U.S. government agency securities:		
FFCB	\$ 19,998,360	3.60%
FHLMC	103,546,135	18.67%
FNMA	35,355,927	6.37%
FHLB	90,928,395	16.39%
Miscellaneous	14,831,653	2.67%
Municipal bonds:		
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV	187,864	0.03%
ALBUQUERQUE N MEX GROSS RCPTS TAX REV	600,000	0.11%
ALBUQUERQUE N MEX MET ARROYO FLOOD CTL AUTH	300,309	0.05%
ARTESIA N MEX GROSS RCPTS TAX REV RFDG 15/SEP/2015	262,389	0.05%
HOBBS N MEX MUN SCH DIST NO 16 FOR ISSUES DATED	119,636	0.02%
JAL N MEX PUB SCH DIST NO 19 SCH BLDG 18/AUG/2016	837,330	0.15%
JAL N MEX PUB SCH DIST NO 19 SCH BLDG 18/AUG/2016	793,808	0.14%
LAS CRUCES N MEX SCH DIST NO 002 RFDG-SER B	250,255	0.05%
METROPOLITAN TRANSN AUTH N Y SPL OBLIG	2,500,025	0.45%
NEW MEXICO EDL ASSISTANCE FNDTN ED LN-SR-SER B	246,306	0.04%
NEW MEXICO ST SEVERANCE TAX TAXABLE-SER C	4,800,144	0.87%
ROSWELL N MEX INDPT SCH DIST SCH BLDG-SER A	250,240	0.05%
RUIDOSO N MEX GROSS RCPTS TAX REV RFDG & IMPT	156,283	0.03%
SANDOVAL CNTY N MEX 07/MAY/2015 01/AUG/2017 3%	375,664	0.07%
SANDOVAL CNTY N MEX INCENTIVE PAYMENT REV	100,162	0.02%
UNIVERSITY N MEX UNIV REVS TAXABLE-RFDG & IMPT-SUB	248,925	0.04%
UNIVERSITY N MEX UNIV REVS RFDG-TAXABLE-GNMA	999,170	0.18%
Corporate bonds:		
GENERAL ELECTRIC CO BOND FIXED 5.25% 06/DEC/2017	7,114,940	1.28%
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	2,506,375	0.45%
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	2,499,580	0.45%
PRIVATE EXPORT FUNDING CORP NOTES FIXED 1.875%	5,022,900	0.91%
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	2,499,225	0.45%
Repurchase agreements	144,797,829	26.10%
Investment in LGIP	9,856,876	1.78%
Certificate of deposits	3,000,000	0.54%
Total	<u>\$ 554,753,255</u>	<u>100.00%</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The State Treasurer recognizes that any portfolio of marketable investment securities is subject to interest rate risk. The State Treasurer, in an attempt to limit the possibility of loss due to interest rate fluctuations, will attempt to match investments with anticipated cash requirements. The State Treasurer or designee shall give particular emphasis to the following factors when selecting a specific security for inclusion in the portfolio:

1. Relative Yield to Maturity: Comparison of return available from alternative investments for comparable maturity dates.
2. Marketability: Analysis of relative marketability of alternate investments in case of forced sale or possibility of future trades.
3. Intermarket Yield Analysis: Analysis of the spread relationship between sectors of the market (e.g., Treasury Bonds or Bills versus Agency Bonds or Discount Notes), to take advantage of aberrations in yield differentials.
4. Yield Curve Analysis: Analysis of the slope of the yield curve to determine the most attractive maturities for earning maximum return with minimal risk.
5. General Economic and Interest Rate Outlook: Review and analysis of current literature on interest rate projections to assist in timing transactions and selecting appropriate maturities.

Maturities on investments in the general fund investment pool are as follows:

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
AAA:			
Corporate bonds	\$ 2,506,375	\$ -	\$ 2,506,375
A-1+:			
Discounted notes	98,480,734	98,480,734	-
Commercial paper	74,946,012	74,946,012	-
Treasury securities	9,468,460	9,468,460	-
AA+:			
Treasury securities	372,779,967	125,001,500	247,778,467
Government agency securities	198,909,362	33,779,697	165,129,665
Corporate bonds	4,998,435	-	4,998,435
Municipal bonds	750,068	750,068	-
AA:			
Municipal bonds	5,161,176	5,161,176	-

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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
AA-:			
Government agency securities	\$ 22,006,842	\$ -	\$ 22,006,842
Corporate bonds	5,021,550	-	5,021,550
A+:			
Corporate bonds	4,999,160	-	4,999,160
NR:			
Repurchase agreements	602,618,135	602,393,576	224,559
Cash in banks	191,436,695	191,436,695	-
Fiscal agent account	47,030,926	47,030,926	-
Commercial Paper	19,990,008	19,990,008	-
Government agency securities	11,257,000	11,257,000	-
Certificates of deposit	7,500,000	7,500,000	-
Municipal bonds	3,194,539	816,307	2,378,232
Miscellaneous cash	29,960	29,960	-
Total	<u>\$ 1,683,085,404</u>	<u>\$ 1,228,042,119</u>	<u>\$ 455,043,285</u>

Maturities on investments in the local government investment pool are as follows:

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
A-1+:			
Discounted notes	\$ 126,323,722	\$ 126,323,722	\$ -
Treasury securities	44,969,450	44,969,450	-
AA+:			
Government agency securities	393,182,846	335,930,796	57,252,050
Treasury securities	65,960,635	65,960,635	-
Corporate bonds	24,998,500	24,998,500	-
NR:			
Repurchase agreements	180,000,000	180,000,000	-
Discounted notes	34,763,925	34,763,925	-
Cash in banks	13,438,262	13,438,262	-
Miscellaneous cash	1	1	-
Total	<u>\$ 883,637,341</u>	<u>\$ 826,385,291</u>	<u>\$ 57,252,050</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

Maturities on investments in the bond proceeds investment pool #2 are as follows:

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
AAA:			
Corporate bonds	\$ 9,306,383	\$ -	\$ 9,306,383
Municipal bonds	3,552,500	3,552,500	-
A-1+:			
Bankers acceptances	1,118,572	1,118,572	-
AA+:			
Government agency securities	255,397,036	74,205,740	181,191,296
Treasury securities	83,420,380	63,473,280	19,947,100
Corporate bonds	2,499,160	-	2,499,160
AA:			
Municipal bonds	563,023	275,267	287,756
AA-:			
Government agency securities	14,389,200	-	14,389,200
Corporate bonds	5,506,845	3,007,620	2,499,225
Municipal bonds	2,360,890	400,048	1,960,842
A+:			
Corporate bonds	2,499,580	-	2,499,580
A:			
Municipal bonds	296,693	-	296,693
NR:			
Repurchases agreements	171,584,036	171,584,036	-
Investment in LGIP	16,912,966	16,912,966	-
Certificates of deposit	10,200,000	10,200,000	-
Municipal bonds	4,067,621	2,930,427	1,137,194
Total	<u>\$ 583,674,885</u>	<u>\$ 347,660,456</u>	<u>\$ 236,014,429</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

16. Interest Rate Risk – Continued

Maturities on investments in the bond proceeds investment pool #1 are as follows:

Securities by Quality Rating	Fair Value	Maturities	
		Less than 1 Year	1-5 Years
AAA:			
Corporate bonds	\$ 2,506,375	\$ -	\$ 2,506,375
Municipal bonds	1,088,173	900,309	187,864
AA+:			
Government agency securities	250,271,270	151,761,503	98,509,767
Treasury securities	99,766,550	69,844,650	29,921,900
Municipal bonds	999,170	999,170	-
AA:			
Municipal bonds	667,598	667,598	-
AA-:			
Government agency securities	14,389,200	-	14,389,200
Corporate bonds	9,614,165	7,114,940	2,499,225
Municipal bonds	4,800,144	4,800,144	-
A+:			
Corporate bonds	2,499,580	-	2,499,580
Municipal bonds	100,162	100,162	-
NR:			
Repurchase agreements	144,797,829	144,797,829	-
Investment in LGIP	9,856,876	9,856,876	-
Municipal bonds	5,373,263	4,459,819	913,444
Corporate bonds	5,022,900	-	5,022,900
Certificates of deposit	3,000,000	1,500,000	1,500,000
Total	<u>\$ 554,753,255</u>	<u>\$ 396,803,000</u>	<u>\$ 157,950,255</u>

17. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's investment policy does not have a specific policy on foreign currency risk. However, the listing of permissible investments includes descriptions on the limitations related to each investment type.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

17. Foreign Currency Risk – Continued

All holdings at June 30, 2017 were denominated in United States Dollars.

The State General Fund Investment Pool and the Consolidated Investment Pool (BPIP #1 and #2) are part of the Local Government Fund Investment Pool (LGIP), and whenever a combined presentation of the Investment Trust Fund is presented, these investments are eliminated.

18. Securities Collateralizing Repurchase Agreements

The State's Investment Policy states that no repurchase agreements shall be entered into unless the contract is fully secured by deliverable obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the amount of the contract. The State's collateral requirements follow:

1. The market value of the collateral including accrued interest must be equal to one hundred two percent (102%) of the amount of cash transferred by the State Treasurer to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the market value of securities held as collateral slips below one hundred two percent (102%) of the value of the cash transferred plus accrued interest, then additional cash and/or acceptable securities must be delivered to the third party custodian sufficient to cure any deficiency, and
2. For repurchase agreements with terms to maturity of greater than one (1) day, the State will value the collateral securities continuously and require that, if additional collateral is required, then that collateral must be delivered within one business day. If a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated, and
3. The collateral on all repurchase agreements will have a maturity date that exceeds the term of the repurchase agreement. If the duration of the collateral is longer than ten (10) years than the term of the repurchase agreement, then the collateral margin must be 103% to compensate for market risk.

Credit ratings and concentration of risk on collateral securities are as follows:

Securites by Quality Rating	Fair Value	Percentage of Portfolio
AA+:		
U.S. government agency securities	\$ 1,099,000,000	100%
Total	\$ 1,099,000,000	100%

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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – DEPOSITS AND INVESTMENTS – CONTINUED

18. Securities Collateralizing Repurchase Agreements

Maturities on collateral are as follows:

Securities by Quality Rating	Fair Value	Maturities				
		Less than 1 Year	1-5 Years	6-10 Years	11-20 Years	Over 20 Years
AA+:						
U.S. government mortgage backed securities	\$ 1,099,000,000	\$ -	\$ 1,099,000,000	\$ -	\$ -	\$ -
Total	\$ 1,099,000,000	\$ -	\$ 1,099,000,000	\$ -	\$ -	\$ -

Schedule 10 discloses collateral pledged for repurchase agreements.

19. Fair Value of Financial Instruments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Office categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The State Treasurer has the following recurring fair value measurements as of June 30, 2017:

	Fair Value Measurements Using			Fair Value 6/30/2017
	Quoted Prices in Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	
Debt securities:				
U.S. government securities	\$ -	\$ 1,836,168,198	\$ -	\$ 1,836,168,198
Repurchase agreements	-	1,099,000,000	-	1,099,000,000
Discounted notes	-	259,568,381	-	259,568,381
Commercial paper	-	94,936,020	-	94,936,020
Corporate bonds	-	81,979,008	-	81,979,008
Municipal bonds	-	32,975,020	-	32,975,020
Bankers acceptances	-	1,118,572	-	1,118,572
Total investments measured at fair value	\$ -	\$ 3,405,745,199	\$ -	\$ 3,405,745,199

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE G – EXTERNAL INVESTMENT POOL (LGIP) – AMORTIZED COST

Most provisions of GASB No. 79 were effective for reporting periods beginning after June 15, 2015. Specifically, GASB Statement No. 79 allows the use of amortized cost for all of the investments of a pool if the pool uses a stable net asset value (NAV) per share and meets specific criterion under *all* of the following five components; maturity, quality, diversification, liquidity and shadow pricing (shadow pricing = NAV per share calculated using total investments measured at fair value at the calculation date), which must deviate by no more than 0.5 percent from the share price at amortized cost. Certain provisions relating to portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2015. STO elected to implement the amortized cost provision of GASB 79 as of June 30, 2016.

STO implemented the delayed provisions of GASB 79 as to the portfolio quality, custodial credit risk, and shadow pricing as of June 30, 2017. STO reviewed each of the requirements listed in GASB 79 to allow election of amortized cost accounting and determined the criteria is consistent with the requirements of Standard and Poor's to ensure compliance with the delayed implementation. STO calculates NAV and submits pool data to S&P on a weekly basis. As for shadow pricing, STO performs a daily calculation that compares the market value of the assets held by the pool to the balances due to the participants. STO has determined that the assets exceed liabilities at June 30, 2017. The difference between the amortized cost and fair value is immaterial for the year ended June 30, 2017.

Below are the limitations or restrictions on LGIP participant withdrawals:

- Amounts less than \$30 million may be withdrawn within 24 hours of notice to the State Treasurer;
- Amounts of \$30 million to \$60 million require notice of 2 business days to the State Treasurer;
- Amounts of \$60 million to \$100 million require notice of 5 business days to the State Treasurer;
- Amounts in excess of \$100 million require notification of 10 business days to the State Treasurer.

Notwithstanding the withdrawal guidelines, the State Treasurer reserves the right to limit participant withdrawals if the State Treasurer determines that doing so is required to ensure the stability of the LGIP.

State of New Mexico
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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
Governmental Activities:				
Non-depreciable assets:				
Software-in-process	\$ -	\$ 538,850	\$ -	\$ 538,850
Total non-depreciable assets	-	538,850	-	538,850
Depreciable assets:				
Equipment	187,770	-	61,802	125,968
Total depreciable assets	187,770	-	61,802	125,968
Less: accumulated depreciation	159,669	8,719	61,802	106,586
Total capital assets, net	<u>\$ 28,101</u>	<u>\$ 530,131</u>	<u>\$ -</u>	<u>\$ 558,232</u>

Depreciation expense was charged to functions/programs of the State Treasurer's Office as follows:

Governmental activities:

General government	<u>\$ 8,719</u>
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NOTE I – LONG-TERM OBLIGATIONS

Compensated Absences

As in prior years, the general fund is used to liquidate compensated absences. Following are the changes in compensated absences for the year ended June 30, 2017:

	<u>Balance at June 30, 2016</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance at June 30, 2017</u>	<u>Amounts due within one year</u>
Compensated absences	<u>\$ 186,076</u>	<u>\$ 105,334</u>	<u>\$ (189,290)</u>	<u>\$ 102,120</u>	<u>\$ 102,120</u>

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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE J – CONDENSED FINANCIAL STATEMENTS

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2017 are as follows:

ASSETS	
Investments	\$ 3,678,381,043
Due from broker	30,910
Interest and other receivables	<u>6,113,961</u>
Total assets	<u>\$ 3,684,525,914</u>
LIABILITIES	
Due to broker	\$ 14,428,977
Other liabilities	28,307
FIDUCIARY NET POSITION	
External participant account balances	858,306,635
Other internal participant account balances:	
Primary government	<u>2,811,761,995</u>
Total liabilities and fiduciary net position	<u>\$ 3,684,525,914</u>

At June 30, 2017, the State Treasurer's investment income earnings were as follows:

Local Government Investment Pool	\$ 4,308,891
Consolidated Investment Pool	3,469,638
State Funds Investment Pool	<u>2,028,311</u>
Total	<u>\$ 9,806,840</u>

NOTE K – APPROPRIATIONS

The State Treasurer received the following appropriations for the year ended June 30, 2017:

General fund appropriation (Chapter 11, Laws of 2016)	\$ 3,628,200
Special appropriation (Chapter 22, Laws of 2013)	<u>1,950,000</u>
Total appropriations	<u>\$ 5,578,200</u>

State of New Mexico
Office of the State Treasurer

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE L – COLLATERAL IN TRUST

The State Treasurer holds a variety of different types of collateral, government guaranteed loans and mortgages, certificates of deposit, surety bonds, etc., for certain State agencies, which are not included in these financial statements and are reported by those certain State agencies.

NOTE M – DUE TO/FROM OTHER STATE AGENCIES

Tax receipts billed by other state agencies due to State Treasurer's Office consist of the following at June 30, 2017:

Due to State Treasurer's Office	Fund No.	Amount	Due from Other State Agencies	Fund No.	Amount
Severance Tax Bonding Fund	41000	\$ 57,889,903	Tax & Revenue Dept. of Finance & Administration	83300	\$ 57,889,903
G.O. 2009 Series Debt Service	10630	464,153	Dept. of Finance & Administration	80000	464,153
G.O. 2011 Series Debt Service	11630	62,883	Dept. of Finance & Administration	80000	62,883
G.O. 2015 Series Debt Service	35170	<u>1,149,169</u>	Dept. of Finance & Administration	80000	<u>1,149,169</u>
		<u>\$ 59,566,108</u>			<u>\$ 59,566,108</u>

NOTE N – TRANSFERS

1. Interfund Transfers

Interfund transfers are completed to move revenue from various debt service funds to specific debt service funds per bond resolutions, to cover principal and interest payments.

Severance Tax Bonds (see Schedule 5):

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
41000	Severance Tax Bond Fund	\$ 19,434,585	10750	2009-A Series Debt Service	\$ 19,434,585
41000	Severance Tax Bond Fund	16,966,586	10950	2010-A Series Debt Service	16,966,586
41000	Severance Tax Bond Fund	12,244,685	10960	2010-B Series Debt Service	12,244,685
41000	Severance Tax Bond Fund	15,460,476	11280	Series 2011A-1 Refunding	15,460,476
41000	Severance Tax Bond Fund	8,287,577	11480	2010-D Series Debt Service	8,287,577
41000	Severance Tax Bond Fund	14,176,206	11770	Series 2013A	14,176,206
41000	Severance Tax Bond Fund	10,426,360	12160	Series 2014A	10,426,360
41000	Severance Tax Bond Fund	17,457,537	30820	Series 2012A Refunding	17,457,537
41000	Severance Tax Bond Fund	5,940,901	30830	Series 2011A-2 Refunding	5,940,901
41000	Severance Tax Bond Fund	608,970	43160	Series 2016D	608,970
41000	Severance Tax Bond Fund	10,621,265	43230	Series 2016AB	10,621,265
41000	Severance Tax Bond Fund	124,482	43290	Series 2015B	124,482
41000	Severance Tax Bond Fund	8,129,509	50170	Series 2015B	8,129,509
41000	Severance Tax Bond Fund	10,259,436	50180	Series 2015A	10,259,436
41000	Severance Tax Bond Fund	<u>5,274,827</u>	50450	Series 2016C	<u>5,274,827</u>
		<u>\$ 155,413,402</u>			<u>\$ 155,413,402</u>

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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE N – TRANSFERS – CONTINUED

1. Interfund Transfers – Continued

General Obligation Bonds (see Schedule 3):

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
11620	2013 Series Cost of Issuance	\$ 13,826	11320	2011 Series Cost of Issuance	\$ 650
35170	2015 Series Debt Service	9,412,000	11630	2011 Series Debt Service	888,441
41300	2003 Series rebate	4,855	11680	2013 Series Debt Service	1,251,996
41500	2001 Series rebate	56	28800	2007 Series Debt Service	<u>8,160,001</u>
41800	2003B Series ref debt service	4			
41900	2003 Series ref rebate	9			
42600	2005 Series rebate	649,640			
73030	2008A Series ref redemption	<u>220,698</u>			
		<u>\$ 10,301,088</u>			<u>\$ 10,301,088</u>

2. Interagency Transfers

Transfers to/from Other State Agencies – Severance Tax Bonds

Transfers (from) to (Purpose)	Fund No.	Amount	Transfers (to) from (Purpose)	Fund No.	Amount
Board of Finance	34103	\$ 160,089,398	Severance Tax Bonding Funds	Various*	\$ 160,089,398
Board of Finance	34103	158,909,200	Severance Tax Sponge Bond Fund	41000	158,909,200
Board of Finance	34103	(3,962,833)	Severance Tax Bonding Fund	41000	(3,962,833)
Severance Tax Bonding Fund	41000	<u>(745)</u>	Severance Tax Permanent Fund	60200	<u>(745)</u>
Total - Severance Tax Bond Funds		<u>\$ 315,035,020</u>			<u>\$ 315,035,020</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE N – TRANSFERS – CONTINUED

2. Interagency Transfers – Continued

Transfers to/from Other State Agencies – General Obligation Bonds

Transfers (from) to (Purpose)	Fund No.	Amount	Transfers (to) from (Purpose)	Fund No.	Amount
Board of Finance	34103	\$ 79,352,698	General Obligation Bonding Funds	Various*	\$ 79,352,698
Board of Finance	34103	(73,067)	2013 Series Debt Service	11680	(73,067)
Board of Finance	34103	(5,853)	2009 Series Debt Service	10630	(5,853)
		<u>\$ 79,273,778</u>			<u>\$ 79,273,778</u>

* See Schedules 3 and 5 for listing of each individual fund.

NOTE O – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of the State Treasurer’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The State Treasurer’s Office is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the State Treasurer’s Office are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The State Treasurer’s contributions to PERA for the fiscal years ended June 30, 2017, 2016 and 2015 were \$330,393, \$341,552 and \$334,242, respectively, which equal the amount of the required contributions for each fiscal year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE P – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The State Treasurer's Office contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978).

The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years, and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE P – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1, and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The State Treasurer's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$38,892, \$40,592 and \$39,361, respectively, which equal the required contributions for each year.

NOTE Q – RISK MANAGEMENT

The State Treasurer is exposed to various risks of loss for which the State Treasurer carries insurance (auto; employee fidelity bond; general liability; civil rights and foreign jurisdiction; money and securities; property, and workers' compensation) with the State of New Mexico Risk Management Division. Public employee fidelity bonding coverage is self-insured by the State of New Mexico. The current policy year is July 1, 2016 to June 30, 2017. The limit of coverage is \$5,000,000, with \$1,000 deductible per occurrence. All State Treasurer employees are covered by this bond.

The State Treasurer had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2017, 2016 and 2015, there were no settlements that exceeded insurance coverage.

NOTE R – MEMORANDUM OF UNDERSTANDING

The Office is party to the following Memorandum of Understanding, which may be terminated by either party upon thirty days' written notice to the other party:

New Mexico Educational Retirement Board (NMERB) dated June 17, 2015. Under this agreement, the Office invests certain monies belonging to NMERB within the Local Government Investment Pool (LGIP) in accordance with the Office's investment policies.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE R – MEMORANDUM OF UNDERSTANDING – CONTINUED

The parties agree that the management fee on the LGIP is 0.05% (five basis points); the Office agrees to notify NMERB should the rate of return on LGIP assets fall below the management fee.

NOTE S – REVERSION TO THE STATE GENERAL FUND

Under State Statute 6-5-10 NMSA, 1978, all unassigned fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within forty-five days of release of the audit report for that fiscal year.

The amount reverted to the State General Fund as of June 30, 2017 was \$38,855.

NOTE T – SHORT-TERM DEBT

Sponge Bonds

The State Board of Finance issues one to three-day sponge bonds. Sponge bonds were purchases on the dates specified below. Bond proceeds are recorded by the State Board of Finance. Principal and interest payments were made from the Severance Tax Bonding Fund (SHARE Fund 41000) as follows:

	<u>Purchased</u>	<u>Matured</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
Sponge bond - senior note	6/29/2017	6/30/2017	\$ 38,466,300	\$ 1,346	\$ 38,467,646
Sponge bond - supplemental note	6/29/2017	6/30/2017	<u>120,442,900</u>	<u>4,214</u>	<u>120,447,114</u>
Total			<u>\$ 158,909,200</u>	<u>\$ 5,560</u>	<u>\$ 158,914,760</u>

Short-term debt activity for the year ended June 30, 2017 was as follows:

	<u>Balance at June 30, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Issuance Costs</u>	<u>Balance at June 30, 2017</u>
Sponge bonds	<u>\$ -</u>	<u>\$ 158,909,200</u>	<u>\$ 158,909,200</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE U – FUND BALANCES

The Office’s fund balances represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned purposes, which includes balances that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2017 follows:

	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund
Fund Balances:			
Restricted for:			
Debt Service	\$ -	\$ 47,317,163	\$ 253,791,566
Treasury module	499,798	-	-
Unassigned	-	-	-
Total Fund Balances	<u>\$ 499,798</u>	<u>\$ 47,317,163</u>	<u>\$ 253,791,566</u>

NOTE V – CHANGE IN ACCOUNTING POLICIES

On June 23, 2017, the New Mexico State Department of Finance and Administration (DFA) issued Accounting Policy Statement Three (APS #3), *Interfund Transactions*, which requires debt service (principal and interest) bond payments in their entirety related to general obligation and severance tax bond payments made on behalf of the State Board of Finance to be reported by another state agency for reporting in the state’s comprehensive annual financial report (CAFR) in accordance with DFA’s interpretation of GASB 34. Due to this change, the Office will no longer report bond principal and interest payments as its own expenditures but instead report these cash disbursements as transfers out to other state agencies.

In addition, DFA issued Accounting Policy Statement Four (APS #4), *Custodial Funds*, on the basis that for accounting purposes funds held by one state agency on behalf of another state agency within the State as a collective whole. Funds previously reported as agency funds, held in trust by STO, are not agency funds held on behalf of third parties (outside of the State collectively) and this reclassification is intended by DFA to help eliminate double-counting of balances and transactions in the State’s CAFR. Thus, the gaming suspense funds have been classified as due to other state agencies in order to eliminate interagency fund balances for the purposes of reporting within the State’s CAFR. As an agency fund of the State, the Gaming Suspense Fund was transferred from the Trust Fund BU 39401 to the Office as a major fund within BU 39400. The Gaming Suspense Fund was established to collect monies owed to the State from gaming establishments. The fund does not receive State General Fund appropriations that are subject to reversion. Because the Gaming Suspense Fund has no net assets, there was no impact on the Statement of Changes of Net Position.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE W – CASH CONFIRMATION PROCESS

The 2017 New Mexico State Auditor Rule, 2.2.2.10 NMAC Section P (3) (f) (cash confirm rule) states that auditors of state agencies are required to obtain a cash confirmation from the New Mexico State Treasurer's Office (STO). STO prepared book, not bank, balance cash confirmations as of June 30, 2017, to provide information to auditors of state agencies about each agency's interest in the State General Fund Investment Pool (SGFIP). STO's cash confirmations reflect individual state agency balances derived from accounting periods one (1) through twelve (12) for FY17 based on cash banking activity as recorded within the SHARE general ledger and reconciled by DFA. Due to entries posted in SHARE in period 998 that affected cash balances subsequent to the issuance of confirmations, STO issued several versions of cash confirmations for the fiscal year-end. Clarification was provided to all state agencies by the State Cash Manager indicating that only activity recorded in periods 1 through 12 were considered in confirming cash balances at fiscal year-end and that auditors should consider potential reconciling items for entries posted in period 998. The majority of these adjustments are interagency transactions that do not impact the aggregate general ledger or cash balance.

STO does not have access to general ledger accounting information regarding individual state agency cash balances due to the current limitations of the State's PeopleSoft enterprise accounting system (SHARE). As a result, STO has no knowledge of outstanding warrants or ACH payments that affect book balances within SHARE by agency. In addition, STO, as the State bank, does not have control over the process of reconciling book balances to bank balances, which is a function performed by DFA (as the State's controller/accountant).

Another factor in the cash confirmation process is that the bank activity information provided by Wells Fargo does not track cash disbursements at the individual state agency level. STO's State Cash Manager complies with 8-6-3.1 B (2) NMSA 1978, *State Cash Manager; Powers and Duties*, which requires STO to "obtain from each state agency periodic reports of all money from any source in the agency's custody, including detail information on receipts, disbursements and balances on hand or on deposit in a financial institution." There are approximately 130 Zero Balance Accounts (ZBAs) that exist with Wells Fargo Bank. In addition, there are also several special disbursement accounts held with Wells Fargo, such as for HSD specific for Medicaid payments or for NMTRD specific to state income tax disbursements along with a few others. Each individual ZBA account is assigned to an individual state agency and is used by the assigned agency only to deposit cash receipts. Deposits into the ZBA accounts are swept into the Wells Fargo Master Depository Account daily. However, cash disbursements at the state agency level do not pass through their assigned ZBA accounts. Rather, cash disbursements are funded from accounts which contain activity from several agencies. These disbursement accounts are then funded from the Wells Fargo Master Depository Account and are not tracked at the state agency-level, STO does not have the necessary information to determine each agency's interest in the State General Fund Investment Pool without relying on the general ledger (GL) accounting. Additionally, non-cash interagency transfers occur that impact the agencies' fund balances but these general ledger book transfers do not impact total cash on hand.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE W – CASH CONFIRMATION PROCESS – CONTINUED

The State's bank balance available from funds held within the SGFIP and Bond Proceeds Investment Pool (BPIP) trust held with JP Morgan (custodial bank) and Wells Fargo (operating bank) was approximately \$2,814,137,836 on June 30, 2017. Outstanding warrants and late June ACH payments settled in early July were approximately \$92,160,831 in total, which represents the fiscal year-end reconciling difference between the actual bank balance and the recorded book balance for the SGFIP and BPIP combined. In compliance with the cash confirmation rule, STO performed an independent analysis of the reasonableness of the overall cash book balance on June 30, 2017 of \$2,721,977,005, which was reconciled to the bank balance by the Department of Finance and Administration (DFA). In total, the GL activity matches bank activity on a test basis.

NOTE X – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

GASB has issues the following statements, which are applicable in future years. At this time, management has not determined the impact, if any on the Office.

GASB 75

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE X – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS – CONTINUED

GASB 84

GASB Statement No. 84, *Fiduciary Activities* (GASB 84) establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for periods beginning after December 15, 2018 (FY 20). Management has not yet determined the impact of this statement.

GASB 87

GASB Statement No. 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY 21) with earlier application encouraged. This statement may have some impact on the assets and liabilities of the Office.

SUPPLEMENTARY INFORMATION

State of New Mexico
Office of the State Treasurer

SCHEDULE 1 - CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS - SCHEDULE OF CHANGES BY ASSET CLASS AND SOURCE

Year Ended June 30, 2017

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
GOVERNMENTAL FUNDS				
CAPITAL ASSETS				
Software-in-process	\$ -	\$ 538,850	\$ -	\$ 538,850
Equipment, Furniture and Fixtures	<u>187,770</u>	<u>-</u>	<u>61,802</u>	<u>125,968</u>
Total Governmental Funds				
Capital Assets				
by Source	<u>\$ 187,770</u>	<u>\$ 538,850</u>	<u>\$ 61,802</u>	<u>\$ 664,818</u>
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS				
General Fund Revenues	<u>\$ 187,770</u>	<u>\$ 538,850</u>	<u>\$ 61,802</u>	<u>\$ 664,818</u>
Total Governmental Funds				
Capital Assets	187,770	538,850	61,802	664,818
Less Accumulated Depreciation	<u>159,669</u>	<u>8,719</u>	<u>61,802</u>	<u>106,586</u>
Total	<u>\$ 28,101</u>	<u>\$ 530,131</u>	<u>\$ -</u>	<u>\$ 558,232</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 2 - COMBINING BALANCE SHEET - GENERAL OBLIGATION BONDS -
GENERAL OBLIGATION BOND DEBT SERVICE FUNDS**

June 30, 2017

	SHARE Fund	Assets		
		Repurchase Agreements	Due From Other Agencies	Total Assets
2007 Series - Debt Service	28800	\$ 6,955,834	\$ -	\$ 6,955,834
2003B Series - Refunding	41800	-	-	-
2009 Series - Debt Service	10630	13,310,950	464,153	13,775,103
2011 Series - Debt Service	11630	2,948,265	62,883	3,011,148
2013 Series - Debt Service	11680	5,910,721	-	5,910,721
2008A Series - Redemption	73030	-	-	-
2015 Series - Debt Service	35170	<u>16,406,967</u>	<u>1,149,169</u>	<u>17,556,136</u>
 Total Debt Service		 45,532,737	 1,676,205	 47,208,942
 2003 Series - Rebate	41300	 6	 -	 6
2001 Series - Rebate	41500	-	-	-
2003 Refunding Series - Rebate	41900	-	-	-
2005 Series - Rebate	42600	<u>1,069</u>	<u>-</u>	<u>1,069</u>
 Total Rebate Accounts		 1,075	 -	 1,075
 2011 Series - Cost of Issuance	11320	 -	 -	 -
2013 Series - Cost of Issuance	11620	-	-	-
2015 Series - Cost of Issuance	40130	<u>107,146</u>	<u>-</u>	<u>107,146</u>
 Total Cost of Issuance		 <u>107,146</u>	 <u>-</u>	 <u>107,146</u>
 COMBINED TOTAL		 <u>\$ 45,640,958</u>	 <u>\$ 1,676,205</u>	 <u>\$ 47,317,163</u>

<u>Liabilities</u>	Fund Balance	Total	Total
Total	Balance	Fund	Liabilities &
Liabilities	Restricted for	Balance	Fund Equity
<u>Liabilities</u>	Debt Service	<u>Balance</u>	<u>Balance</u>
\$ -	\$ 6,955,834	\$ 6,955,834	\$ 6,955,834
-	-	-	-
-	13,775,103	13,775,103	13,775,103
-	3,011,148	3,011,148	3,011,148
-	5,910,721	5,910,721	5,910,721
-	-	-	-
-	17,556,136	17,556,136	17,556,136
-	47,208,942	47,208,942	47,208,942
-	6	6	6
-	-	-	-
-	-	-	-
-	1,069	1,069	1,069
-	1,075	1,075	1,075
-	-	-	-
-	-	-	-
-	107,146	107,146	107,146
-	107,146	107,146	107,146
<u>\$ -</u>	<u>\$ 47,317,163</u>	<u>\$ 47,317,163</u>	<u>\$ 47,317,163</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 3 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GENERAL OBLIGATION DEBT SERVICE FUNDS**

Year Ended June 30, 2017

	SHARE Fund	Revenues		Expenditures			Excess (Deficiency) of Revenues Over (Under) Expenditures
		Interest Income	State Property Tax Levy	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures	
2007 Series - Debt Service	28800	\$ 49,090	\$ 9,930,798	\$ -	\$ 1,500	\$ 1,500	\$ 9,978,388
2003-B Series - Refunding	41800	-	-	-	-	-	-
2009 Series - Debt Service	10630	126,190	22,966,847	-	750	750	23,092,287
2011 Series - Debt Service	11630	24,606	2,274,924	-	1,433	1,433	2,298,097
2013 Series - Debt Service	11680	69,656	13,261,720	-	747	747	13,330,629
2008A Series - Redemption	73030	-	-	-	-	-	-
2015 Series - Debt Service	35170	1,089,414	30,915,998	-	9,833	9,833	31,995,579
Total Debt Service		1,358,956	79,350,287	-	14,263	14,263	80,694,980
2003 Series - Rebate	41300	9	-	-	-	-	9
2001 Series - Rebate	41500	-	-	-	-	-	-
2003 Series - Refunding	41900	-	-	-	-	-	-
2005 Series - Rebate	42600	1,069	-	-	-	-	1,069
Total Rebate Accounts		1,078	-	-	-	-	1,078
2011 Series - Cost of Issuance	11320	-	-	-	-	-	-
2013 Series - Cost of Issuance	11620	-	-	-	-	-	-
2015 Series - Cost of Issuance	40130	-	-	-	-	-	-
Total Cost of Issuance		-	-	-	-	-	-
COMBINED TOTAL		\$ 1,360,034	\$ 79,350,287	\$ -	\$ 14,263	\$ 14,263	\$ 80,696,058

Other Financing Sources (Uses)

Transfers (to) from Other State Agencies	Interfund Transfers	Total Other Financing Sources (Uses)	Net Change in Fund Balance	Beginning Fund Balances	Fund Balances June 30, 2017
\$ (17,466,750)	\$ 8,160,001	\$ (9,306,749)	\$ 671,639	\$ 6,284,195	\$ 6,955,834
-	(4)	(4)	(4)	4	-
(25,873,147)	-	(25,873,147)	(2,780,860)	16,555,963	13,775,103
(2,246,950)	888,441	(1,358,509)	939,588	2,071,560	3,011,148
(15,250,181)	1,251,996	(13,998,185)	(667,556)	6,578,277	5,910,721
-	(220,698)	(220,698)	(220,698)	220,698	-
(18,436,750)	(9,412,000)	(27,848,750)	4,146,829	13,409,307	17,556,136
(79,273,778)	667,736	(78,606,042)	2,088,938	45,120,004	47,208,942
-	(4,855)	(4,855)	(4,846)	4,852	6
-	(56)	(56)	(56)	56	-
-	(9)	(9)	(9)	9	-
-	(649,640)	(649,640)	(648,571)	649,640	1,069
-	(654,560)	(654,560)	(653,482)	654,557	1,075
-	650	650	650	(650)	-
-	(13,826)	(13,826)	(13,826)	13,826	-
-	-	-	-	107,146	107,146
-	(13,176)	(13,176)	(13,176)	120,322	107,146
<u>\$ (79,273,778)</u>	<u>\$ -</u>	<u>\$ (79,273,778)</u>	<u>\$ 1,422,280</u>	<u>\$ 45,894,883</u>	<u>\$ 47,317,163</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 4 - COMBINING BALANCE SHEET - SEVERANCE TAX BONDS -
SEVERANCE TAX BOND DEBT SERVICE FUNDS**

June 30, 2017

	SHARE Fund	Assets		
		Repurchase Agreements	Due From Other Agencies	Total Assets
2009-A Series - Debt Service	10750	\$ 18,162,837	\$ -	\$ 18,162,837
2010-A Series - Debt Service	10950	15,470,860	-	15,470,860
2010-B Series - Debt Service	10960	11,230,320	-	11,230,320
2010-C Series - Debt Service	11190	217	-	217
2010-D Series - Debt Service	11280	15,093,523	-	15,093,523
Series 2013A	11770	15,510,246	-	15,510,246
2013 S-C Maturity	11980	-	-	-
Series 2014A	12160	12,441,293	-	12,441,293
Series 2011A-1	30830	5,792,915	-	5,792,915
Series 2011A-2 Refunding	30820	16,646,938	-	16,646,938
2012-A Series - Debt Service	11480	7,265,241	-	7,265,241
2004-B Series Debt Service	18300	94	-	94
2005-B1 Series Debt Service	38800	2,051	-	2,051
Severance Tax Bonding	41000	50,666,831	57,889,903	108,556,734
2005-A Series Debt Service	41200	108,960	-	108,960
Series 2016A & Refunding Series 2016B	43230	5,659,664	-	5,659,664
2003-B Series-Debt Service	48400	223	-	223
Series 2015B	50170	6,986,628	-	6,986,628
Series 2015A	50180	8,229,087	-	8,229,087
Series 2016C	50450	5,254,423	-	5,254,423
2007-A Debt Service	53700	60,643	-	60,643
2005-B2 Series Debt Service	57100	1,510	-	1,510
2008A-1 Series - Debt Service	72010	171,687	-	171,687
2008A-2 Series - Debt Service	72070	1,523	-	1,523
2006-A Series Debt Service	96300	2,528	-	2,528
2016D Series Debt Service	43160	786,031	-	786,031
2016E Series Debt Service	43290	238,808	-	238,808
Total Debt Service		195,785,081	57,889,903	253,674,984
2004-B Series-Rebate	41100	312	-	312
2003-B Supp-Rebate	42000	13,054	-	13,054
2005-A Series-Rebate	48300	46,366	-	46,366
2005-B1 Series-Rebate	57000	11,425	-	11,425
2005-B2 Series-Rebate	96000	6,705	-	6,705
2006-A Series-Rebate	96400	39,935	-	39,935
Total Rebate Accounts		117,797	-	117,797
COMBINED TOTAL		\$ 195,902,878	\$ 57,889,903	\$ 253,792,781

Liabilities		Fund Equity		
Accounts Payable	Total Liabilities	Restricted for Debt Service	Total Fund Equity	Total Liabilities & Fund Equity
\$ -	\$ -	\$ 18,162,837	\$ 18,162,837	\$ 18,162,837
-	-	15,470,860	15,470,860	15,470,860
-	-	11,230,320	11,230,320	11,230,320
-	-	217	217	217
-	-	15,093,523	15,093,523	15,093,523
-	-	15,510,246	15,510,246	15,510,246
-	-	-	-	-
-	-	12,441,293	12,441,293	12,441,293
-	-	5,792,915	5,792,915	5,792,915
-	-	16,646,938	16,646,938	16,646,938
-	-	7,265,241	7,265,241	7,265,241
-	-	94	94	94
-	-	2,051	2,051	2,051
-	-	108,556,734	108,556,734	108,556,734
-	-	108,960	108,960	108,960
-	-	5,659,664	5,659,664	5,659,664
-	-	223	223	223
-	-	6,986,628	6,986,628	6,986,628
-	-	8,229,087	8,229,087	8,229,087
-	-	5,254,423	5,254,423	5,254,423
-	-	60,643	60,643	60,643
-	-	1,510	1,510	1,510
-	-	171,687	171,687	171,687
1,215	1,215	308	308	1,523
-	-	2,528	2,528	2,528
-	-	786,031	786,031	786,031
-	-	238,808	238,808	238,808
1,215	1,215	253,673,769	253,673,769	253,674,984
-	-	312	312	312
-	-	13,054	13,054	13,054
-	-	46,366	46,366	46,366
-	-	11,425	11,425	11,425
-	-	6,705	6,705	6,705
-	-	39,935	39,935	39,935
-	-	117,797	117,797	117,797
<u>\$ 1,215</u>	<u>\$ 1,215</u>	<u>\$ 253,791,566</u>	<u>\$ 253,791,566</u>	<u>\$ 253,792,781</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 5 - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - SEVERANCE TAX BOND DEBT SERVICE FUNDS**

Year Ended June 30, 2017

	Revenues			Expenditures		
	SHARE Fund	Interest Income	Severance Taxes	Principal and Interest on Long-Term Debt	Other Charges	Total Expenditures
2009-A Series - Debt Service	10750	\$ 51,836	\$ -	\$ -	\$ -	\$ -
2010-A Series - Debt Service	10950	7,873	-	-	-	-
2010-B Series - Debt Service	10960	398	-	-	-	-
2010-C Series - Debt Service	11190	2	-	-	-	-
2010-D Series - Debt Service	11280	438	-	-	-	-
Series 2013A	11770	294,843	-	-	-	-
2013 S-C Maturity	11980	-	-	-	-	-
Series 2014A	12160	672,591	-	-	-	-
2011A-1 Series	30830	56,233	-	-	-	-
2011A-2 Series Refunding	30820	521	-	-	-	-
2012A - Series	11480	30,796	-	-	-	-
2004-B Series Debt Service	18300	2	-	-	-	-
2005-B1 Series Debt Service	38800	19	-	-	-	-
Severance Tax Bonding	41000	5,541,244	342,316,694	-	868,630	868,630
2005-A Series -Debt Service	41200	998	-	-	-	-
Series 2016A & Refunding Series 2016B	43230	854,630	-	-	-	-
2003-B Series-Debt Service	48400	3	-	-	-	-
Series 2015B	50170	464,142	-	-	-	-
Series 2015A	50180	1,024,662	-	-	-	-
Series 2016C	50450	407,855	-	-	-	-
2007-A Series-Debt Service	53700	556	-	-	-	-
2005-B2 Series Debt Service	57100	14	-	-	-	-
2008A-1 Debt Service	72010	14,553	-	-	-	-
2008A-2 Debt Service	72070	13	-	-	-	-
2006-A Series Debt Service	96300	21	-	-	-	-
2016D Series Debt Service	43160	177,061	-	-	-	-
2016E Series Debt Service	43290	114,326	-	-	-	-
Total Debt Service		9,715,630	342,316,694	-	868,630	868,630
2004-B Series-Rebate	41100	10	-	-	-	-
2003-B Supp-Rebate	42000	120	-	-	-	-
2005-A Series-Rebate	48300	425	-	-	-	-
2005-B1 Series-Rebate	57000	105	-	-	-	-
2005-B2 Series-Rebate	96000	62	-	-	-	-
2006-A Series-Rebate	96400	366	-	-	-	-
Total Rebate Accounts		1,088	-	-	-	-
COMBINED TOTAL		<u>\$ 9,716,718</u>	<u>\$ 342,316,694</u>	<u>\$ -</u>	<u>\$ 868,630</u>	<u>\$ 868,630</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)			Net Change in Fund Balance	Beginning Fund Balance	Fund Balances June 30, 2017
	Transfers (to) from Other State Agencies	Interfund Transfers	Total Other Financing Sources (Uses)			
\$ 51,836	\$ (19,066,500)	\$ 19,434,585	\$ 368,085	\$ 419,921	\$ 17,742,916	\$ 18,162,837
7,873	(16,642,500)	16,966,586	324,086	331,959	15,138,901	15,470,860
398	(12,223,675)	12,244,685	21,010	21,408	11,208,912	11,230,320
2	-	-	-	2	215	217
438	(31,757,875)	15,460,476	(16,297,399)	(16,296,961)	31,390,484	15,093,523
294,843	(15,891,000)	14,176,206	(1,714,794)	(1,419,951)	16,930,197	15,510,246
-	-	-	-	-	-	-
672,591	(10,817,750)	10,426,360	(391,390)	281,201	12,160,092	12,441,293
56,233	(5,976,075)	5,940,901	(35,174)	21,059	5,771,856	5,792,915
521	(17,080,000)	17,457,537	377,537	378,058	16,268,880	16,646,938
30,796	(8,163,750)	8,287,577	123,827	154,623	7,110,618	7,265,241
2	-	-	-	2	92	94
19	-	-	-	19	2,032	2,051
346,989,308	(154,945,622)	(155,413,402)	(310,359,024)	36,630,284	71,926,450	108,556,734
998	-	-	-	998	107,962	108,960
854,630	(5,845,390)	10,621,265	4,775,875	5,630,505	29,159	5,659,664
3	-	-	-	3	220	223
464,142	(6,802,250)	8,129,509	1,327,259	1,791,401	5,195,227	6,986,628
1,024,662	(9,384,750)	10,259,436	874,686	1,899,348	6,329,739	8,229,087
407,855	(437,883)	5,274,827	4,836,944	5,244,799	9,624	5,254,423
556	-	-	-	556	60,087	60,643
14	-	-	-	14	1,496	1,510
14,553	-	-	-	14,553	157,134	171,687
13	-	-	-	13	295	308
21	-	-	-	21	2,507	2,528
177,061	-	608,970	608,970	786,031	-	786,031
114,326	-	124,482	124,482	238,808	-	238,808
351,163,694	(315,035,020)	-	(315,035,020)	36,128,674	217,545,095	253,673,769
10	-	-	-	10	302	312
120	-	-	-	120	12,934	13,054
425	-	-	-	425	45,941	46,366
105	-	-	-	105	11,320	11,425
62	-	-	-	62	6,643	6,705
366	-	-	-	366	39,569	39,935
1,088	-	-	-	1,088	116,709	117,797
<u>\$ 351,164,782</u>	<u>\$ (315,035,020)</u>	<u>\$ -</u>	<u>\$ (315,035,020)</u>	<u>\$ 36,129,762</u>	<u>\$ 217,661,804</u>	<u>\$ 253,791,566</u>

State of New Mexico
Office of the State Treasurer

**SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS -
LONG-TERM DEBT ROLLFORWARD**

Year Ended June 30, 2017

Issue	SHARE Fund	Date of Issue	Issue Amount	Interest Rate	Unpaid Balance at June 30, 2016
General Obligation and Revenue Bonds:					
Series 2007 Debt Service	28800	3/1/2007	\$ 134,870,000	5.00%	\$ 16,635,000
Series 2009 Debt Service	10630	5/28/2009	196,330,000	5.00%	70,480,000
Series 2011 Debt Service	11630	5/26/2011	18,645,000	2.00-4.00%	10,015,000
Series 2013 Debt Service	11680	4/23/2013	137,220,000	2.00-2.40%	98,590,000
Series 2015 Debt Service	35170	2/17/2015	<u>141,635,000</u>	5.00%	<u>131,035,000</u>
Total General Obligation Bonds			628,700,000		326,755,000
Severance Tax Bonds:					
Series 2009A Refunding	10750	7/30/2009	218,450,000	2.00-5.00%	69,135,000
Series 2010A	10950	3/24/2010	132,265,000	3.00-5.00%	73,500,000
Series 2010B Supplemental	10960	3/24/2010	100,000,000	4.00-5.00%	52,795,000
Series 2010D Refunding	11280	12/8/2010	140,520,000	3.00-5.00%	44,990,000
Series 2011A-1	30830	12/6/2011	47,790,000	3.00-5.00%	24,960,000
Series 2011A-2 Refunding	30820	12/6/2011	75,715,000	4.00-5.00%	47,540,000
Series 2012A	11480	6/21/2012	57,990,000	3.00-5.00%	48,225,000
Series 2013A	11770	6/21/2012	157,560,000	2.00-5.00%	44,235,000
Series 2014A	12160	6/21/2012	143,770,000	3.00-5.00%	48,655,000
Series 2015A	50180	8/12/2015	129,195,000	5.00%	129,195,000
Series 2015B	50170	8/12/2015	69,745,000	5.00%	69,745,000
Series 2016A & Refunding Series 2016B	43230	6/23/2016	260,145,000	3.00-5.00%	260,145,000
Series 2016C	50450	6/23/2016	41,925,000	2.00%	41,925,000
Series 2016D	43160	12/6/2016	26,725,000	5.00%	-
Series 2016E	43290	12/6/2016	<u>19,090,000</u>	1.25-2.35%	<u>-</u>
Total Severance Tax Bonds			<u>1,620,885,000</u>		<u>955,045,000</u>
TOTAL GENERAL LONG-TERM DEBT			<u>\$ 2,249,585,000</u>		<u>\$ 1,281,800,000</u>
<u>Premium/Discount</u>					
Current Year Bond Premiums:					
STB Series 2015A			\$ 23,120,534		
STB Series 2015B			11,427,758		
STB Series 2016A & Refunding Series 2016B			46,694,038		
STB Series 2016C			996,190		
Series 2016D			5,378,614		
Series 2016E			<u>84,189</u>		
TOTAL CURRENT YEAR BOND PREMIUMS			<u>\$ 87,701,323</u>		

New Bonds	Reductions			Unpaid Balance at June 30, 2017	Interest to Maturity	Debt Service Requirements
	Refunded Debt	Principal Payments	Total Reductions			
\$ -	\$ -	\$ 16,635,000	\$ 16,635,000	\$ -	\$ -	\$ -
-	-	22,355,000	22,355,000	48,125,000	3,638,750	51,763,750
-	-	1,865,000	1,865,000	8,150,000	831,000	8,981,000
-	-	13,255,000	13,255,000	85,335,000	6,615,799	91,950,799
-	-	11,885,000	11,885,000	119,150,000	28,331,000	147,481,000
-	-	65,995,000	65,995,000	260,760,000	39,416,549	300,176,549
-	-	16,010,000	16,010,000	53,125,000	4,072,875	57,197,875
-	-	13,300,000	13,300,000	60,200,000	6,203,750	66,403,750
-	-	9,945,000	9,945,000	42,850,000	3,977,175	46,827,175
-	-	30,265,000	30,265,000	14,725,000	368,125	15,093,125
-	-	5,215,000	5,215,000	19,745,000	1,272,000	21,017,000
-	-	15,080,000	15,080,000	32,460,000	1,642,750	34,102,750
-	-	5,900,000	5,900,000	42,325,000	6,656,625	48,981,625
-	-	14,030,000	14,030,000	30,205,000	1,528,625	31,733,625
-	-	8,600,000	8,600,000	40,055,000	3,218,625	43,273,625
-	-	3,000,000	3,000,000	126,195,000	32,360,875	158,555,875
-	-	3,400,000	3,400,000	66,345,000	16,060,875	82,405,875
-	-	-	-	260,145,000	65,585,300	325,730,300
-	-	-	-	41,925,000	2,004,650	43,929,650
26,725,000	-	-	-	26,725,000	11,261,170	37,986,170
19,090,000	-	-	-	19,090,000	1,449,564	20,539,564
45,815,000	-	124,745,000	124,745,000	876,115,000	157,662,984	1,033,777,984
\$ 45,815,000	\$ -	\$ 190,740,000	\$ 190,740,000	\$ 1,136,875,000	\$ 197,079,533	\$ 1,333,954,533

State of New Mexico
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**SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS – CONTINUED –
SCHEDULE OF DEBT SERVICE MATURITIES**

Year Ended June 30, 2017

Issue	SHARE Fund	2018	2019
General Obligation Bonds:			
Series 2009 Debt Service	10630	\$ 25,881,250	\$ 25,882,500
Series 2011	11630	2,246,000	2,244,200
Series 2013	11670	15,323,147	15,327,747
Series 2015	35170	18,437,500	18,433,500
Total General Obligation Bonds		61,887,897	61,887,947
Severance Tax Bonds:			
Series 2009A Refunding	10750	19,065,500	19,067,375
Series 2010A	10950	16,625,875	16,610,125
Series 2010B Supplemental	10960	11,989,675	11,781,175
Series 2010D Refunding	11280	15,093,125	-
Series 2011A-1 Refunding	30830	5,968,825	3,955,600
Series 2011A-2 Refunding	30820	17,062,125	17,040,625
Series 2012A	11480	8,166,125	8,163,000
Series 2013A	11770	15,876,875	15,856,750
Series 2014A	12160	13,108,000	14,093,625
Series 2015A	50180	11,184,750	16,765,250
Series 2015B	50170	8,484,750	9,360,500
Series 2016A & 2016B Refunding	43230	11,193,300	11,193,300
Series 2016C	50450	5,590,500	10,444,500
Series 2016D	43160	1,429,045	1,336,250
Series 2016E	43290	416,666	2,779,579
Total Severance Tax Bonds		161,255,136	158,447,654
TOTAL DEBT SERVICE REQUIREMENTS		\$ 223,143,033	\$ 220,335,601

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 51,763,750
2,244,400	2,246,400	-	-	8,981,000
15,326,848	15,325,447	15,323,447	15,324,163	91,950,799
18,433,500	18,435,750	18,433,500	55,307,250	147,481,000
<u>36,004,748</u>	<u>36,007,597</u>	<u>33,756,947</u>	<u>70,631,413</u>	<u>300,176,549</u>
19,065,000	-	-	-	57,197,875
16,593,500	16,574,250	-	-	66,403,750
11,586,425	11,469,900	-	-	46,827,175
-	-	-	-	15,093,125
3,705,325	3,697,725	3,689,525	-	21,017,000
-	-	-	-	34,102,750
8,163,625	8,162,125	8,162,625	8,164,125	48,981,625
-	-	-	-	31,733,625
16,072,000	-	-	-	43,273,625
18,648,875	18,657,625	18,655,750	74,643,625	158,555,875
9,826,750	9,121,500	9,121,125	36,491,250	82,405,875
23,173,800	46,023,500	55,923,825	178,222,575	325,730,300
14,604,500	11,578,200	1,711,950	-	43,929,650
1,336,250	1,336,250	1,336,250	31,212,125	37,986,170
2,835,797	7,339,273	7,168,249	-	20,539,564
<u>145,611,847</u>	<u>133,960,348</u>	<u>105,769,299</u>	<u>328,733,700</u>	<u>1,033,777,984</u>
<u>\$ 181,616,595</u>	<u>\$ 169,967,945</u>	<u>\$ 139,526,246</u>	<u>\$ 399,365,113</u>	<u>\$ 1,333,954,533</u>

**SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS – CONTINUED) -
ADDITIONAL INFORMATION**

June 30, 2017

ADDITIONAL INFORMATION RELATED TO LONG-TERM DEBT OBLIGATIONS

The following information is presented as additional information of the long-term debt obligations of the State of New Mexico as detailed in Schedule 6 of this report.

GENERAL OBLIGATION BONDS

General obligation bonds are issued to provide funds for capital expenditures for construction, acquisition, or improvement of the projects specified in the Acts authorized by the Legislature of the State of New Mexico. Funds are provided through the collection of property tax levies levied by other State agencies.

The annual requirements to amortize the combined General Obligation Bond issues outstanding as of June 30, 2017, including interest payments, are as follows (see details on Schedule 6):

Years Ending June 30:	Amount
2018	\$ 61,887,897
2019	61,887,947
2020	36,004,748
2021	36,007,597
2022	33,756,947
Thereafter	70,631,413
Total	\$ 300,176,549

SEVERANCE TAX BONDS

Severance tax bonds are for State agencies, local governments and public and higher education, including a broad range of State and local capital needs. Funds are provided through tax receipts levied upon natural resource products, severed and saved from the lands of the State of New Mexico.

The annual requirements to amortize the combined Severance Tax Bond issues outstanding as of June 30, 2017, including interest payments, are as follows (see details on Schedule 6):

Years Ending June 30:	Amount
2018	\$ 161,255,136
2019	158,447,654
2020	145,611,847
2021	133,960,348
2022	105,769,299
Thereafter	328,733,700
Total	\$ 1,033,777,984

State of New Mexico
Office of the State Treasurer

SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
GENERAL FUND INVESTMENT POOL:					
Repurchase agreements	Various	Various	\$ 602,618,135	\$ 602,618,135	-
Cash in banks	Various	Various	191,436,695	191,436,695	-
Certificates of deposit	Various	Various	7,500,000	7,500,000	-
Miscellaneous cash	Various	Various	29,960	29,960	-
Fiscal agent bank account	0.000%	N/A	47,030,926	47,030,926	-
Municipal bonds:					
ALBUQUERQUE N MEX MUN SCH DIST NO 012 SCH BLDG	2.000%	08/01/2017	4,904,205	4,905,194	989
LAS CRUCES N MEX HOLD HARMLESS GROSS RCPTS TAX	4.000%	06/01/2018	153,404	153,212	(192)
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	1.000%	08/01/2017	300,064	300,003	(61)
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	1.000%	08/01/2018	224,999	224,559	(440)
SANDOVAL CNTY N MEX GROSS RCPTS TAX REV RFDG	2.000%	06/01/2018	363,544	363,092	(452)
SANDOVAL CNTY N MEX GROSS RCPTS TAX REV RFDG	3.000%	06/01/2019	274,679	273,485	(1,194)
SILVER CITY N MEX JT UTIL SYS REV RFDG-SER B	2.000%	12/01/2017	256,060	255,982	(78)
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	4.000%	07/01/2017	750,000	750,068	68
NEBRASKA PUB PWR DIST REV FOR ISSUES DTD PRIOR TO	4.450%	01/01/2023	1,880,000	1,880,188	188
Total municipal bonds			9,106,955	9,105,783	(1,172)
Corporate bonds:					
APPLE INC CALLABLE NOTES FIXED 1.55% 08/FEB/2019	1.550%	02/08/2019	2,498,468	2,499,275	807
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	1.800%	05/11/2020	2,497,565	2,499,160	1,595
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,498,543	2,506,375	7,832
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	1.550%	05/02/2019	4,996,551	4,999,160	2,609
US BANK NA/CINCINNATI OH CALLABLE NOTES FIXED 2%	2.000%	01/24/2020	4,990,945	5,021,550	30,605
Total corporate bonds			17,482,072	17,525,520	43,448
Discounted notes:					
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/05/2017	43,494,698	43,497,564	2,866
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/14/2017	54,979,583	54,983,170	3,587
Total discounted notes			98,474,281	98,480,734	6,453

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Commerical paper:					
EXXON MOBIL CORP CORPORATE COMMERCIAL PAPER	0.000%	07/12/2017	24,991,450	24,991,033	(417)
TOYOTA MOTOR CREDIT CORPORATE COMMERCIAL PAPER	0.000%	07/17/2017	19,990,208	19,990,008	(200)
EXXON MOBIL CORP CORPORATE COMMERCIAL PAPER	0.000%	07/14/2017	24,990,118	24,989,510	(608)
TOYOTA MOTOR CREDIT CORPORATE COMMERCIAL PAPER	0.000%	08/14/2017	24,965,133	24,965,469	336
Total commerical paper			94,936,909	94,936,020	(889)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA BILL ZERO CPN 26/OCT/2017	0.000%	10/26/2017	9,470,550	9,468,460	(2,090)
UNITED STATES OF AMERICA NOTES FIXED 2%	1.625%	03/31/2019	20,143,061	20,235,200	92,139
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.000%	09/15/2017	34,928,333	35,157,150	228,817
UNITED STATES OF AMERICA NOTES FIXED 1%	1.500%	10/31/2019	9,998,809	9,998,500	(309)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	4.250%	11/15/2017	24,465,857	24,532,585	66,728
UNITED STATES OF AMERICA NOTES FIXED 4.25%	1.375%	04/30/2020	20,234,511	20,228,200	(6,311)
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.750%	12/31/2020	13,452,834	13,439,385	(13,449)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	2.375%	07/31/2017	20,249,392	20,057,000	(192,392)
UNITED STATES OF AMERICA NOTES FIXED 2.375%	1.375%	11/30/2018	20,020,703	20,023,000	2,297
UNITED STATES OF AMERICA NOTES FIXED 1.375%	0.875%	07/31/2019	19,991,981	20,006,200	14,219
UNITED STATES OF AMERICA NOTES FIXED .875%	0.625%	11/30/2017	15,793,307	15,830,080	36,773
UNITED STATES OF AMERICA NOTES FIXED .625%	0.875%	01/31/2018	19,962,778	19,958,800	(3,978)
UNITED STATES OF AMERICA NOTES FIXED .875%	1.125%	03/31/2020	4,987,433	4,991,250	3,817
UNITED STATES OF AMERICA NOTES FIXED 1.125%	0.625%	04/30/2018	33,512,335	33,400,687	(111,648)
UNITED STATES OF AMERICA NOTES FIXED .625%	1.000%	05/31/2018	24,883,964	24,867,250	(16,714)
UNITED STATES OF AMERICA NOTES FIXED 1%	2.125%	08/31/2020	24,948,282	24,934,500	(13,782)
UNITED STATES OF AMERICA NOTES FIXED 2.125%	1.750%	10/31/2020	4,081,284	4,064,360	(16,924)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	05/31/2022	41,379,989	41,173,020	(206,969)
UNITED STATES OF AMERICA NOTES FIXED 1.75%	0.680%	07/03/2017	19,994,546	19,882,800	(111,746)
Total treasury securities			382,499,949	382,248,427	(251,522)
Federal Farm Credit Banks (FFCB):					
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	09/18/2019	12,994,384	13,076,700	82,316
FEDERAL FARM CREDIT BANKS BOND FIXED .68%	2.000%	11/30/2020	2,499,978	2,500,000	22
FEDERAL FARM CREDIT BANKS BOND FIXED 1.8%	1.800%	11/12/2019	8,000,693	8,038,240	37,547
Total Federal Farm Credit Banks			23,495,055	23,614,940	119,885

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Banks (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED 1.125%	1.125%	07/14/2021	4,979,986	4,871,850	(108,136)
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	02/18/2021	33,837,461	33,633,820	(203,641)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.1%	1.100%	12/27/2018	499,999	497,145	(2,854)
Total Federal Home Loan Banks			39,317,446	39,002,815	(314,631)
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	0.875%	06/30/2021	4,997,987	4,946,750	(51,237)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 0.875%	0.875%	03/07/2018	14,941,045	14,961,150	20,105
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 3.75%	3.750%	03/27/2019	20,678,579	20,806,800	128,221
Total Federal Home Loan Mortgage Corporation			40,617,611	40,714,700	97,089
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	21,880,589	22,006,842	126,253
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	08/02/2019	4,994,128	4,939,900	(54,228)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.375%	10/07/2021	4,992,794	4,909,800	(82,994)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.875%	09/18/2018	20,104,934	20,124,800	19,866
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.625%	11/27/2018	14,974,682	15,051,300	76,618
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.875%	02/19/2019	20,063,292	20,155,000	91,708
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	09/27/2017	14,995,789	14,996,250	461
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	14,017,536	14,077,560	60,024
Total Federal National Mortgage Corporation			116,023,744	116,261,452	237,708
Miscellaneous government securities					
1.20128% 07/17	1.201%	07/03/2017	11,257,000	11,257,000	-
TENNESSEE VALLEY AUTHORITY NOTES FIXED 5.5%	5.500%	07/18/2017	1,322,827	1,322,297	(530)
Total miscellaneous government securities			12,579,827	12,579,297	(530)
Total U.S. government securities			614,533,632	614,421,631	(112,001)
Total General Fund Investment Pool (State Funds Investment Pool)			<u>\$ 1,683,149,565</u>	<u>\$ 1,683,085,404</u>	<u>\$ (64,161)</u>

State of New Mexico
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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
LOCAL GOVERNMENT INVESTMENT POOL:					
Repurchase agreements	Various	Various	\$ 180,000,000	\$ 180,000,000	\$ -
Bank accounts:					
BANK OF THE WEST	Variable	N/A	4,064,363	4,064,363	-
WELLS FARGO CHECKING	0.15%	N/A	9,373,899	9,373,899	-
Total bank accounts			13,438,262	13,438,262	-
Miscellaneous cash	Various	Various	1	1	-
Discounted notes:					
FEDERAL FARM CREDIT DISCOUNT NOTES DISCOUNT NOTES	0.000%	07/28/2017	4,996,189	4,996,530	341
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/12/2017	14,995,756	14,996,250	494
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/14/2017	9,997,641	9,996,940	(701)
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/19/2017	34,982,087	34,984,460	2,373
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/21/2017	9,995,107	9,995,000	(107)
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	07/28/2017	24,982,241	24,982,650	409
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	10/06/2017	9,974,275	9,972,030	(2,245)
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	10/11/2017	9,972,963	9,970,560	(2,403)
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	10/20/2017	6,430,134	6,429,302	(832)
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	02/01/2018	34,765,850	34,763,925	(1,925)
Total discounted notes			161,092,243	161,087,647	(4,596)
Corporate bonds:					
FEDERAL HOME LOAN BANKS BOND VARIABLE 26/SEP/2017	1.031%	09/26/2017	24,999,589	24,998,500	(1,089)
Total corporate bonds			24,999,589	24,998,500	(1,089)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA BILL ZERO CPN 20/JUL/2017	0.000%	07/20/2017	9,996,667	9,996,300	(367)
UNITED STATES OF AMERICA BILL ZERO CPN 13/JUL/2017	0.000%	07/13/2017	24,994,705	24,994,750	45
UNITED STATES OF AMERICA BILL ZERO CPN 21/SEP/2017	0.000%	09/21/2017	9,979,619	9,978,400	(1,219)
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	07/31/2017	11,000,391	10,999,635	(756)
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	08/31/2017	44,982,577	44,972,100	(10,477)
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	09/30/2017	9,992,021	9,988,900	(3,121)
Total treasury securities			110,945,980	110,930,085	(15,895)

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	0.875%	12/27/2017	8,987,473	8,982,000	(5,473)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	2.500%	09/29/2017	2,007,030	2,006,800	(230)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES	1.232%	07/20/2017	2,150,208	2,150,215	7
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	08/28/2017	6,269,511	6,268,931	(580)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	09/27/2017	16,594,776	16,580,854	(13,922)
Total Federal National Mortgage Association			36,008,998	35,988,800	(20,198)
Federal Farm Credit Bank (FFCB):					
FEDERAL FARM CREDIT BANK BOND FIXED 1.5%	1.500%	11/08/2017	1,001,682	1,000,160	(1,522)
FEDERAL FARM CREDIT BANK BOND FIXED 2.5%	2.500%	12/06/2017	2,011,652	2,011,160	(492)
FEDERAL FARM CREDIT BANKS BOND FIXED .67%	0.670%	10/18/2017	4,994,063	4,993,600	(463)
FEDERAL FARM CREDIT BANKS BOND FIXED 1%	1.000%	09/25/2017	1,375,160	1,374,876	(284)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.11%	1.110%	02/20/2018	11,993,539	11,990,280	(3,259)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.24%	1.240%	10/06/2017	2,001,382	2,001,020	(362)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.149%	02/06/2018	5,010,848	5,004,200	(6,648)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.230%	11/27/2017	1,961,378	1,961,431	53
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.270%	03/09/2018	4,798,323	4,803,264	4,941
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.246%	03/22/2018	3,999,710	4,003,800	4,090
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.016%	11/09/2018	7,249,468	7,252,900	3,432
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.260%	03/14/2018	9,999,286	9,999,300	14
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.230%	03/27/2019	9,998,259	10,012,200	13,941
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.230%	04/25/2019	4,999,090	4,999,100	10
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.093%	03/25/2019	9,999,130	9,995,700	(3,430)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.053%	12/05/2018	9,999,276	9,997,200	(2,076)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.170%	03/12/2019	5,001,695	5,000,010	(1,685)
FEDERAL FARM CREDIT BANKS BOND VARIABLE	1.170%	06/27/2019	5,000,000	4,997,240	(2,760)
FEDERAL FARM CREDIT BANKS CALLABLE BOND FIXED .7%	0.700%	08/09/2017	1,999,906	1,999,060	(846)
Total Federal Farm Credit Bank			103,393,847	103,396,501	2,654
Federal Home Loan Bank (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED .625%	0.625%	08/11/2017	9,999,399	9,994,700	(4,699)
FEDERAL HOME LOAN BANKS BOND FIXED .75%	0.750%	09/08/2017	12,910,833	12,907,380	(3,453)
FEDERAL HOME LOAN BANKS BOND FIXED 1% 19/DEC/2017	1.000%	12/19/2017	1,900,000	1,898,328	(1,672)
FEDERAL HOME LOAN BANKS BOND FIXED 1.1%	1.100%	09/29/2017	10,003,934	9,999,300	(4,634)
FEDERAL HOME LOAN BANKS BOND FIXED 1.125%	1.125%	05/08/2018	899,045	898,524	(521)
FEDERAL HOME LOAN BANKS BOND FIXED 2.25%	2.250%	09/08/2017	8,584,460	8,577,377	(7,083)
FEDERAL HOME LOAN BANKS BOND FIXED 3.125%	3.125%	12/08/2017	7,063,083	7,058,100	(4,983)
FEDERAL HOME LOAN BANKS BOND VARIABLE 06/MAR/2018	1.053%	03/06/2018	6,804,224	6,801,632	(2,592)
FEDERAL HOME LOAN BANKS BOND VARIABLE 09/AUG/2017	1.140%	08/09/2017	21,729,377	21,724,126	(5,251)
FEDERAL HOME LOAN BANKS BOND VARIABLE 23/OCT/2017	1.041%	10/23/2017	15,000,000	14,999,100	(900)
FEDERAL HOME LOAN BANKS BOND VARIABLE 25/AUG/2017	1.169%	08/25/2017	1,690,989	1,690,507	(482)
FEDERAL HOME LOAN BANKS BOND VARIABLE 25/OCT/2017	1.086%	10/25/2017	1,671,691	1,670,768	(923)
FEDERAL HOME LOAN BANKS BOND VARIABLE 25/OCT/2017	0.861%	10/25/2017	31,998,911	31,992,320	(6,591)
FEDERAL HOME LOAN BANKS BOND VARIABLE 27/JUL/2017	1.000%	07/27/2017	10,000,000	9,999,700	(300)
Total Federal Home Loan Bank			140,255,946	140,211,862	(44,084)

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.000%	09/12/2017	4,002,291	3,999,600	(2,691)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	0.905%	08/10/2018	5,000,000	4,997,700	(2,300)
FEDERAL HOME LOAN MORTGAGE CORP MEDIUM TERM NOTE	0.750%	04/09/2018	10,618,601	10,610,063	(8,538)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1%	1.000%	07/28/2017	14,351,677	14,349,570	(2,107)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1%	1.000%	09/29/2017	31,243,893	31,226,816	(17,077)
Total Federal Home Loan Mortgage Corporation			65,216,462	65,183,749	(32,713)
Miscellaneous government securities:					
TENNESSEE VALLEY AUTHORITY BOND FIXED 6.25%	6.250%	12/15/2017	29,033,976	28,977,194	(56,782)
TENNESSEE VALLEY AUTHORITY NOTES FIXED 5.5%	5.500%	07/18/2017	19,433,525	19,424,740	(8,785)
Total miscellaneous government securities			48,467,501	48,401,934	(65,567)
Total U.S. governmental securities			504,288,734	504,112,931	(175,803)
Total Local Government Investment Pool (Short-term Investment Pool)			\$ 883,818,829	\$ 883,637,341	\$ (181,488)

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
BOND PROCEEDS INVESTMENT POOL #2 (TAXABLE):					
Repurchase agreements	Various	Various	\$ 171,584,036	\$ 171,584,036	\$ -
Certificates of deposit	Various	Various	10,200,000	10,200,000	-
Mutual funds (LGIP pool participant)	Various	Various	16,912,966	16,912,966	-
Municipal Bonds:					
ALBUQUERQUE N MEX ARPT REV RFDG-SUB LIEN-SER A	5.110%	07/01/2018	300,250	296,693	(3,557)
BELEN N MEX 20/JUL/2016 01/AUG/2017 2%	2.000%	08/01/2017	275,276	275,267	(9)
BELEN N MEX 20/JUL/2016 01/AUG/2018 2%	2.000%	08/01/2018	288,220	287,756	(464)
BELEN N MEX CONS SCH DIST NO 2 FORMERLY BELEN N	2.000%	08/01/2017	160,164	160,126	(38)
BELEN N MEX CONS SCH DIST NO 2 FORMERLY BELEN N	2.000%	08/01/2019	321,155	318,503	(2,652)
BELEN N MEX CONS SCH DIST NO 2 FORMERLY BELEN N	2.000%	08/01/2019	545,454	540,949	(4,505)
JEMEZ VY N MEX PUB SCH DIST NO 031 25/NOV/2014	2.000%	08/01/2017	270,288	270,276	(12)
LOS LUNAS N MEX SCH DIST NO 1 SCH BLDG 28/OCT/2015	2.000%	07/15/2018	277,775	277,742	(33)
METROPOLITAN TRANSN AUTH N Y SPL OBLIG	1.069%	07/01/2017	2,500,000	2,500,025	25
NEW MEXICO FIN AUTH REV SR LIEN-PUB PROJ REVOLVING	4.000%	06/01/2018	3,540,770	3,552,500	11,730
NEW MEXICO ST SEVERANCE TAX SER A 24/MAR/2010	5.000%	07/01/2017	400,000	400,048	48
NEW MEXICO ST SEVERANCE TAX TAXABLE-SER C	2.000%	07/01/2018	1,967,398	1,960,842	(6,556)
Total municipal bonds			10,846,750	10,840,727	(6,023)
Corporate bonds:					
APPLE INC CALLABLE NOTES FIXED 1.8% 11/MAY/2020	1.800%	05/11/2020	2,497,565	2,499,160	1,595
MICROSOFT CORP CALLABLE NOTES FIXED 2% 03/NOV/2020	2.000%	11/03/2020	9,318,067	9,306,383	(11,684)
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	1.550%	05/02/2019	2,498,276	2,499,580	1,304
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	1.950%	04/17/2020	2,498,926	2,499,225	299
US BANK NA/CINCINNATI OH CALLABLE MEDIUM TERM NOTE	1.752%	01/29/2018	3,006,242	3,007,620	1,378
Total corporate bonds:			19,819,076	19,811,968	(7,108)
Banker acceptances:					
US BANK ZERO 07/17	0.000%	07/24/2017	610,695	610,695	-
US BANK NA/MINNEAPOLIS MN BANKERS ACCEPTANCE ZERO	0.000%	07/28/2017	507,877	507,877	-
Total banker acceptances:			1,118,572	1,118,572	-

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	03/15/2018	7,499,687	7,487,400	(12,287)
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	12/31/2017	10,080,403	10,077,800	(2,603)
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	09/30/2018	4,979,193	4,964,650	(14,543)
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	08/31/2017	10,993,639	10,993,180	(459)
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	01/31/2018	14,971,362	14,973,750	2,388
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	02/28/2018	14,954,051	14,954,250	199
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	05/31/2018	5,012,791	4,986,900	(25,891)
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	10/31/2018	15,060,531	14,982,450	(78,081)
Total treasury securities			83,551,657	83,420,380	(131,277)
Federal Farm Credit Banks (FFCB):					
FEDERAL FARM CREDIT BANKS BOND FIXED .875%	0.875%	09/20/2018	4,996,593	4,971,350	(25,243)
FEDERAL FARM CREDIT BANKS BOND FIXED .96%	0.960%	10/05/2018	10,014,257	9,950,100	(64,157)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.16%	1.160%	06/18/2018	501,186	499,800	(1,386)
Total Federal Farm Credit Banks			15,512,036	15,421,250	(90,786)
Federal Home Loan Banks (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED .75%	0.750%	01/19/2018	4,998,292	4,987,650	(10,642)
FEDERAL HOME LOAN BANKS BOND FIXED .75%	0.750%	09/08/2017	499,991	499,705	(286)
FEDERAL HOME LOAN BANKS BOND FIXED .75%	0.750%	12/08/2017	4,999,125	4,989,900	(9,225)
FEDERAL HOME LOAN BANKS BOND FIXED .82%	0.820%	07/06/2018	4,996,769	4,977,700	(19,069)
FEDERAL HOME LOAN BANKS BOND FIXED .83%	0.830%	07/25/2018	7,497,270	7,462,125	(35,145)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	03/19/2018	12,504,691	12,468,125	(36,566)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	08/05/2019	7,489,912	7,408,350	(81,562)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	10/01/2018	4,997,965	4,969,800	(28,165)
FEDERAL HOME LOAN BANKS BOND FIXED 1.25%	1.250%	06/08/2018	5,019,087	4,998,150	(20,937)
FEDERAL HOME LOAN BANKS BOND FIXED 1.75%	1.750%	12/14/2018	5,038,930	5,026,950	(11,980)
FEDERAL HOME LOAN BANKS BOND FIXED 2% 14/SEP/2018	2.000%	09/14/2018	25,304,479	25,185,500	(118,979)
FEDERAL HOME LOAN BANKS BOND VARIABLE 08/JAN/2018	1.120%	01/08/2018	25,000,000	25,022,750	22,750
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.65%	1.650%	09/24/2019	2,008,459	1,996,720	(11,739)
Total Federal Home Loan Banks			110,354,970	109,993,425	(361,545)
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	0.875%	06/26/2018	7,750,083	7,718,380	(31,703)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	0.875%	06/30/2021	3,663,525	3,625,968	(37,557)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.650%	07/10/2020	5,080,000	5,071,506	(8,494)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.875%	08/16/2019	11,470,631	11,468,939	(1,692)
FEDERAL HOME LOAN MORTGAGE CORP MEDIUM TERM NOTE	0.875%	10/12/2018	4,998,665	4,969,500	(29,165)
Total Federal Home Loan Mortgage Corporation			32,962,904	32,854,293	(108,611)

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	14,552,525	14,389,200	(163,325)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	2.000%	02/07/2020	5,335,306	5,252,416	(82,890)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.000%	12/19/2017	2,000,882	1,998,540	(2,342)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.375%	02/27/2019	2,005,019	2,000,100	(4,919)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	0.750%	07/26/2019	5,000,000	4,985,000	(15,000)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	12/30/2019	5,000,000	4,932,300	(67,700)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	0.850%	07/26/2018	3,800,000	3,776,972	(23,028)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.125%	07/20/2018	14,987,493	14,969,700	(17,793)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	03/28/2018	9,992,772	9,973,600	(19,172)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	10/24/2019	4,989,615	4,944,600	(45,015)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	09/12/2019	20,039,657	20,119,600	79,943
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	20,010,977	20,110,800	99,823
Total Federal National Mortgage Corporation			107,714,246	107,452,828	(261,418)
Miscellaneous government securities					
TENNESSEE VALLEY AUTHORITY BOND FIXED 1.75%	1.750%	10/15/2018	3,015,902	3,015,300	(602)
FINANCING CORP BOND FIXED 9.4% 08/FEB/2018 USD	9.400%	02/08/2018	1,049,895	1,049,140	(755)
Total miscellaneous government securities			4,065,797	4,064,440	(1,357)
Total U.S. government securities			354,161,610	353,206,616	(954,994)
Total Bond Proceeds Investment Pool #2 (Taxable) (Part 1 of the Consolidated Investment Pool)			<u>\$ 584,643,010</u>	<u>\$ 583,674,885</u>	<u>\$ (968,125)</u>

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
BOND PROCEEDS INVESTMENT POOL #1 (TAX EXEMPT):					
Certificates of deposit	Various	Various	\$ 3,000,000	\$ 3,000,000	\$ -
Repurchase agreements	Various	Various	144,797,829	144,797,829	-
Mutual funds (LGIP pool participant)	Various	Various	9,856,876	9,856,876	-
Municipal bonds:					
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV	3.000%	07/01/2018	188,301	187,864	(437)
ALBUQUERQUE N MEX GROSS RCPTS TAX REV	1.050%	07/01/2017	600,000	600,000	-
ALBUQUERQUE N MEX MET ARROYO FLOOD CTL AUTH	2.000%	08/01/2017	300,320	300,309	(11)
ARTESIA N MEX GROSS RCPTS TAX REV RFDG 15/SEP/2015	2.000%	06/01/2018	262,370	262,389	19
HOBBS N MEX MUN SCH DIST NO 16 FOR ISSUES DATED	1.000%	09/15/2018	120,071	119,636	(435)
JAL N MEX PUB SCH DIST NO 19 SCH BLDG 18/AUG/2016	2.000%	10/01/2017	837,718	837,330	(388)
JAL N MEX PUB SCH DIST NO 19 SCH BLDG 18/AUG/2016	2.000%	10/01/2018	796,207	793,808	(2,399)
LAS CRUCES N MEX SCH DIST NO 002 RFDG-SER B	2.000%	08/01/2017	250,277	250,255	(22)
METROPOLITAN TRANSN AUTH N Y SPL OBLIG	1.069%	07/01/2017	2,500,000	2,500,025	25
NEW MEXICO EDL ASSISTANCE FNDTN ED LN-SR-SER B	4.000%	09/01/2017	246,348	246,306	(42)
NEW MEXICO ST SEVERANCE TAX TAXABLE-SER C	2.000%	07/01/2017	4,800,000	4,800,144	144
ROSWELL N MEX INDPT SCH DIST SCH BLDG-SER A	2.000%	08/01/2017	250,234	250,240	6
RUIDOSO N MEX GROSS RCPTS TAX REV RFDG & IMPT	2.000%	06/01/2018	156,270	156,283	13
SANDOVAL CNTY N MEX 07/MAY/2015 01/AUG/2017 3%	3.000%	08/01/2017	375,697	375,664	(33)
SANDOVAL CNTY N MEX INCENTIVE PAYMENT REV	1.952%	06/01/2018	100,446	100,162	(284)
UNIVERSITY N MEX UNIV REVS TAXABLE-RFDG & IMPT-SUB	1.220%	06/01/2018	250,000	248,925	(1,075)
UNIVERSITY N MEX UNIV REVS RFDG-TAXABLE-GNMA	1.438%	06/20/2018	1,003,638	999,170	(4,468)
Total municipal bonds			13,037,897	13,028,510	(9,387)
Corporate bonds:					
GENERAL ELECTRIC CO BOND FIXED 5.25% 06/DEC/2017	5.250%	12/06/2017	7,125,445	7,114,940	(10,505)
MICROSOFT CORP CALLABLE NOTES FIXED 1.85%	1.850%	02/06/2020	2,498,543	2,506,375	7,832
PEPSICO INC CALLABLE NOTES FIXED 1.55% 02/MAY/2019	1.550%	05/02/2019	2,498,276	2,499,580	1,304
PRIVATE EXPORT FUNDING CORP NOTES FIXED 1.875%	1.875%	07/15/2018	5,047,091	5,022,900	(24,191)
TOYOTA MOTOR CREDIT CORP NOTES FIXED 1.95%	1.950%	04/17/2020	2,498,926	2,499,225	299
Total corporate bonds:			19,668,281	19,643,020	(25,261)

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
U.S. government securities:					
Treasury securities:					
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	11/30/2017	14,988,288	14,969,100	(19,188)
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	01/31/2018	5,000,793	4,987,650	(13,143)
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	09/30/2018	9,958,385	9,929,300	(29,085)
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	03/31/2018	20,019,233	19,943,000	(76,233)
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	03/15/2018	25,017,818	24,958,000	(59,818)
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	05/31/2018	5,012,791	4,986,900	(25,891)
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	10/31/2018	15,060,531	14,982,450	(78,081)
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	01/31/2019	5,031,913	5,010,150	(21,763)
Total treasury securities			100,089,752	99,766,550	(323,202)
Federal National Mortgage Association (FNMA):					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/09/2019	14,547,877	14,389,200	(158,677)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	2.200%	10/27/2017	1,004,982	1,003,480	(1,502)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.625%	03/27/2020	1,282,963	1,265,860	(17,103)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.350%	07/11/2018	1,306,440	1,302,262	(4,178)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.400%	06/05/2020	1,007,202	991,290	(15,912)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.400%	11/26/2019	1,500,546	1,488,885	(11,661)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.125%	10/11/2019	4,995,168	4,941,150	(54,018)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.500%	02/28/2020	9,994,310	9,973,800	(20,510)
Total Federal National Mortgage Association			35,639,488	35,355,927	(283,561)
Federal Farm Credit Bank (FFCB):					
FEDERAL FARM CREDIT BANKS BOND FIXED .85%	0.850%	12/06/2017	5,003,005	4,996,450	(6,555)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.04%	1.040%	04/04/2018	10,000,609	9,990,000	(10,609)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.06%	1.060%	07/24/2018	1,001,956	997,350	(4,606)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.42%	1.420%	04/02/2018	2,009,007	2,002,680	(6,327)
FEDERAL FARM CREDIT BANKS BOND FIXED 1.95%	1.950%	09/17/2018	2,025,128	2,011,880	(13,248)
Total Federal Farm Credit Bank			20,039,705	19,998,360	(41,345)
Federal Home Loan Bank (FHLB):					
FEDERAL HOME LOAN BANKS BOND FIXED .625%	0.625%	10/26/2017	4,998,285	4,992,450	(5,835)
FEDERAL HOME LOAN BANKS BOND FIXED .83%	0.830%	07/25/2018	7,497,270	7,462,125	(35,145)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	03/19/2018	12,504,684	12,468,125	(36,559)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	08/05/2019	7,489,902	7,408,350	(81,552)
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	10/01/2018	4,997,965	4,969,800	(28,165)
FEDERAL HOME LOAN BANKS BOND FIXED 1% 26/SEP/2019	1.000%	09/26/2019	4,996,793	4,949,200	(47,593)
FEDERAL HOME LOAN BANKS BOND FIXED 1% 27/OCT/2017	1.000%	10/27/2017	1,000,687	999,690	(997)
FEDERAL HOME LOAN BANKS BOND FIXED 1.06%	1.060%	05/30/2018	1,001,905	997,390	(4,515)
FEDERAL HOME LOAN BANKS BOND FIXED 1.23%	1.230%	10/20/2017	2,002,687	2,000,700	(1,987)
FEDERAL HOME LOAN BANKS BOND FIXED 1.25%	1.250%	06/08/2018	6,022,980	5,997,780	(25,200)
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	03/09/2018	13,623,089	13,598,585	(24,504)
FEDERAL HOME LOAN BANKS BOND FIXED 1.5%	1.500%	03/08/2019	10,062,221	10,012,300	(49,921)
FEDERAL HOME LOAN BANKS BOND FIXED 1.875%	1.875%	03/13/2020	10,214,756	10,074,500	(140,256)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.75%	1.750%	07/30/2020	5,000,000	4,997,400	(2,600)
Total Federal Home Loan Bank			91,413,224	90,928,395	(484,829)

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
Federal Home Loan Mortgage Corporation (FHLMC):					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.400%	08/22/2019	4,980,355	4,990,700	10,345
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.200%	09/24/2018	1,253,932	1,247,625	(6,307)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.500%	07/18/2019	2,010,118	1,998,740	(11,378)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.050%	10/30/2018	2,505,674	2,485,450	(20,224)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.000%	12/28/2018	5,000,000	4,963,050	(36,950)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.000%	08/10/2018	4,997,469	4,982,250	(15,219)
FEDERAL HOME LOAN MORTGAGE CORP MEDIUM TERM NOTE	1.500%	01/17/2020	4,999,765	4,995,800	(3,965)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED .75%	0.750%	01/12/2018	23,980,497	23,944,320	(36,177)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED .75%	0.750%	07/14/2017	24,000,084	23,997,600	(2,484)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 0.875%	0.875%	03/07/2018	19,992,798	19,948,200	(44,598)
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1%	1.000%	12/15/2017	10,013,135	9,992,400	(20,735)
Total Federal Home Loan Mortgage Corporation			103,733,827	103,546,135	(187,692)
Miscellaneous government securities:					
TENNESSEE VALLEY AUTHORITY BOND FIXED 6.25%	6.250%	12/15/2017	14,853,441	14,831,653	(21,788)
Total miscellaneous government securities			14,853,441	14,831,653	(21,788)
Total U.S. governmental securities			365,769,437	364,427,020	(1,342,417)
Total Bond Proceeds Investment Pool #1 (Tax Exempt) (Part 2 of the Consolidated Investment Pool)			\$ 556,130,320	\$ 554,753,255	\$ (1,377,065)

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SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS – CONTINUED

June 30, 2017

Security Description	Book Value	Market Value	Unrealized Gain (Loss)
Local Government Investment Pool (Short-term Investment Pool)	\$ 883,818,829	\$ 883,637,341	\$ (181,488)
General Fund Investment Pool (State Funds Investment Pool)	1,683,149,565	1,683,085,404	(64,161)
Bond Proceeds Taxable (Consolidated Investment Pool)	584,643,010	583,674,885	(968,125)
Bond Proceeds Tax Exempt (Consolidated Investment Pool)	<u>556,130,320</u>	<u>554,753,255</u>	<u>(1,377,065)</u>
Grand total of all funds	<u>\$ 3,707,741,724</u>	<u>\$ 3,705,150,885</u>	<u>\$ (2,590,839)</u>

Reconciliation to financial statements:

Total investments per schedule of investments	\$ 3,705,150,885
Less: interfund investments in Local Government Investment Pool,	
Bond proceeds taxable*	(9,856,876)
Bond proceeds tax exempt*	<u>(16,912,966)</u>
Total interfund investments	<u>(26,769,842)</u>
Total cash and investments, Statement of Fiduciary Net Position	<u>\$ 3,678,381,043</u>

* Amounts are deducted from respective pools.

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SCHEDULE 8 - COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Investment Trust Funds			Total
	LGIP Short-term Investment Pool	Consolidated Investment Pool BPIP #1 and #2	General Fund Investment Pool	
ASSETS				
Cash and investments:				
Fiscal agent bank account	\$ -	\$ -	\$ 47,030,926	\$ 47,030,926
Cash in banks	13,438,262	-	191,436,695	204,874,957
Certificates of Deposit	-	13,200,000	7,500,000	20,700,000
Government bonds	393,182,846	534,446,706	232,173,204	1,159,802,756
Municipal bonds	-	23,869,237	9,105,783	32,975,020
Bank acceptances	-	1,118,572	-	1,118,572
Interfund investments	(26,769,842)	26,769,842	-	-
Repurchase agreements	180,000,000	316,381,865	602,618,135	1,099,000,000
Miscellaneous cash	1	-	29,960	29,961
Corporate bonds	24,998,500	39,454,988	17,525,520	81,979,008
Commercial paper	-	-	94,936,020	94,936,020
Treasury bills	110,930,085	183,186,930	382,248,427	676,365,442
Discounted notes	161,087,647	-	98,480,734	259,568,381
Total cash and investments	856,867,499	1,138,428,140	1,683,085,404	3,678,381,043
Due from Broker	-	30,910	-	30,910
Accrued Interest Receivable	1,439,136	2,450,873	2,223,952	6,113,961
TOTAL ASSETS	\$ 858,306,635	\$ 1,140,909,923	\$ 1,685,309,356	\$ 3,684,525,914
LIABILITIES				
Due to Broker	\$ -	\$ 14,428,977	\$ -	\$ 14,428,977
Other Liabilities	-	-	28,307	28,307
TOTAL LIABILITIES	-	14,428,977	28,307	14,457,284
NET POSITION - HELD IN TRUST	858,306,635	1,126,480,946	1,685,281,049	3,670,068,630
TOTAL LIABILITIES AND NET POSITION	\$ 858,306,635	\$ 1,140,909,923	\$ 1,685,309,356	\$ 3,684,525,914

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SCHEDULE 9 - COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2017

	Investment Trust Fund			Total
	LGIP Short-term Investment Pool	Consolidated Investment Pool BPIP #1 and #2	General Fund Investment Pool	
Additions:				
Investment income	\$ 4,308,891	\$ 3,469,638	\$ 2,028,311	\$ 9,806,840
Deposits	19,284,712,458	599,521,648	43,119,236,759	63,003,470,865
Deductions:				
Expenses - management fees	(376,335)	-	-	(376,335)
Withdrawals	(19,009,382,698)	(977,986,928)	(43,164,403,540)	(63,151,773,166)
Subtotal of change in net position	279,262,316	(374,995,642)	(43,138,470)	(138,871,796)
Net position, held in trust for pool participants, June 30, 2016	<u>579,044,319</u>	<u>1,501,476,588</u>	<u>1,728,419,519</u>	<u>3,808,940,426</u>
Net position, held in trust for pool participants, June 30, 2017	<u>\$ 858,306,635</u>	<u>\$ 1,126,480,946</u>	<u>\$ 1,685,281,049</u>	<u>\$ 3,670,068,630</u>

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SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

June 30, 2017

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)
					Surety Bond Letter of Credit	Securities	
BANKS:							
Alamogordo							
(FHLB)	First National Bank	\$ 98,842	\$ 98,842	\$ -	\$ -	\$ 994,481	\$ 994,481
(FHLB)	Western Bank	3,600,000	250,000	3,417,000	-	3,706,524	289,524
Albuquerque							
(WFB)	Bank of America	243,002	243,002	-	-	-	-
(WFB)	Bank of the West	196,046,860	250,000	97,898,430	-	101,029,984	3,131,554
(WFB)	Compass Bank	2,169,340	250,000	1,957,727	55,000,000	-	53,042,273
(FHLB)	U.S. Bank N.A.	1,010,873	250,000	380,437	40,000,000	-	39,619,563
(WFB)	New Mexico Bank & Trust	358,857	250,000	54,429	-	263,480	209,051
(USB)	Wells Fargo Bank, N.A.	78,374,737	250,000	39,062,369	-	98,717,297	59,654,928
Artesia							
(FHLB)	First American Bank	44,493	44,493	-	-	-	-
Aztec							
	Citizens Bank	855	855	-	-	-	-
Belen							
(USB)	My Bank	350,646	250,000	50,323	250,000	-	199,677
Carlsbad							
(FHLB)	Carlsbad National Bank	600	600	-	-	-	-
(FHLB)	Western Commerce Bank	4,067,952	250,000	1,908,976	-	2,767,534	858,558
Clayton							
(FHLB)	Farmers & Stockmens Bank	10,026,271	250,000	4,888,136	5,125,000	-	236,864
(FHLB)	First National Bank of NM	1,202,221	250,000	476,111	-	1,130,050	653,939
Clovis							
(TIB)	Bank of Clovis	860,097	250,000	305,049	-	817,389	512,340
	Citizens Bank	9,792	9,792	-	-	-	-
(FHLB)	Western Bank	3,100,000	250,000	1,425,000	-	1,846,794	421,794
Hobbs							
(TIB)	Lea County State Bank	127,074	127,074	-	-	-	-
Las Vegas							
(FHLB)	Southwest Capital Bank	712,926	250,000	231,463	-	498,376	266,913
(FHLB)	Community First Bank LV	195,724	195,724	-	-	458,177	458,177
Subtotal		302,601,162	3,970,382	152,055,450	100,375,000	212,230,086	160,549,636

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**SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY –
CONTINUED**

June 30, 2017

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)
					Surety Bond Letter of Credit	Securities	
BANKS (Continued)							
Lordsburg (FHLB)	Western Bank	\$ 83,952	\$ 83,952	\$ -	\$ -	\$ 366,055	\$ 366,055
Los Alamos (FHLB)	Los Alamos National Bank	7,122	7,122	-	-	-	-
Raton (BBW)	International State Bank	41,367	41,367	-	-	149,505	149,505
Roswell (FHLB)	Bank of the Southwest	1,224,550	250,000	487,275	450,000	112,356	75,081
(TIB)	Valley Bank of Commerce	168,334	168,334	-	-	-	-
Santa Fe (FHLB)	Century Bank	409	409	-	-	-	-
Socorro (BA)	First State Bank	83,952	83,952	-	-	-	-
Taos (TIB)	Centinel Bank	75,567	75,567	-	-	-	-
SAVINGS AND LOANS:							
Roswell (FHLB)	Washington Federal	16,462	16,462	-	-	-	-
ANCILLARY RECEIVERSHIP ACCOUNTS:							
Santa Fe (WFB)	Century Bank	1,908,266	250,000	829,133	-	817,198	(11,935)
FISCAL AGENT BANK:							
(USB)	Wells Fargo Bank N.A.	35,537,325	-	17,768,663	-	90,910,613	73,141,950
SUBTOTAL		<u>39,147,306</u>	<u>977,165</u>	<u>19,085,071</u>	<u>450,000</u>	<u>92,355,727</u>	<u>73,720,656</u>
TOTAL		<u>\$ 341,748,468</u>	<u>\$ 4,947,547</u>	<u>\$ 171,140,521</u>	<u>\$ 100,825,000</u>	<u>\$ 304,585,813</u>	<u>\$ 234,270,292</u>

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**SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY –
CONTINUED**

June 30, 2017

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)
					Surety Bond Letter of Credit	Securities	
Reconciliation to Note 6:							
Fiscal agent account		\$ 35,537,325	\$ -	\$ 17,768,663	\$ -	\$ 90,910,613	\$ 73,141,950
Certificates of deposit		<u>20,700,000</u>	<u>1,000,000</u>	<u>9,850,000</u>	<u>5,000,000</u>	<u>8,305,573</u>	<u>3,455,573</u>
		56,237,325	1,000,000	27,618,663	5,000,000	99,216,186	76,597,523
Add:							
Agency deposits		283,602,877	3,697,547	142,692,725	95,825,000	204,552,429	157,684,704
Ancillary receivership accounts		<u>1,908,266</u>	<u>250,000</u>	<u>829,133</u>	<u>-</u>	<u>817,198</u>	<u>(11,935)</u>
		<u>285,511,143</u>	<u>3,947,547</u>	<u>143,521,858</u>	<u>95,825,000</u>	<u>205,369,627</u>	<u>157,672,769</u>
		<u>\$ 341,748,468</u>	<u>\$ 4,947,547</u>	<u>\$ 171,140,521</u>	<u>\$ 100,825,000</u>	<u>\$ 304,585,813</u>	<u>\$ 234,270,292</u>

Custodial Banks:

(BBW) Bankers Bank of the West
(FHLB) Fed. Home Loan Bank Dallas
(TIB) The Independent Bankers Bank
(USB) US Bank
(WFB) Wells Fargo Bank

Details of the collateral pledged are on file with the Office of the State Treasurer.

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**SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY –
CONTINUED**

June 30, 2017

REPURCHASE AGREEMENTS:

Name of Custodian	Location of Custodian	Repurchase Agreements per Financial Statement	Collateral Required	Collateral Pledged Mortgage Backed Securities (MBS) *	Issuer	CUSIP Number	Excess (Under) Collateralized
JP Morgan Chase	New York, NY	\$ 684,000,000	\$ 697,680,000	\$ 697,680,000	GOVT	912828X47	\$ -
JP Morgan Chase	New York, NY	75,000,000	76,500,000	76,759,995	GOVT	912828B90	259,995
JP Morgan Chase	New York, NY	25,000,000	25,500,000	25,510,204	GOVT	912828S76	10,204
JP Morgan Chase	New York, NY	130,000,000	132,600,000	132,600,000	GOVT	912828PX2	-
JP Morgan Chase	New York, NY	50,000,000	51,000,000	51,020,408	GOVT	912828VJ6	20,408
JP Morgan Chase	New York, NY	35,000,000	35,700,000	35,714,286	GOVT	912828K33	14,286
JP Morgan Chase	New York, NY	100,000,000	102,000,000	102,000,000	GOVT	912828UN8	-
Total		<u>\$ 1,099,000,000</u>	<u>\$ 1,120,980,000</u>	<u>\$ 1,121,284,893</u>			<u>\$ 304,893</u>

* Mortgaged Backed Securities is a type of asset backed security that is secured by a mortgage or collection of mortgages.

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**SCHEDULE 11 - SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
GOVERNMENTAL FUND – GAMING SUSPENSE FUND**

Year Ended June 30, 2017

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
ASSETS				
Investment in State General Fund				
Investment Pool	\$ -	\$ 62,500,282	\$ 62,500,282	\$ -
Other receivables	15,203,938	15,420,232	15,203,938	15,420,232
	<u>15,203,938</u>	<u>15,420,232</u>	<u>15,203,938</u>	<u>15,420,232</u>
Total assets	<u>\$ 15,203,938</u>	<u>\$ 77,920,514</u>	<u>\$ 77,704,220</u>	<u>\$ 15,420,232</u>
LIABILITIES				
Due to State General Fund	<u>\$ 15,203,938</u>	<u>\$ 15,420,232</u>	<u>\$ 15,203,938</u>	<u>\$ 15,420,232</u>
Total liabilities	<u>\$ 15,203,938</u>	<u>\$ 15,420,232</u>	<u>\$ 15,203,938</u>	<u>\$ 15,420,232</u>

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**SCHEDULE 12 – SCHEDULE OF ARTIBRAGE ON
TAX EXEMPT BONDS – UNAUDITED**

Year Ended June 30, 2017

	First Computation Date	First Payment Due to IRS	First Computation of Arbitrage Completed	Last / Next Payment Due to IRS
General Obligation Bonds Series 2009	05/28/14	07/28/14	X	03/01/19
General Obligation Bonds Series 2011	05/26/16	07/25/16	X	03/01/21
General Obligation Bonds Series 2013	04/23/18	06/22/18	X	03/01/23
General Obligation Bonds Series 2015	03/25/20	05/26/20	X	03/01/25
Severance Tax Bonds Series 2009A	07/30/14	09/29/14	X	07/01/19
Severance Tax Bonds Series 2010A	03/24/15	05/26/15	X	03/24/20
Supplemental Severance Tax Bonds Series 2010B	03/24/15	05/26/15	X	03/24/20
Severance Tax Bonds Refunding Series 2010D	12/08/15	02/08/16	X	07/01/17
Severance Tax Bonds Series 2011A-1	12/06/16	02/06/17	X	07/01/21
Severance Tax Bonds Refunding Series 2011A-2	12/06/16	02/06/17	X	07/01/21
Severance Tax Bonds Series 2012A	06/21/17	08/21/17	X	06/21/22
Severance Tax Bonds Series 2013A	07/23/18	09/24/18	X	07/01/23
Severance Tax Bonds Series 2014A	06/24/19	08/23/19	X	06/24/24
Severance Tax Bonds Series 2015A	08/12/20	10/11/20	X	07/01/25
Supplemental Severance Tax Bonds Series 2015B	08/12/20	10/11/20	X	07/01/25
Severance Tax Bonds Series 2016A	06/23/21	08/22/21	X	06/23/26
Severance Tax Bonds Refunding Series 2016B	06/23/21	08/22/21	X	07/01/24

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund, fiduciary fund and the combining and individual funds presented as supplementary information of the State of New Mexico Office of the State Treasurer (the Office), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Office's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is provided in the summary of audit findings and responses as 2017-001 (2016-002).

The Office's Response to Findings

The Office's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings and Responses. The Office's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2017

State of New Mexico
Office of the State Treasurer

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) identified? _____ Yes X No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? X Yes _____ No

RESOLUTION TO PRIOR YEAR FINDINGS

2016-001 Cash Confirmation and Investment Reconciliation Process (Compliance and Other Control Deficiency Matters) – Resolved

2016-002 Debt Activity - Transfer (Compliance and Other Control Deficiency Matters) - Repeated and Modified

FINANCIAL STATEMENT FINDINGS

2017-001 (2016-002) – Debt activity – Transfer (Compliance and Other Control Deficiency Matters)

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER

None.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2017

PRIOR YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS

2017-001 (2016-002) Debt Activity – Transfer (Compliance and Other Control Deficiency Matters)

CONDITION

During our audit, we noted that the Bank of Albuquerque (the escrow company) paid \$4,141,044 as well as STO making payment in connection with a debt service interest payment in error resulting in an overpayment. STO makes the payments on outstanding bonds directly to DTC/Cede and Bank of Albuquerque makes debt service payments on refunded bonds. Both STO and the escrow company make payments directly to DTC/DECE. The overpayment by STO paid to the escrow company, which had already made the payment, to cover bondholders semiannual interest owed in according with existing amortization schedules that were not updated to a partial refunding of the bond.

CRITERIA

In accordance with Sections 8-6-1 through 8-6-7 NMSA 1978 as amended states the State Treasurer shall keep a true and comprehensive account of all monies received and disbursed. And per the Committee of Sponsoring Organization (COSO) report which defines internal control for organizations, under control activities and monitoring components organizations should establish controls over relevant processes and then monitor the progress.

CAUSE

On or about June 23, 2016 a certain bond identified as Refunding Severance Tax Bond 2016B was issued. This bond series was used to refund Severance Tax Bonds Series 2011A-1, 2013A, and 2014A. The State Treasurer's Office made debt service payments on all open outstanding bond obligations on July 1, 2016, as one combined disbursement, which included the interest payments for the bonds. The escrow company also paid the interest payments for Bonds 2011A-1, 2013A, and 2014A as they had been refunded.

A very late change in the escrow agreement due to a partial refunding related to several severance tax bonds which were closed early caused payments to be made by the escrow agent and STO. The transfer was for the July 1, 2016 debt service interest payment relating to Severance Tax Bonds 2011A-1, 2013A, and 2014A, for \$4,141,044. The interest payment for these bonds was to be paid by escrow as these bonds were partially refunded in 2016. The State Treasurer's Office was unaware of its reduced debt service payment requirement and this caused the overpayment. The reason for the overpayment was due to the timing of the issuance of the Refunding Severance Tax Bond 2016B series in late June 2016. Normally, STO prepares for the debt service payments in advance. Therefore, STO had prepared to pay the full amount for the interest payments on all bonds based on existing amortization schedules it receives from the Board of Finance when a bond is issued.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2017

PRIOR YEAR FINDINGS – CONTINUED

FINANCIAL STATEMENT FINDINGS – CONTINUED

2017-001 (2016-002) Debt Activity – Transfer (Compliance and Other Control Deficiency Matters)

EFFECT

Because the State Board of Finance did not provide the revised debt service schedules timely, the overpayment caused STO to over-expend cash allocated to debt service. If the escrow agent had not notified STO that it made a debt service payment, then STO might not have determined that the monies were overpaid. Bond payments amounts are large in nature and if overpayments are not noticed or discovered before disbursement due to faulty reporting, then they are at risk of being overpaid to DTC/CEDE.

RECOMMENDATION

STO should update their current process over transfers related to the debt activity, to ensure their accuracy, by adding a step to verify with the escrow company. the amounts being transferred are correct.

STATE TREASURER'S OFFICE RESPONSE AND CORRECTIVE ACTION PLAN

STO had historically relied on the accurate debt service schedules provided by the State Board of Finance. The debt service schedules used to reconcile the debt service principal and interest payments did not include revisions to reflect the non-refunded portions of outstanding debt. Given this, STO used the best information available to STO at the time to reconcile the July 1, 2016 debt service payments with DTC/CEDE. STO did not receive a revised debt service schedule timely to work with the DTC/CEDE and the escrow agent.

The new process that was implemented was to add together the amounts that STO and Bank of Albuquerque plan to pay to the amount expected by DTC/Cede. Additional internal controls were subsequently put into place for both prior and current year's debt related transactions have been effective and no further issues have occurred:

- Reconcile the scheduled debt service payments per DTC/CEDE to the State Board of Finance debt service schedule and the escrow agent.
- Confirm with the escrow agent.
- Confirm dollar amounts and wiring instructions with DTC/CEDE.

POINT OF CONTACT

Responsible party: Investment Accounting Division, State Treasurer's Office
Date to implement corrective action: December 31, 2017.

State of New Mexico
Office of the State Treasurer

EXIT CONFERENCE

June 30, 2017

An exit conference was held with the State Treasurer's Office on October 26, 2017. The conference was held at the State Treasurer's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

**State of New Mexico
Office of the State Treasurer**

Tim Eichenberg, State Treasurer
Sam Collins, Deputy State Treasurer
Leo Marquez, II, Chief Financial Officer, Budget and Finance Division Director
Charmaine Cook, State Cash Manager
David Mahooty, Investment Accounting and Debt Division Director

Atkinson & Co., Ltd.

Clarke Cagle, CPA, CGFM, Shareholder
David Thomas, CPA, Senior Manager

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor and were reviewed and approved by the State Treasurer's Office. However, the financial statements remain the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.

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