

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2016**

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**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
OFFICIAL ROSTER  
JUNE 30, 2016**

**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

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, each fiduciary fund, and the aggregate remaining fund information of the Office as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements of the State of New Mexico Office of the State Treasurer are intended to present the financial position, the changes in financial position, of only that portion of the governmental activities, and each major fund of the Office that is attributable to the transactions of the Office. They do not purport to, and do not present fairly the financial position of State of New Mexico as of June 30, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. Schedules 1 – 13 in the Supplementary Information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Schedules 1 – 13 in the Supplementary Information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 – 11 in the Supplementary Information section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of the Office’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
December 1, 2016

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

The State of New Mexico Office of the State Treasurer's (State Treasurer) 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 \$103,799,244.
- The General Fund's main financing source was appropriations, which amounted to \$3,756,800 or 96.8% 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.



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**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. 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.

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 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. The Gaming Suspense Fund was established to collect monies owed to the State from gaming establishments. It is reported as an agency fund.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 22 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. Combining statements, schedules of capital assets, and schedules of long-term debt can be found beginning on page 69 of this report. Fiduciary schedules begin on page 84.

**Government-wide Financial Analysis**

**Net Position:** Table A-1 summarizes the State Treasurer's net position as of June 30, 2016. Total State Treasurer net position for fiscal year 2016 is \$263,398,712, the majority of which is restricted as to purpose.

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

	Years Ended June 30,	
	2016	2015
<b>ASSETS</b>		
Cash, Cash Equivalents and Repurchase Agreements	\$ 190,813,875	\$ 184,019,252
Due from Other Agencies	73,222,862	112,239,369
Bond Interest Receivable	-	660,636
Other Assets	3,450	3,451
Capital Assets, Net	28,101	17,539
Total Assets	<u>\$ 264,068,288</u>	<u>\$ 296,940,247</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Others	\$ 483,500	\$ 137,242,988
Compensated Absences, Amounts Due in One Year	\$ 186,076	97,791
Total Liabilities	669,576	137,340,779
<b>NET POSITION</b>		
Investment in Capital Assets	28,101	17,539
Restricted	263,556,687	159,670,836
Unrestricted	(186,076)	(88,907)
Total Net Position	<u>263,398,712</u>	<u>159,599,468</u>
Total Liabilities and Net Position	<u>\$ 264,068,288</u>	<u>\$ 296,940,247</u>

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 \$263,398,712 at the close of the most recent fiscal year.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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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 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, \$263,556,687, represents resources that are subject to external restrictions on their use.

**Changes in Net Position:** Governmental activities increased the State Treasurer's net position by \$103,799,244. Key elements of this decrease are shown in Table A-2.

**Table A-2  
Changes in the State Treasurer's Net Position**

	Years Ended June 30,	
	2016	2015
<b>GOVERNMENTAL ACTIVITIES</b>		
Revenues:		
Program Revenues:		
General Government	\$ -	\$ -
Total Program Revenues	-	-
General Revenues:		
State General Fund Appropriations, net	3,617,932	3,726,719
State Property Tax Levy	74,139,519	78,006,684
Severance and Other Taxes	254,966,459	426,330,559
Interest Revenue	10,467,331	6,551,241
Other State/Federal Revenue	122,312	-
Total General Revenues	<u>343,313,553</u>	<u>514,615,203</u>
Total Revenues	343,313,553	514,615,203

(Continued on next page)

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**Table A-2  
Changes in the State Treasurer's Net Position (Continued)**

	Years Ended June 30,	
	2016	2015
Expenses and Other Financing Sources (Uses):		
General Government	\$ (4,672,766)	\$ (4,482,917)
Debt Service Activity	(233,122,337)	(573,231,052)
Other Sources:		
Bond Proceeds	-	403,649
Transfers in from Other State Agencies	(1,719,206)	1,347,785
Net (Expenses) Revenue	<u>(239,514,309)</u>	<u>(575,962,535)</u>
Increase (Decrease) in Net Position	103,799,244	(61,347,332)
Net Position - Beginning of Year	<u>159,599,468</u>	<u>220,946,800</u>
Net Position - End of Year	<u><u>\$ 263,398,712</u></u>	<u><u>\$ 159,599,468</u></u>

**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 \$263,556,687, which is an increase of \$103,876,967 in comparison with the prior year. The primary reason for the decrease in fund balance is debt service payments exceeding property and severance taxes and transfers in from 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 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.

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**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 3.5%.

**Capital Assets and Debt Administration**

**Capital Assets.** The State Treasurer's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$28,101, 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 8 of this report.

**Long-Term Debt.** For the year ended June 30, 2016, the State Treasurer was responsible for administering debt service payments on total bonded debt outstanding of \$1,519,011,937, 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 increased by \$305,876,298 from the prior year as new issuances in fiscal year 2016 exceeded principal payments.

	Years Ended June 30,	
	2016	2015
General obligation bonds	\$ 379,529,245	\$ 457,647,826
Severance tax bonds	1,139,482,692	755,487,813
Total principal balances	<u>\$ 1,519,011,937</u>	<u>\$ 1,213,135,639</u>

**Significant Highlights**

During fiscal year 2016, 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 2016, cost savings yielded a \$138,868 reversion to the General Fund. Over the past five years, the State Treasurer's budget has been reduced by approximately \$163,085 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 2016 with unrealized gains of \$17,350,948 as compared to unrealized gains of \$9,710,368 in fiscal year 2015. Earnings increased to \$38,107,400 in 2016 from \$26,658,045 in 2015, an increase of 42.9%. The values of the agency's portfolios which are primarily bond portfolios benefited from historically low interest rates as the value of bonds rise as market interest rates fall. The low yields, however, caused the decline in interest earned. Assets of fiduciary funds managed by the State Treasurer totaled \$3,848,264,338 at June 30, 2016, a decrease of 12.7% from June 30, 2015 when balances totaled \$4,408,577,512. This decrease is due primarily to a decline in the balance of the 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

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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. Deloitte was consultant prepared the diagnostic and performed project management.

Most issues are 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. Additional remediation recommendations require that the SHARE system receive software upgrades. The legislature appropriated \$1,950,000 in 2013 to fund the implementation of the integrated treasury module which will include the deal management module, which is an integrated investment and accounting system, is anticipated to occur after the SHARE software is upgraded in the fall of calendar year 2017. A request to extend the appropriation through 2018 was submitted in October 2014. This extension was approved by the legislature in January 2015. STO engage a consultant to assist with the design phase of the project which began after the close of the fiscal year in August 2016. Once this integration is complete, it will replace QED, the State Treasurer's Office legacy investment accounting software. Once this integration is completed, the State Treasurer's Office will not have to enter financial information into two different systems, which will simplify reconciliations.

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 2016, 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 Investment Division of the State Treasurer's Office hosted the 7<sup>th</sup> Annual LGIP Stakeholder Meeting in September 2015, inviting all participants to attend. The program was held in Albuquerque and included speakers such as James E. Glassman, Head Economist with JPMorgan Chase Bank and Barry Weiss, Director from Standard & Poor's. 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.

In fiscal year 2015, the State Treasurer's Office implemented a new process for the selection of broker-dealers for the annual list of trading partners. The object of the revised process was to maximize usefulness to STO's investment strategy while keeping the list to a reasonable number per

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industry practice. The new process was well received and the Broker-Dealer list for FY16, effective 10/1/2015, was approved by the State Board of Finance.

The Investment Division outreach on behalf of the Local Government Investment Pool was continued in fiscal year 2016 through the New Mexico Association of Counties, and the New Mexico Municipal League.

The Investment Division reviewed additional repurchase agreements (REPO) and Triparty counterparties. On the topic of collateral, a state collateral pool program is being researched and discussed with the state's banking community. The Agency worked with the NM Board of Finance to conduct a new Fiscal Agent and Investment Custodian procurement. Additionally, the reintroduction of corporate credit into the investment portfolios was approved by Treasurer Eichenberg. Procedures and practices for corporate credit investments were in process as of year-end.

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 balances totaling \$3.1 billion.

The State Treasurer places a high priority on active participation on all of the boards and commissions on which he serves. In fiscal year 2016, 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.

These factors were considered in preparing the State Treasurer's budget for fiscal year 2016.

**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, 2016**

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

See accompanying Notes to Financial Statements.



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

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Primary Government
<b>PRIMARY GOVERNMENT</b>			
<b>GOVERNMENTAL ACTIVITIES</b>			
General Government	\$ 4,672,766	\$ -	\$ (4,672,766)
Interest on Debt Service Activity	34,703,441	-	(34,703,441)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 39,376,207</u></b>	<b><u>\$ -</u></b>	<b>(39,376,207)</b>
<b>GENERAL REVENUES:</b>			
State Property Tax Levy			74,139,519
Severance Taxes			254,966,459
<b>BOND ACTIVITY:</b>			
Bond Proceeds			-
Bond Principal Payments			(198,418,896)
<b>TRANSFER FROM (TO) STATE AGENCY:</b>			
State General Fund Appropriations			3,756,800
Reversions to State General Fund FY15			(138,868)
Other State Agencies			(1,719,206)
Interest			10,467,331
Other State Funds			122,312
Total General Revenues and Transfers			<u>143,175,451</u>
<b>CHANGE IN NET POSITION</b>			<b>103,799,244</b>
Net Position - Beginning			<u>159,599,468</u>
<b>NET POSITION - ENDING</b>			<b><u>\$ 263,398,712</u></b>

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

<b>Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)</b>	\$ 263,556,687
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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	187,770
Total accumulated depreciation	(159,669)
Total Capital Assets, Net	28,101

Some liabilities (compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position

	(186,076)
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<b>Net Position of Governmental Activities (Statement of Net Position)</b>	<b><u><u>\$ 263,398,712</u></u></b>
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**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016**

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

See accompanying Notes to Financial Statements.

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

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

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

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

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

Increase in Compensated Absences	(88,285)
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 103,799,244</b>
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**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2016**

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 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 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1    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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1    DEFINITION OF REPORTING ENTITY (CONTINUED)**

- 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.

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. 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 report the corresponding debt. 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Financial Reporting Entity**

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.

**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. 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

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.

**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:

**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 2009 General Appropriation Act (Laws of 2009, Chapter 3, Section F) 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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.

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.

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. This is an agency fund.

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.

**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 obligations; U.S. government agency obligations; commercial paper; corporate bonds; asset backed obligations; 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 other outstanding balances between funds are reported as “due to/from other funds.”

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.

**Capital Assets**

Capital assets, which include equipment, 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*.

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:

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

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 22 for additional information about fund balances.

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.

**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 investments 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 assets** 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 \$263,556,687.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position (Continued)**

**Unrestricted assets** are all other assets that do not meet the definition of “restricted assets” or “investments in capital assets”.

**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, 2016.

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 Department did not have any items that were required to be reported in this category as of June 30, 2016.

**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 OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pensions (Continued)**

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 3 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.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006 through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I, the 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 8, 2016 that calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months; 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

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**NOTE 3 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)**

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

**NOTE 4 INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL**

At June 30, 2016, the State Treasurer General Fund had \$360,850 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.

**NOTE 5 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

Per the General Appropriation Act, Laws of 2009, Chapter 28, Section 3, item N, "For the purpose of administering the General Appropriation Act of 2009 and approving operating budgets, 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 5 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**Budgets and Budgetary Accounting (Continued)**

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.
9. The State Treasurer's budget for the fiscal year ended June 30, 2016 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 6 DEPOSITS AND INVESTMENTS**

**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.

**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.

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Trust Fund (Continued)**

The State Treasurer has implemented GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments*. 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.

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, 2016, collateral pledged to public money deposits was as follows:

	Fiscal Agent Account	Certificates of Deposit
Cash in Bank (Bank Balance)	\$ 39,068,549 *	\$ 65,950,066
Less FDIC Insurance Coverage	-	1,809,687
Total Unsecured Public Funds	\$ 39,068,549	\$ 64,140,379
Collateral Requirement (50%, 75% or 102%) of Uninsured Public Funds	\$ 19,534,275	\$ 48,485,126
Collateral Pledged:		
US Government Securities	64,317,921	48,964,751
Excess (Under) Collateralized	\$ 44,783,647	\$ 479,625

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

See Schedule 10 for reconciliation.

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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Brokered Transactions**

The State Treasurer initiated electronic purchase trades with the following brokers during the year ended June 30, 2016:

Broker Name	Number of Transactions
BAIRD (ROBERT W.) & CO. INCORPORATED	15
BANK OD NYC (PERSHING)	37
BANK OF NEW YORK	6
BANK OF NEW YORK (BARCLAYS)	2
BANK OF NEW YORK (BBTSEC)	21
BANK OF NEW YORK (CANTOR)	1
BANK OF NEW YORK (DAIWA)	10
BANK OF NEW YORK (DBGOV)	18
BANK OF NEW YORK (FUSI)	49
BANK OF NEW YORK (HGSI)	13
BANK OF NEW YORK (HILLTOP)	1
BANK OF NEW YORK (MIZUHOSEC)	96
BANK OF NEW YORK (PARIBAS)	1
BANK OF NEW YORK (TDS)	26
BANK OF NEW YORK (WEDBUSH)	1
BANK OF NY (CANTORPRIME)	24
BANK OF NY/MIZUHO SECS USA TREAS FIN	1
BANK OF NY/TORONTO DOMINION SEC INC	1
BANK OF NYC (JEFFERIES)	15
BARCLAYS CAP INC/BARCLAYS CAP INC FI	2
BARCLAYS CAPITAL INC./LE	23
CANTOR FITZGERALD & CO /CASTLEOAK	1
CANTOR FITZGERALD & CO INC	4
CANTOR FITZGERALD & CO./CCS	3
CANTOR FITZGERALD/STOCK LOAN	5
CORPORATE REORGANIZATIONS	29
DEUTSCHE BANK SECURITIES INC.	5447
FIRST SOUTHWEST CO (FSWC)	8
FIRST TENNESSEE BK MEMPHIS (1010)	5
GEORGE K BAUM (GKBAUM)	3
GUGGENHEIM SECURITIES, LLC	4
HILLTOP SECURITIES INC. (HILLTOP)	20
JPM CHASE/FCSTONE	52
JPMORGAN CHASE (JPMCC)	6
JPMORGAN CHASE BANK/HSBCSI	44
JPMORGAN CHASE BK	4
JPMORGAN CHASE BK (CLARKE)	2
JPMORGAN CHASE BK (CUST)	19
JPMORGAN CHASE BK (GREENWICH)	6256
JPMORGAN CHASE BK (HSBCSI)	404
JPMORGAN CHASE BK/RBS SECURITIES INC	8

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Brokered Transactions (Continued)**

<u>Broker Name</u>	<u>Number of Transactions</u>
KEYBANC CAPITAL MARKETS INC.	2
LOOP CAPITAL MARKETS LLC (PERSHING)	1
MITSUBISHI UFJ SECURITIES (USA), INC.	325
MIZUHO SECURITIES USA INC	1440
MORGAN STANLEY & CO. INCORPORATED	7
PERSHING LLC	27
PIPER JAFFRAY & CO.	3
RBC CAPITAL MARKETS LLC	90
REDEMPTIONS	238
SCOTT & STRINGFELLOW INC	6
SG AMERICAS SECURITIES, LLC (SGAS)	3
STIFEL NICOLAUS & CO INC	1
SWITCHES	6
THE BANK OF NY/TD BANK	2
TORONTO-DOMINION BANK (TDBANNK)	3
UBS FINANCIAL SERVICES (UBSFS)	1
UBS WARBURG	2
WEDBUSH MORGAN SECURITIES INC	7
WELLS FARGO SECURITIES, LLC	3
Total	<u>14,854</u>

**Investment Balances**

The fair value of investments administered by the State Treasurer at June 30, 2016 follows:

	<u>Cost</u>	<u>Carrying Amount Fair Value</u>
Fiscal Agent Bank Account	\$ 42,002,853	\$ 42,002,853
Certificates of Deposit	65,950,066	65,950,066
Cash in Bank	393,269,534	393,269,534
U.S. Government Securities	2,312,753,438	2,329,998,845
Investment in LGIP	171,554,633	171,554,633
Municipal Bonds	57,551,239	57,600,339
Repurchase Agreements	808,000,000	808,000,000
Miscellaneous Cash	6,870,000	6,870,000
Asset Backed Bonds	20,288,583	20,300,922
Discounted Notes	116,351,550	116,395,652
	<u>3,994,591,896</u>	<u>4,011,942,844</u>
Less interfund investments	(171,554,633)	(171,554,633)
Total	<u>\$ 3,823,037,263</u>	<u>\$ 3,840,388,211</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Balances (Continued)**

The fair value includes repurchase agreements of \$190,453,025 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 \$360,850 of cash in STO's general fund.

**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.

**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.

**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.

**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 7 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, 2016, 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



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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Local Government Investment Pool (LGIP) (Short Term Investment Pool) (Continued)**

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, 2016, the WAM(R) of the LGIP was 44 days, and the WAM(F) was 77 days. The fund was rated AAAM by Standard & Poor's as of June 30, 2016.

**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

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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Guidelines and Limitations (Continued)**

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.

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:

**Investments Permitted by Policy**

1. 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.
2. 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.

3. 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments Permitted by Policy (Continued)**

4. 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.
5. 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.
6. 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.
7. 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.
8. 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, indexing and
9. 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments Permitted by Policy (Continued)**

10. 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.
11. 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.
12. 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.

**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 sales

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**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 \$534,627,935 in balances are collateralized in compliance with NMAC 2.60.4. Although in compliance with NMAC 2.60.4 as of June 30, 2016, there was \$161,771,094 of the State Treasurer's bank balances of \$534,627,935 that was exposed to custodial credit risk as uninsured and uncollateralized.

**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, 2016 for the general fund investment pool are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
<b>AAA:</b>		
Municipals	\$ 1,978,055	0.11%
<b>AA+:</b>		
Treasuries	474,425,574	26.92%
Government Agency	455,967,844	25.87%
Municipals	1,824,523	0.10%

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Credit Risk (Continued)**

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
<b>AA:</b>		
Municipals	\$ 4,968,766	0.28%
<b>AA-:</b>		
Municipals	2,528,699	0.14%
<b>A:</b>		
Municipals	200,008	0.01%
<b>A-:</b>		
Municipals	526,741	0.03%
<b>NR:</b>		
Municipals	4,256,533	0.24%
Investment in LGIP	144,028	0.01%
Fiscal Agent Account	42,002,853	2.38%
Cash Miscellaneous	6,870,000	0.39%
Repurchase Agreements	375,311,935	21.30%
Certificates of Deposit	52,750,066	2.99%
Cash in Banks	338,585,062	19.21%
Total	<u>\$ 1,762,340,687</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, 2016 for the local government investment pool are as follows:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
<b>AA+:</b>		
Government Agency	\$ 15,017,400	2.00%
Government Agency	328,737,545	43.84%
<b>NR:</b>		
Cash in Banks	54,684,472	7.29%
Discounted Notes	116,395,652	15.52%
Repurchase Agreements	235,000,000	31.34%
Total	<u>\$ 749,835,069</u>	<u>100.00%</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**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, 2016 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>
<b>AAA:</b>		
Municipals	\$ 2,157,387	0.32%
<b>AA+:</b>		
Treasuries	249,933,000	36.82%
Government Agency	246,479,939	36.31%
Municipals	2,908,000	0.43%
Asset Backed Bonds	10,150,461	1.50%
<b>AA:</b>		
Municipals	1,547,980	0.23%
<b>AA-:</b>		
Municipals	1,989,351	0.29%
<b>A+:</b>		
Municipals	1,683,217	0.25%
<b>A:</b>		
Municipals	879,055	0.13%
<b>NR:</b>		
Repurchase Agreements	40,501,974	5.97%
Certificates of Deposit	10,200,000	1.50%
Investment in LGIP	110,343,936	16.26%
Total	<u>\$ 678,774,300</u>	<u>100.00%</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**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, 2016 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>
<b>AAA:</b>		
Municipals	\$ 304,737	0.04%
<b>AA+:</b>		
Treasury	184,989,190	22.53%
Government Agency	366,564,176	44.65%
Municipals	5,251,748	0.64%
Municipals	10,150,461	1.24%
<b>AA:</b>		
Municipals	11,606,221	1.41%
<b>AA-:</b>		
Municipals	5,448,857	0.66%
<b>A+:</b>		
Municipals	2,941,671	0.36%
<b>A:</b>		
Municipals	1,037,226	0.13%
<b>NR:</b>		
Municipals	3,561,565	0.43%
Government Agency	7,884,176	0.96%
Repurchase Agreements	157,186,091	19.15%
Mutual Funds	61,066,669	7.44%
Certificates of Deposit	3,000,000	0.37%
Total	<u>\$ 820,992,788</u>	<u>100.00%</u>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**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.
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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk (Continued)**

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
<b>U.S. Treasury Obligations:</b>		
U.S. Treasuries	\$ 474,425,574	26.92%
<b>U.S. Government Agency Obligations:</b>		
FFCB	100,349,080	5.69%
FHLB	34,905,440	1.98%
FHLMC	137,517,600	7.80%
FNMA	183,195,724	10.40%
<b>Municipals</b>		
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	500,050	0.03%
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	1,000,130	0.06%
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV RFDG	200,014	0.01%
ALBUQUERQUE N MEX MUN SCH DIST NO 012 27/DEC/2007	200,618	0.01%
BELEN N MEX CONS SCH DIST NO 2 FORMERLY BELEN N	500,685	0.03%
CHOCTAW CNTY MISS HOSP REV TAXABLE-CHOCTAW COUNTY	256,533	0.01%
ENERGY NORTHWEST WASH ELEC REV FORMERLY KNOWN AS	2,370,284	0.13%
GADSDEN INDEPENDENT SCHOOL DISTRICT NO 16 BOND	2,000,000	0.11%
GRANTS / CIBOLA CNTY N MEX SCH DIST NO 1	170,544	0.01%
KNOX CNTY KY RFDG-KNOX CNTY HOSP PJ 01/DEC/2006	179,004	0.01%
KNOX CNTY KY RFDG-KNOX CNTY HOSP PJ 01/DEC/2006	347,738	0.02%
LAS CRUCES N MEX HOLD HARMLESS GROSS RCPTS TAX	158,415	0.01%
LAS CRUCES N MEX JT UTIL REV RFDG & IMPT	1,094,386	0.06%
LAS CRUCES SCHOOL DISTRICT NO 2 BOND 08/MAR/2016	501,545	0.03%
NEW MEXICO EDL ASSISTANCE FNDTN ED LN-SR-SER B	477,860	0.03%
NEW MEXICO ST SEVERANCE TAX RFDG-SER D 08/DEC/2010	100,013	0.01%
NEW MEXICO ST SEVERANCE TAX SER A 21/JUN/2012	180,023	0.01%
RIO RANCHO N MEX RFDG & IMPT 21/JUN/2016	838,282	0.05%
RUIDOSO N MEX WASTERWATER REV RFDG 12/JUL/2013	200,008	0.01%
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	300,786	0.02%
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	225,819	0.01%
SANDOVAL CNTY N MEX 07/MAY/2015 01/AUG/2016 2%	370,455	0.02%
SANDOVAL CNTY N MEX RFDG 13/DEC/2013 01/AUG/2016	225,284	0.01%
SILVER CITY N MEX JT UTIL SYS REV RFDG-SER B	259,510	0.01%
STATE OF NEW MEXICO - SANTA FE PUBLIC	2,000,000	0.11%
TEXAS A & M UNIV SYS BRD REGTS PERM UNIV FD RFDG	1,500,195	0.09%
TRUTH OR CONSEQUENCES N MEX MUN SCH DIST NO 006	125,144	0.01%
<b>Certificate of Deposits</b>	<b>52,750,066</b>	<b>2.99%</b>
<b>Miscellaneous Cash</b>	<b>6,870,000</b>	<b>0.39%</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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JUNE 30, 2016**

**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk (Continued)**

Securities	Fair Value	Percentage of Portfolio
<b>Fiscal Agent Account</b>	\$ 42,002,853	2.38%
<b>Investment in LGIP</b>	144,028	0.01%
<b>Repurchase Agreements</b>	375,311,935	21.30%
<b>Cash in Banks</b>	338,585,062	19.21%
Total	<u>\$ 1,762,340,687</u>	<u>100%</u>

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
<b>U.S. Treasury Obligations:</b>		
U.S. Treasuries	\$ 15,017,400	2.00%
<b>U.S. Government Agency Obligations:</b>		
FFCB	117,829,966	15.71%
FHLB	121,265,810	16.17%
FNMA	42,486,844	5.67%
FHLMC	47,154,925	6.29%
<b>Cash</b>	54,684,472	7.29%
<b>Discounted Notes</b>	116,395,652	15.52%
<b>Repurchase Agreements</b>	235,000,000	31.34%
Total	<u>\$ 749,835,069</u>	<u>98%</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk (Continued)**

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
<b>U.S. Treasury Obligations:</b>		
U.S. Treasuries	\$ 249,933,000	36.82%
<b>U.S. Government Agency Obligations:</b>		
FFCB	504,205	0.07%
FHLMC	73,661,670	10.85%
FNMA	113,495,364	16.72%
FHLB	58,818,700	8.67%
<b>Municipal Bonds</b>		
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL	1,855,581	0.27%
ALBUQUERQUE N MEX ARPT REV RFDG 11/MAR/2008	1,000,130	0.15%
ALBUQUERQUE N MEX ARPT REV RFDG-SUB LIEN-SER A	306,855	0.05%
ALBUQUERQUE N MEX MUN SCH DIST NO 012 SER B	501,745	0.07%
BELEN N MEX 20/JUL/2016 01/AUG/2017 2%	278,570	0.04%
BELEN N MEX 20/JUL/2016 01/AUG/2018 2%	291,846	0.04%
BERNALILLO N MEX MUN SCH DIST NO 1 RFDG	160,331	0.02%
CLOVIS NEW MEX GROSS RCPTS TAX REV RFDG & IMPT	683,087	0.10%
COLFAX CNTY N MEX GROSS TAX RCPTS IMPT 24/FEB/2015	225,279	0.03%
GALLUP MC KINLEY CNTY N MEX SCH DIST NO 001	250,330	0.04%
JEMEZ VY N MEX PUB SCH DIST NO 031 25/NOV/2014	274,101	0.04%
LAS CRUCES N MEX SCH DIST NO 002 SCH 23/DEC/2013	476,055	0.07%
LOS LUNAS N MEX SCH DIST NO 1 SCH BLDG 28/OCT/2015	282,222	0.04%
LOS LUNAS N MEX SCH DIST NO 1 SCH BLDG-SER A	195,115	0.03%
NEW MEXICO EDL ASSISTANCE FNDTN ED LN-SR-SER B	301,806	0.04%
NEW MEXICO ST SEVERANCE TAX TAXABLE-SER C	1,989,351	0.29%
PHILADELPHIA PA 27/JUL/2006 01/AUG/2024 5%	572,200	0.08%
RIO RANCHO N MEX PUB SCH DIST NO 94 RFDG-SCH BLDG	600,816	0.09%
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	400,876	0.06%
SANTA FE N MEX GROSS RCPTS TAX REV RFDG-SER A	268,154	0.04%
SANTA FE N MEX PUB SCH DIST FORMERLY SANTA FE N	250,540	0.04%
<b>Repurchase Agreements</b>	40,501,974	5.97%
<b>Certificate of Deposit</b>	10,200,000	1.50%
<b>Asset Backed Bonds</b>	10,150,461	1.50%
<b>Investment in LGIP</b>	110,343,936	16.26%
Total	<u>\$ 678,774,300</u>	<u>100.00%</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk (Continued)**

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
<b>U.S. Treasury Obligations:</b>		
U.S. Treasuries	\$ 184,989,190	22.53%
<b>U.S. Government Agency Obligations:</b>		
FFCB	39,147,450	4.77%
FHLMC	154,827,940	18.86%
FNMA	117,586,238	14.32%
FHLB	55,002,548	6.70%
Finance Corp	7,884,176	0.96%
<b>Municipal Bonds</b>		
ALAMOGORDO N MEX TAXABLE-SER A 24/DEC/2014	45,123	0.01%
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	1,500,195	0.18%
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	665,086	0.08%
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	100,010	0.01%
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	540,038	0.07%
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV	450,032	0.05%
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV	192,657	0.02%
ALBUQUERQUE N MEX GROSS RCPTS TAX REV	1,120,000	0.14%
ALBUQUERQUE N MEX GROSS RCPTS TAX REV	602,214	0.07%
ALBUQUERQUE N MEX MET ARROYO FLOOD CTL AUTH	304,737	0.04%
ALBUQUERQUE N MEX MUN SCH DIST NO 012 SCH BLDG-SER	601,332	0.07%
ALBUQUERQUE N MEX MUN SCH DIST NO 012 SCH BLDG-SER	721,598	0.09%
ARTESIA N MEX GROSS RCPTS TAX REV RFDG 15/SEP/2015	1,513,374	0.18%
ARTESIA N MEX GROSS RCPTS TAX REV RFDG 15/SEP/2015	266,633	0.03%
BEAUMONT TEX WTRWKS & SWR SYS REV SER A	2,060,767	0.25%
BELEN N MEX CONS SCH DIST NO 2 FORMERLY BELEN N	1,001,290	0.12%
GADSDEN N MEX INDPT SCH DIST NO 016 29/OCT/2014	475,831	0.06%
GRANT CNTY N MEX RFDG 11/DEC/2014 01/SEP/2016 2%	315,680	0.04%
HOBBS N MEX MUN SCH DIST NO 16 26/MAY/2015	391,888	0.05%
LAS CRUCES N MEX SCH DIST NO 002 RFDG-SER B	253,683	0.03%
NEW JERSEY ECONOMIC DEV AUTH RETIREMENT CMNTY REV	3,561,565	0.43%
NEW MEXICO ST SEVERANCE TAX TAXABLE-SER C	4,863,696	0.59%
ROSWELL N MEX INDPT SCH DIST SCH BLDG-SER A	253,518	0.03%
RUIDOSO N MEX GROSS RCPTS TAX REV RFDG & IMPT	158,630	0.02%
SAN JUAN CNTY N MEX GROSS RCPTS TAX REV RFDG-SER A	721,546	0.09%
SAN JUAN CNTY N MEX JR COLLEGE DIST 10/NOV/2015	2,229,072	0.27%
SANDOVAL CNTY N MEX 07/MAY/2015 01/AUG/2017 3%	384,285	0.05%
SANDOVAL CNTY N MEX INCENTIVE PAYMENT REV	101,499	0.01%
SANTA FE N MEX PUB SCH DIST FORMERLY SANTA FE N	2,620,100	0.32%
TORRANCE ETC CNTYS N MEX MUN SCH DIST NO 8	200,304	0.02%
UNIVERSITY N MEX UNIV REVS TAXABLE-RFDG & IMPT-SUB	55,134	0.01%
UNIVERSITY N MEX UNIV REVS TAXABLE-RFDG & IMPT-SUB	250,663	0.03%
UNIVERSITY N MEX UNIV REVS RFDG-TAXABLE-GNMA	1,009,070	0.12%
UNIVERSITY N MEX VALENCIA CNTY BRANCH CMNTY	620,775	0.08%

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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk (Continued)**

Securities	Fair Value	Percentage of Portfolio
<b>Repurchase Agreement</b>	\$ 157,186,091	19.15%
<b>Asset Backed Bonds</b>	10,150,461	1.24%
<b>Investment in LGIP</b>	61,066,669	7.44%
<b>Certificate of Deposits</b>	3,000,000	0.37%
Total	<u>\$ 820,992,788</u>	<u>100.00%</u>

**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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk (Continued)**

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

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
<b>AAA:</b>			
Municipals	\$ 1,978,055	\$ 477,860	\$ 1,500,195
<b>AA+:</b>			
Treasuries	474,425,574	42,066,519	432,359,055
Gov Agency	455,967,844	185,335,990	270,631,854
Municipals	1,824,523	1,297,918	526,605
<b>AA:</b>			
Municipals	4,968,766	4,709,255	259,511
<b>AA-:</b>			
Municipals	2,528,699	-	2,528,699
<b>A:</b>			
Municipals	200,008	200,008	-
<b>A-:</b>			
Municipals	526,741	-	526,741
<b>NR:</b>			
Municipals	4,256,533	4,000,000	256,533
Investment in LGIP	144,028	144,028	-
Fiscal Agent Account	42,002,853	42,002,853	-
Cash Miscellaneous	6,870,000	6,870,000	-
Repurchase Agreements	375,311,935	375,311,935	-
Certificate of Deposits	52,750,066	52,750,066	-
Cash in Banks	338,585,062	338,585,062	-
<b>Total</b>	<b>\$ 1,762,340,687</b>	<b>\$ 1,053,751,494</b>	<b>\$ 708,589,193</b>

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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk (Continued)**

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

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
<b>AA+:</b>			
Gov Agency	\$ 15,017,400	\$ -	\$ 15,017,400
Gov Agency	328,737,545	-	328,737,545
<b>NR:</b>			
Cash	54,684,472	54,684,472	-
Discounted Notes	116,395,652	116,395,652	-
Repurchase Agreements	235,000,000	235,000,000	-
Total	<u>\$ 749,835,069</u>	<u>\$ 406,080,124</u>	<u>\$ 343,754,945</u>

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

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
<b>AAA:</b>			
Municipals	\$ 2,157,387	\$ 301,800	\$ 1,855,587
<b>AA+:</b>			
Treasuries	249,933,000	155,388,050	94,544,950
Gov Agency	246,479,939	80,594,150	165,885,789
Municipals	2,908,000	2,438,784	469,216
Asset Backed Securities	10,150,461	10,150,461	-
<b>AA:</b>			
Municipals	1,547,980	475,819	1,072,161
<b>AA-:</b>			
Municipals	1,989,351	-	1,989,351
<b>A+:</b>			
Municipals	1,683,217	1,683,217	-
<b>A:</b>			
Municipals	879,055	306,855	572,200
<b>NR:</b>			
Repurchases Agreements	40,501,974	40,501,974	-
CD's	10,200,000	10,200,000	-
Investment in LGIP	110,343,936	110,343,936	-
Total	<u>\$ 678,774,300</u>	<u>\$ 412,385,046</u>	<u>\$ 266,389,254</u>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk (Continued)**

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

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
<b>AAA:</b>			
Municipals	\$ 304,737	\$ -	\$ 304,737
<b>AA+:</b>			
Treasury	184,989,190	84,146,790	100,842,400
Gov Agency	366,564,176	121,915,200	244,648,976
Municipals	5,251,748	2,124,447	3,127,301
Asset Backed Bonds	10,150,461	-	10,150,461
<b>AA:</b>			
Municipals	11,606,221	7,400,504	4,205,717
<b>AA-:</b>			
Municipals	5,448,857	585,161	4,863,696
<b>A+:</b>			
Municipals	2,941,671	620,775	2,320,896
<b>A:</b>			
Municipals	1,037,226	1,037,226	-
<b>NR:</b>			
Municipals	3,561,565	-	3,561,565
Gov Agency	7,884,176	7,884,176	-
Repurchase Agreements	157,186,091	157,186,091	-
CD'S	61,066,669	61,066,669	-
Investment in LGIP	3,000,000	3,000,000	-
Total	<u>\$ 820,992,788</u>	<u>\$ 446,967,039</u>	<u>\$ 374,025,749</u>

**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.

All holdings at June 30, 2016 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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**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:

<u>Securities by Quality Rating</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
<b>AA+:</b>		
U.S. Government Agency Obligations	<u>\$ 828,513,510</u>	<u>100.00%</u>
Total	<u><u>\$ 828,513,510</u></u>	<u><u>100.00%</u></u>

Maturities on collateral are as follows:

<u>Securities by Quality Rating</u>	<u>Maturities</u>					
	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-20 Years</u>	<u>Over 20 Years</u>
<b>AA+:</b>						
U.S. Government Mortgage Backed Securities	<u>\$ 828,513,510</u>	<u>\$ -</u>	<u>\$ 340,848,878</u>	<u>\$ 50,980,467</u>	<u>\$ 174,363,472</u>	<u>\$ 262,320,693</u>
Total	<u><u>\$ 828,513,510</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 340,848,878</u></u>	<u><u>\$ 50,980,467</u></u>	<u><u>\$ 174,363,472</u></u>	<u><u>\$ 262,320,693</u></u>

Schedule 10 discloses collateral pledged for repurchase agreements.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 6 DEPOSITS AND INVESTMENTS (CONTINUED)**

**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, 2016:

	Fair Value Measurements Using			
	Quoted Prices in Level 1	Observable Inputs Level 2	Unobservable Level 3	Fair Value 6/30/2016
Debt Securities:				
U.S. Government Securities	\$ -	\$ 2,329,998,845	\$ -	\$ 2,329,998,845
Municipal Bonds	-	57,600,339	-	57,600,339
Repurchase Agreements	-	808,000,000	-	808,000,000
Asset Backed Bonds	-	20,300,922	-	20,300,922
Discounted Notes	-	116,395,652	-	116,395,652
Total Debt Securities	-	3,332,295,758	-	3,332,295,758
Total Investments				
Measured by Fair Value	\$ -	\$ 3,332,295,758	\$ -	\$ 3,332,295,758

**NOTE 7 EXTERNAL INVESTMENT POOL (LGIP) – AMORTIZED COST**

In December 2015, GASB issued statement No. 79 titled “Certain External Investment Pools and Pool Participants”, which established criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at cost for financial reporting purposes. Most provisions of GASBS No. 79 are effective for reporting periods beginning after June 15, 2015. 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, and will implement the portfolio quality, custodial credit risk, and shadow pricing as of July 1, 2016 or for fiscal year 2017. The difference between the amortized cost and fair value is immaterial, as of June 30, 2016. GASBS 79 was in response to the Securities and Exchange Commission’s amendments in 2014 to regulations that apply to money market funds.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 7 EXTERNAL INVESTMENT POOL (LGIP) – AMORTIZED COST (CONTINUED)**

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.

**NOTE 8 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance, June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2016</u>
Governmental Activities:				
Depreciable Assets:				
Equipment	\$ 263,731	\$ 18,534	\$ 94,495	\$ 187,770
Total Capital Assets	<u>263,731</u>	<u>18,534</u>	<u>94,495</u>	<u>187,770</u>
Less Accumulated Depreciation:				
Equipment	246,192	7,972	94,495	159,669
Total	<u>\$ 17,539</u>	<u>\$ 10,562</u>	<u>\$ -</u>	<u>\$ 28,101</u>

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

Governmental activities:	
General government	<u>\$ 7,972</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 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, 2016:

	Balance, June 30, 2015	Increase	(Decrease)	Balance, June 30, 2016	Amounts Due within One Year
<b>Compensated Absences</b>	<u>\$ 97,791</u>	<u>\$ 110,546</u>	<u>\$ (22,261)</u>	<u>\$ 186,076</u>	<u>\$ 186,076</u>

**NOTE 10 CONDENSED FINANCIAL STATEMENTS**

Condensed financial statements of the Investment Trust Fund, inclusive of external and internal participants for the fiscal year ended June 30, 2016 are as follows:

**ASSETS**

Investments	\$ 3,840,388,211
Due from Broker	3,911
Interest and Other Receivables	7,872,216
Total Assets	<u>\$ 3,848,264,338</u>

**LIABILITIES**

Due to Broker	\$ 39,295,605
Other Liabilities	28,307

**NET POSITION**

External Participant Account Balances	579,044,319
Other Internal Participant Account Balances:	
Primary Government	3,229,896,107
Total Liabilities And Net Position	<u>\$ 3,848,264,338</u>

At June 30, 2016, the State Treasurer's investment income earnings were as follows:

Local Government Investment Pool	\$ 2,150,467
Consolidated Investment Pool	12,016,211
State Funds Investment Pool	23,940,722
Total	<u>\$ 38,107,400</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 APPROPRIATIONS**

The State Treasurer received the following appropriations for the year ended June 30, 2016:

General Fund	
General Appropriation (General Appropriation Act)	\$ 3,756,800

**NOTE 12 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 the financial statements.

**NOTE 13 DUE TO/FROM OTHER STATE AGENCIES**

Due to State Treasurer's Office	Fund No.	Amount	Due from Agency/Purpose	Fund No.	Amount
Severance Tax Bonding Fund	41000	\$ 51,309,776	Tax & Revenue Dept. of Finance & Administration	83300	\$ 51,309,776
G.O. 2009 Series Debt Service	10630	5,128,751	Dept. of Finance & Administration	80000	5,128,751
G.O. 2011 Series Debt Service	11630	443,247	Dept. of Finance & Administration	80000	443,247
G.O. 2013 Series Debt Service	11680	3,076,357	Dept. of Finance & Administration	80000	3,076,357
G.O. 2007 Series Debt Service	28800	3,525,237	Dept. of Finance & Administration	80000	3,525,237
G.O. 2015 Series Debt Service	35170	3,332,308	Dept. of Finance & Administration	80000	3,332,308
G.O. 2013 Series Debt Service	11680	938,722	Board of Finance	34103	938,722
Severance Tax Bonding Fund	41000	5,468,464	Board of Finance	34103	5,468,464
		\$ 73,222,862			\$ 73,222,862

Purpose: To receive tax receipts billed by other state agencies.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 14 TRANSFERS**

**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	\$ 19,421,387	10750	2009-A Series Debt Service	\$ 19,421,387
41000	Severance Tax Bond Fund	16,958,798	10950	2010-A Series Debt Service	16,958,798
41000	Severance Tax Bond Fund	12,471,720	10960	2010-B Series Debt Service	12,471,720
41000	Severance Tax Bond Fund	32,513,573	11280	Series 2011A-1 Refunding	32,513,573
41000	Severance Tax Bond Fund	8,239,068	11480	2010-D Series Debt Service	8,239,068
41000	Severance Tax Bond Fund	19,282,440	11770	Series 2013A	19,282,440
41000	Severance Tax Bond Fund	14,777,379	12160	Series 2014A	14,777,379
41000	Severance Tax Bond Fund	17,456,366	30820	Series 2012A Refunding	17,456,366
41000	Severance Tax Bond Fund	6,220,474	30830	Series 2011A-2 Refunding	6,220,474
41000	Severance Tax Bond Fund	6,008,543	50170	Series 2015B	6,008,543
41000	Severance Tax Bond Fund	7,814,522	50180	Series 2015A	7,814,522
		<u>\$ 161,164,270</u>			<u>\$ 161,164,270</u>

**General Obligation Bonds (see schedule 3):**

SHARE Fund	Transfer from	Amount	SHARE Fund	Transfer to	Amount
10630	Series 2009 Debt Service	\$ 879	03100	2003 Series Debt Service	\$ 141
11680	2013 Series Debt Service	879	03200	2005 Series Debt Service	141
28800	2007 Series Debt Service	<u>8,700,878</u>	41400	2001 Series Debt Service	118
			35170	2015 Series Debt Service	6,199,122
			41800	2003B Series Refunding	3,993
			11630	2011 Series Debt Service	2,499,121
		<u>\$ 8,702,636</u>			<u>\$ 8,702,636</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
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**NOTE 14 TRANSFERS (CONTINUED)**

**Interagency Transfers**

**Transfers to/from Other State Agencies – Severance Tax Bonds**

<u>Transfers from (Purpose)</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Transfers to (Purpose)</u>	<u>Fund No.</u>	<u>Amount</u>
Board of Finance	34103	\$ 5,684,809	Severance Tax Bonding Fund	41000	\$ 5,684,809
Severance Tax Bonding Fund	41000	<u>(8,468,140)</u>	Severance Tax Permanent Fund	60200	<u>(8,468,140)</u>
		<u>\$ (2,783,331)</u>			<u>\$ (2,783,331)</u>

**Transfers to/from Other State Agencies – General Obligation Bonds**

<u>Transfers from (Purpose)</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Transfers to (Purpose)</u>	<u>Fund No.</u>	<u>Amount</u>
Board of Finance	34103	\$ 938,722	2013 Series Debt Service	11680	\$ 938,722
Board of Finance	34103	125,185	2011 Series Debt Service	11630	125,185
Board of Finance	34103	<u>218</u>	2007 Series Debt Service	28800	<u>218</u>
Total - Severance Tax Bond Funds		<u>\$ 1,064,125</u>			<u>\$ 1,064,125</u>

**NOTE 15 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](http://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



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**NOTE 15 PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

**Funding Policy (Continued)**

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, 2016, 2015 and 2014 were \$341,552, \$334,242 and \$332,687, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 16 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

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**NOTE 16 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

**Funding Policy (Continued)**

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](http://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.

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, 2016, 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, 2016, 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, 2016, 2015 and 2014 were \$40,592, \$39,361 and \$40,179, respectively, which equal the required contributions for each year.

**NOTE 17 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, 2015 to June 30, 2016. The limit of coverage is \$5,000,000, with \$1,000 deductible per occurrence. All State Treasurer employees are covered by this bond.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 17 RISK MANAGEMENT (CONTINUED)**

The State Treasurer had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2016, 2015 and 2014, there were no settlements that exceeded insurance coverage.

**NOTE 18 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. 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 19 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 expected to revert to the State General Fund as of June 30, 2016 was \$138,868. The amount Due to the State General Fund as of June 30, 2016 is \$139,531.

**NOTE 20 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	12/29/2015	12/30/2015	\$ 8,614,496	\$ 98	\$ 8,614,594
Sponge Bond - Supplemental Note	12/29/2015	12/30/2015	23,203,200	264	23,203,464
Sponge Bond - Supplemental Note	6/29/2016	6/30/2016	<u>104,086,200</u>	<u>1,434</u>	<u>104,087,634</u>
<b>Total</b>			<u>\$ 135,903,896</u>	<u>\$ 1,796</u>	<u>\$ 135,905,692</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 20 SHORT-TERM DEBT (CONTINUED)**

**Sponge Bonds (Continued)**

Short-term debt activity for the year ended June 30, 2016 was as follows:

	Balance, June 30, 2015	Issued	Redeemed	Issuance Costs	Balance, June 30, 2016
Sponge Bonds	\$ -	\$ 135,903,896	\$ 135,903,896	\$ -	\$ -

**NOTE 21 BOND ISSUANCE ACTIVITY**

During fiscal year 2016, there were five new bond issues as noted below:

- \$129,195,000 STB - Series 2015A
- \$69,745,000 SSTB - Series 2016B
- \$260,145,000 STB - 2016A & Refunding STB – 2016B
- \$41,925,000 STB - Series 2016C

Total activity related to the bonds was approximately as follows: costs - \$1,023,548; premiums - \$82,238,520; and transfers to other state agencies of \$502,033,548.

Rather than being recorded in the financial statements of a specific component unit, the long-term debt is only recorded in the State of New Mexico Comprehensive Annual Financial Report.

**NOTE 22 FUND BALANCES**

The Department'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, 2016 follows:

	General Fund	General Obligation Bond Fund	Severance Tax Bond Fund
Fund Balances:			
Restricted for:			
Debt Service	\$ -	\$ 45,894,883	\$ 217,661,804
Unassigned	-	-	-
Total Fund Balances	<u>\$ -</u>	<u>\$ 45,894,883</u>	<u>\$ 217,661,804</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 23 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 Agency.

**Statement No. 74**

***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

**Statement No. 75**

***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

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.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 23 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

- 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.

***GASB Statement No. 77***  
***Tax Abatement Disclosures***

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after December 15, 2015. Earlier application is encouraged.

Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 23 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

**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, 2016**

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<b>GOVERNMENTAL FUNDS</b>				
<b>CAPITAL ASSETS</b>				
Equipment, Furniture and Fixtures	<u>\$ 263,731</u>	<u>\$ 18,534</u>	<u>\$ 94,495</u>	<u>\$ 187,770</u>
 Total Governmental Funds Capital Assets by Source	 <u>\$ 263,731</u>	 <u>\$ 18,534</u>	 <u>\$ 94,495</u>	 <u>\$ 187,770</u>
 <b>INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS</b>				
General Fund Revenues	<u>\$ 263,731</u>	<u>\$ 18,534</u>	<u>\$ 94,495</u>	<u>\$ 187,770</u>
 Total Governmental Funds Capital Assets	 263,731	 18,534	 94,495	 187,770
 Less Accumulated Depreciation Equipment	 <u>246,192</u>	 <u>7,972</u>	 <u>94,495</u>	 <u>159,669</u>
 Total	 <u>\$ 17,539</u>	 <u>\$ 10,562</u>	 <u>\$ -</u>	 <u>\$ 28,101</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, 2016**

	SHARE Fund	Assets			Liabilities
		Repurchase Agreements	Due From		Total Liabilities
			Other Agencies	Total Assets	
2003 Series - Debt Service	03100	\$ -	\$ -	\$ -	\$ -
2005 Series - Debt Service	03200	-	-	-	-
2007 Series - Debt Service	28800	2,758,958	3,525,237	6,284,195	-
2001 Series - Debt Service	41400	-	-	-	-
2003B Series - Refunding	41800	4	-	4	-
2009 Series - Debt Service	10630	11,427,213	5,128,750	16,555,963	-
2011 Series - Debt Service	11630	1,628,313	443,247	2,071,560	-
2013 Series - Debt Service	11680	2,563,198	4,015,079	6,578,277	-
2008A Series - Redemption	73030	220,698	-	220,698	-
2008A Series - Debt Service	73010	-	-	-	-
2015 Series - Debt Service	35170	10,076,999	3,332,308	13,409,307	-
<b>Total Debt Service</b>		<b>28,675,383</b>	<b>16,444,621</b>	<b>45,120,004</b>	<b>-</b>
2003 Series - Rebate	41300	4,852	-	4,852	-
2001 Series - Rebate	41500	56	-	56	-
2003 Refunding Series - Rebate	41900	9	-	9	-
2005 Series - Rebate	42600	649,640	-	649,640	-
911 - Rebate	48800	-	-	-	-
<b>Total Rebate Accounts</b>		<b>654,557</b>	<b>-</b>	<b>654,557</b>	<b>-</b>
2009 Series - Cost of Issuance	10650	-	-	-	-
2011 Series - Cost of Issuance	11320	(650)	-	(650)	-
2013 Series - Cost of Issuance	11620	13,826	-	13,826	-
2015 Series - Cost of Issuance Fund	40130	107,146	-	107,146	-
<b>Total Cost of Issuance</b>		<b>120,322</b>	<b>-</b>	<b>120,322</b>	<b>-</b>
<b>COMBINED TOTAL</b>		<b>\$ 29,450,262</b>	<b>\$ 16,444,621</b>	<b>\$ 45,894,883</b>	<b>\$ -</b>

Fund Balance		
Balance Restricted for Debt Service	Total Fund Balance	Total Liabilities & Fund Equity
\$ -	\$ -	\$ -
-	-	-
6,284,195	6,284,195	6,284,195
-	-	-
4	4	4
16,555,963	16,555,963	16,555,963
2,071,560	2,071,560	2,071,560
6,578,277	6,578,277	6,578,277
220,698	220,698	220,698
-	-	-
13,409,307	13,409,307	13,409,307
45,120,004	45,120,004	45,120,004
4,852	4,852	4,852
56	56	56
9	9	9
649,640	649,640	649,640
-	-	-
654,557	654,557	654,557
-	-	-
(650)	(650)	(650)
13,826	13,826	13,826
107,146	107,146	107,146
120,322	120,322	120,322
<u>\$ 45,894,883</u>	<u>\$ 45,894,883</u>	<u>\$ 45,894,883</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, 2016**

	SHARE Fund	Revenues		Expenditures	
		Interest Income	State Property Tax Levy	Principal and Interest on Long-Term Debt	Other Charges
2003 Series - Debt Service	03100	\$ -	\$ -	\$ -	\$ -
2005 Series Debt Service	03200	-	-	-	-
2007 Series - Debt Service	28800	26,463	11,286,333	17,463,750	684
2001 Series - Debt Service	41400	-	-	-	-
2003-B Series - Refunding	41800	14	-	-	-
2009 Series - Debt Service	10630	123,055	23,263,195	25,878,500	683
2011 Series - Debt Service	11630	24,770	2,184,879	2,243,550	684
2013 Series - Debt Service	11680	256,832	12,632,296	15,323,148	683
2008A Series - Redemption	73030	-	-	-	-
2008A Series - Debt Service	73010	-	-	-	-
2015 Series - Debt Service	35170	1,253,309	24,772,816	17,209,633	684
<b>Total Debt Service</b>		<b>1,684,443</b>	<b>74,139,519</b>	<b>78,118,581</b>	<b>3,418</b>
2003 Series - Rebate	41300	39	-	-	-
2001 Series - Rebate	41500	-	-	-	-
2003 Series - Refunding	41900	-	-	-	-
2005 Series - Rebate	42600	6,415	-	-	-
911 - Rebate	48800	-	-	-	-
<b>Total Rebate Accounts</b>		<b>6,454</b>	<b>-</b>	<b>-</b>	<b>-</b>
2009 Series - Cost of Issuance	10650	-	-	-	-
2011 Series - Cost of Issuance	11320	-	-	-	-
2013 Series - Cost of Issuance	11620	-	-	-	-
2015 Series - Cost of Issuance Fund	40130	-	-	-	-
<b>Total Cost of Issuance</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMBINED TOTAL</b>		<b>\$ 1,690,897</b>	<b>\$ 74,139,519</b>	<b>\$ 78,118,581</b>	<b>\$ 3,418</b>

Total Expenditures	Excess (Deficiency) of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)			Net Change in Fund Balance	Beginning Fund Balances	Fund Balances June 30, 2016
		Transfers (to) from Other State Agencies	Interfund Transfers				
\$ -	\$ -	\$ -	\$ (141)	\$ (141)	\$ 141	\$ -	
-	-	-	(141)	(141)	141	-	
17,464,434	(6,151,638)	218	8,700,878	2,549,458	3,734,737	6,284,195	
-	-	-	(118)	(118)	118	-	
-	14	-	(3,993)	(3,979)	3,983	4	
25,879,183	(2,492,933)	-	879	(2,492,054)	19,048,017	16,555,963	
2,244,234	(34,585)	125,185	(2,499,121)	(2,408,521)	4,480,081	2,071,560	
15,323,831	(2,434,703)	938,722	879	(1,495,102)	8,073,379	6,578,277	
-	-	-	-	-	220,698	220,698	
-	-	-	-	-	-	-	
17,210,317	8,815,808	-	(6,199,122)	2,616,686	10,792,621	13,409,307	
78,121,999	(2,298,037)	1,064,125	-	(1,233,912)	46,353,916	45,120,004	
-	39	-	-	39	4,813	4,852	
-	-	-	-	-	56	56	
-	-	-	-	-	9	9	
-	6,415	-	-	6,415	643,225	649,640	
-	-	-	-	-	-	-	
-	6,454	-	-	6,454	648,103	654,557	
-	-	-	-	-	-	-	
-	-	-	-	-	(650)	(650)	
-	-	-	-	-	13,826	13,826	
-	-	-	-	-	107,146	107,146	
-	-	-	-	-	120,322	120,322	
<u>\$ 78,121,999</u>	<u>\$ (2,291,583)</u>	<u>\$ 1,064,125</u>	<u>\$ -</u>	<u>\$ (1,227,458)</u>	<u>\$ 47,122,341</u>	<u>\$ 45,894,883</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, 2016**

	SHARE Fund	Assets		Total Assets
		Repurchase Agreements	Due From Other Agencies	
2009-A Series - Debt Service	10750	\$ 17,742,916	\$ -	\$ 17,742,916
2010-A Series - Debt Service	10950	15,138,901	-	15,138,901
2010-B Series - Debt Service	10960	11,208,912	-	11,208,912
2010-C Series - Debt Service	11190	215	-	215
2010-D Series - Debt Service	11280	31,390,484	-	31,390,484
Series 2013A	11770	16,930,197	-	16,930,197
2013 S-C Maturity	11980	-	-	-
Series 2014A	12160	12,160,092	-	12,160,092
Series 2011A-1	30830	5,771,856	-	5,771,856
Series 2011A-2 Refunding	30820	16,268,880	-	16,268,880
2012-A Series - Debt Service	11480	7,110,618	-	7,110,618
2004-A Series Debt Service	49200	-	-	-
2004-B Series Debt Service	18300	93	-	93
2005-B1 Series Debt Service	38800	2,032	-	2,032
Severance Tax Bonding	41000	15,266,197	56,778,241	72,044,438
2005-A Series Debt Service	41200	107,962	-	107,962
Series 2016A & Refunding Series 2016B	43230	29,159	-	29,159
2003-B Series-Debt Service	48400	220	-	220
Series 2015B	50170	5,195,227	-	5,195,227
Series 2015A	50180	6,329,739	-	6,329,739
Series 2016C	50450	9,624	-	9,624
2007-A Debt Service	53700	60,087	-	60,087
2005-B2 Series Debt Service	57100	1,496	-	1,496
2008A-1 Series - Debt Service	72010	157,134	-	157,134
2008A-2 Series - Debt Service	72070	1,508	-	1,508
2006-A Series Debt Service	96300	2,505	-	2,505
<b>Total Debt Service</b>		<b>160,886,054</b>	<b>56,778,241</b>	<b>217,664,295</b>
2004-B Series-Rebate	41100	302	-	302
2003-B Supp-Rebate	42000	12,934	-	12,934
2005-A Series-Rebate	48300	45,941	-	45,941
2005-B1 Series-Rebate	57000	11,320	-	11,320
2005-B2 Series-Rebate	96000	6,643	-	6,643
2006-A Series-Rebate	96400	39,569	-	39,569
<b>Total Rebate Accounts</b>		<b>116,709</b>	<b>-</b>	<b>116,709</b>
<b>COMBINED TOTAL</b>		<b>\$ 161,002,763</b>	<b>\$ 56,778,241</b>	<b>\$ 217,781,004</b>

Liabilities		Fund Equity		
Accounts Payable	Total Liabilities	Restricted for Debt Service	Total Fund Equity	Total Liabilities & Fund Equity
\$ -	\$ -	\$ 17,742,916	\$ 17,742,916	\$ 17,742,916
-	-	15,138,901	15,138,901	15,138,901
-	-	11,208,912	11,208,912	11,208,912
-	-	215	215	215
-	-	31,390,484	31,390,484	31,390,484
-	-	16,930,197	16,930,197	16,930,197
-	-	-	-	-
-	-	12,160,092	12,160,092	12,160,092
-	-	5,771,856	5,771,856	5,771,856
-	-	16,268,880	16,268,880	16,268,880
-	-	7,110,618	7,110,618	7,110,618
-	-	-	-	-
-	-	92	92	92
-	-	2,032	2,032	2,032
117,985	117,985	71,926,450	71,926,450	72,044,435
-	-	107,962	107,962	107,962
-	-	29,159	29,159	29,159
-	-	220	220	220
-	-	5,195,227	5,195,227	5,195,227
-	-	6,329,739	6,329,739	6,329,739
-	-	9,624	9,624	9,624
-	-	60,087	60,087	60,087
-	-	1,496	1,496	1,496
-	-	157,134	157,134	157,134
1,215	1,215	295	295	1,511
-	-	2,507	2,507	2,506
119,200	119,200	217,545,095	217,545,095	217,664,295
-	-	302	302	302
-	-	12,934	12,934	12,934
-	-	45,941	45,941	45,941
-	-	11,320	11,320	11,320
-	-	6,643	6,643	6,643
-	-	39,569	39,569	39,569
-	-	116,709	116,709	116,709
<u>\$ 119,200</u>	<u>\$ 119,200</u>	<u>\$ 217,661,804</u>	<u>\$ 217,661,804</u>	<u>\$ 217,781,004</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, 2016**

	Revenues			Expenditures	
	SHARE Fund	Interest Income	Severance Taxes	Principal and Interest on Long-Term Debt	Other Charges
2009-A Series - Debt Service	10750	\$ 45,284	\$ -	\$ 1,728,375	\$ -
2010-A Series - Debt Service	10950	14,459	-	1,837,500	-
2010-B Series - Debt Service	10960	592	-	1,263,651	-
2010-C Series - Debt Service	11190	2	-	-	-
2010-D Series - Debt Service	11280	1,019	-	1,124,750	-
Series 2013A	11770	458,846	-	2,865,375	-
2013 S-C Maturity	11980	-	-	-	-
Series 2014A	12160	794,229	-	3,494,250	-
2011A-1 Series	30830	91,307	-	549,393	-
2011A-2 Series Refunding	30820	680	-	1,188,499	-
2012A - Series	11480	68,992	-	1,205,625	-
2004-A Series Debt Service	49200	-	-	-	-
2004-B Series Debt Service	18300	-	-	-	-
2005-B1 Series Debt Service	38800	16	-	-	-
Severance Tax Bonding	41000	5,677,111	254,966,459	135,905,692	842,497
2005-A Series -Debt Service	41200	794	-	-	-
Series 2016A & Refunding Series 2016B	43230	29,159	-	-	-
2003-B Series-Debt Service	48400	2	-	-	-
Series 2015B	50170	533,149	-	1,346,465	-
Series 2015A	50180	1,009,398	-	2,494,181	-
Series 2016C	50450	9,624	-	-	-
2007-A Series-Debt Service	53700	526	-	-	-
2005-B2 Series Debt Service	57100	11	-	-	-
2008A-1 Debt Service	72010	40,339	-	-	-
2008A-2 Debt Service	72070	11	-	-	-
2006-A Series Debt Service	96300	20	-	-	-
<b>Total Debt Service</b>		<b>8,775,570</b>	<b>254,966,459</b>	<b>155,003,756</b>	<b>842,497</b>
2004-B Series-Rebate	41100	8	-	-	-
2003-B Supp-Rebate	42000	95	-	-	-
2005-A Series-Rebate	48300	338	-	-	-
2005-B1 Series-Rebate	57000	83	-	-	-
2005-B2 Series-Rebate	96000	49	-	-	-
2006-A Series-Rebate	96400	291	-	-	-
<b>Total Rebate Accounts</b>		<b>864</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMBINED TOTAL</b>		<b>\$ 8,776,434</b>	<b>\$ 254,966,459</b>	<b>\$ 155,003,756</b>	<b>\$ 842,497</b>

Total Expenditures	Excess (Deficiency) of Revenues Over (Under) Expenditures	Other Financing Sources (Uses)	
		Transfers (to) from Other State Agencies	Interfund Transfers
\$ 1,728,375	\$ (1,683,091)	\$ -	\$ 19,421,387
1,837,500	(1,823,041)	-	16,958,798
1,263,651	(1,263,059)	-	12,471,720
-	2	-	-
1,124,750	(1,123,731)	-	32,513,573
2,865,375	(2,406,529)	-	19,282,440
-	-	-	-
3,494,250	(2,700,021)	-	14,777,379
549,393	(458,086)	-	6,220,474
1,188,499	(1,187,819)	-	17,456,366
1,205,625	(1,136,633)	-	8,239,068
-	-	-	-
-	-	-	-
-	16	-	-
136,748,189	123,895,381	(2,783,331)	(161,164,270)
-	794	-	-
-	29,159	-	-
-	2	-	-
1,346,465	(813,316)	-	6,008,543
2,494,181	(1,484,783)	-	7,814,522
-	9,624	-	-
-	526	-	-
-	11	-	-
-	40,339	-	-
-	11	-	-
-	20	-	-
<u>155,846,253</u>	<u>107,895,776</u>	<u>(2,783,331)</u>	<u>-</u>
-	8	-	-
-	95	-	-
-	338	-	-
-	83	-	-
-	49	-	-
-	291	-	-
<u>-</u>	<u>864</u>	<u>-</u>	<u>-</u>
<u>\$ 155,846,253</u>	<u>\$ 107,896,640</u>	<u>\$ (2,783,331)</u>	<u>\$ -</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  
(CONTINUED)  
YEAR ENDED JUNE 30, 2016**

	SHARE Fund	Total Other Financing Sources (Uses)	Net Change in Fund Balance	Beginning Fund Balance	Fund Balances June 30, 2016
2009-A Series - Debt Service	10750	\$ 19,421,387	\$ 17,738,296	\$ 4,620	\$ 17,742,916
2010-A Series - Debt Service	10950	16,958,798	15,135,757	3,144	15,138,901
2010-B Series - Debt Service	10960	12,471,720	11,208,661	251	11,208,912
2010-C Series - Debt Service	11190	-	2	213	215
2010-D Series - Debt Service	11280	32,513,573	31,389,842	642	31,390,484
Series 2013A	11770	19,282,440	16,875,911	54,286	16,930,197
2013 S-C Maturity	11980	-	-	-	-
Series 2014A	12160	14,777,379	12,077,358	82,734	12,160,092
2011A-1 Series	30830	6,220,474	5,762,388	9,468	5,771,856
2011A-2 Series Refunding	30820	17,456,366	16,268,547	333	16,268,880
2012A - Series	11480	8,239,068	7,102,435	8,183	7,110,618
2004-A Series Debt Service	49200	-	-	-	-
2004-B Series Debt Service	18300	-	-	92	92
2005-B1 Series Debt Service	38800	-	16	2,016	2,032
Severance Tax Bonding	41000	(163,947,601)	(40,052,220)	111,978,670	71,926,450
2005-A Series -Debt Service	41200	-	794	107,168	107,962
Series 2016A & Refunding Series 2016B	43230	-	29,159	-	29,159
2003-B Series-Debt Service	48400	-	2	218	220
Series 2015B	50170	6,008,543	5,195,227	-	5,195,227
Series 2015A	50180	7,814,522	6,329,739	-	6,329,739
Series 2016C	50450	-	9,624	-	9,624
2007-A Series-Debt Service	53700	-	526	59,561	60,087
2005-B2 Series Debt Service	57100	-	11	1,485	1,496
2008A-1 Debt Service	72010	-	40,339	116,795	157,134
2008A-2 Debt Service	72070	-	11	284	295
2006-A Series Debt Service	96300	-	20	2,487	2,507
<b>Total Debt Service</b>		<b>(2,783,331)</b>	<b>105,112,445</b>	<b>112,432,650</b>	<b>217,545,095</b>
2004-B Series-Rebate	41100	-	8	294	302
2003-B Supp-Rebate	42000	-	95	12,839	12,934
2005-A Series-Rebate	48300	-	338	45,603	45,941
2005-B1 Series-Rebate	57000	-	83	11,237	11,320
2005-B2 Series-Rebate	96000	-	49	6,594	6,643
2006-A Series-Rebate	96400	-	291	39,278	39,569
<b>Total Rebate Accts.</b>		<b>-</b>	<b>864</b>	<b>115,845</b>	<b>116,709</b>
<b>COMBINED TOTAL</b>		<b>\$ (2,783,331)</b>	<b>\$ 105,113,309</b>	<b>\$ 112,548,495</b>	<b>\$ 217,661,804</b>

**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, 2016**

Issue	SHARE Fund	Date of Issue	Issue Amount	Interest Rate	Unpaid Balance June 30, 2015
<b>General Obligation and Revenue Bonds:</b>					
Series 2007 Debt Service	28800	3/1/07	\$ 134,870,000	5.00%	\$ 32,475,000
Series 2009 Debt Service	10630	5/28/09	196,330,000	5.00%	91,770,000
Series 2011 Debt Service	11630	5/26/11	18,645,000	2.00-4.00%	11,805,000
Series 2013 Debt Service	11680	4/23/13	137,220,000	2.00-2.40%	111,585,000
Series 2015 Debt Service	35170	2/17/15	141,635,000	5.00%	141,635,000
Total General Obligation Bonds			628,700,000		389,270,000
<b>Severance Tax Bonds:</b>					
Series 2009A Refunding	10750	7/30/09	218,450,000	2.00-5.00%	69,135,000
Series 2010A	10950	3/24/10	132,265,000	3.00-5.00%	73,500,000
Series 2010B Supplemental	10960	3/24/10	100,000,000	4.00-5.00%	52,795,000
Series 2010D Refunding	11280	12/8/10	140,520,000	3.00-5.00%	44,990,000
Series 2011A-1	30830	12/6/11	47,790,000	3.00-5.00%	33,250,000
Series 2011A-2 Refunding	30820	12/6/11	75,715,000	4.00-5.00%	47,540,000
Series 2012A	11480	6/21/12	57,990,000	3.00-5.00%	48,225,000
Series 2013A	11770	6/21/12	157,560,000	2.00-5.00%	132,210,000
Series 2014A	12160	6/21/12	143,770,000	3.00-5.00%	139,770,000
Series 2015A	50180	8/12/15	129,195,000	0.05	-
Series 2015B	50170	8/12/15	69,745,000	0.05	-
Series 2016A & Refunding Series 2016B	43230	6/23/16	260,145,000	3.00-5.00%	-
Series 2016C	50450	6/23/16	41,925,000	0.02	-
Total Severance Tax Bonds			1,575,070,000		641,415,000
<b>TOTAL GENERAL LONG-TERM DEBT</b>			<b>\$ 2,203,770,000</b>		<b>\$ 1,030,685,000</b>
<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		
<b>TOTAL CURRENT YEAR BOND PREMIUMS</b>			<b>\$ 82,238,520</b>		

New Bonds	Reductions			Unpaid Balance June 30, 2016	Interest to Maturity	Debt Service Requirements
	Refunded Debt	Principal Payments	Total Reductions			
\$ -	\$ -	\$ 15,840,000	\$ 15,840,000	\$ 16,635,000	\$ 831,750	\$ 17,466,750
-	-	21,290,000	21,290,000	70,480,000	7,162,750	77,642,750
-	-	1,790,000	1,790,000	10,015,000	1,212,950	11,227,950
-	-	12,995,000	12,995,000	98,590,000	8,684,045	107,274,045
-	-	10,600,000	10,600,000	131,035,000	34,882,750	165,917,750
-	-	62,515,000	62,515,000	326,755,000	52,774,245	379,529,245
-	-	-	-	69,135,000	7,129,375	76,264,375
-	-	-	-	73,500,000	9,546,250	83,046,250
-	-	-	-	52,795,000	6,255,850	59,050,850
-	-	-	-	44,990,000	1,861,000	46,851,000
-	8,290,000	-	8,290,000	24,960,000	2,136,744	27,096,744
-	-	-	-	47,540,000	3,642,750	51,182,750
-	-	-	-	48,225,000	8,920,375	57,145,375
-	87,975,000	-	87,975,000	44,235,000	5,149,125	49,384,125
-	91,115,000	-	91,115,000	48,655,000	7,714,250	56,369,250
129,195,000	-	-	-	129,195,000	38,745,625	167,940,625
69,745,000	-	-	-	69,745,000	19,463,125	89,208,125
260,145,000	-	-	-	260,145,000	71,430,690	331,575,690
41,925,000	-	-	-	41,925,000	2,442,533	44,367,533
501,010,000	187,380,000	-	187,380,000	955,045,000	184,437,692	1,139,482,692
<u>\$ 501,010,000</u>	<u>\$ 187,380,000</u>	<u>\$ 62,515,000</u>	<u>\$ 249,895,000</u>	<u>\$ 1,281,800,000</u>	<u>\$ 237,211,937</u>	<u>\$ 1,519,011,937</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS (CONTINUED)  
SCHEDULE OF DEBT SERVICE MATURITIES  
YEAR ENDED JUNE 30, 2016**

Issue	SHARE Fund	2017	2018
<b>General Obligation Bonds:</b>			
Series 2007	28800	\$ 17,466,750	\$ -
Series 2009 Debt Service	10630	25,879,000	25,881,250
Series 2011	11630	2,246,950	2,246,000
Series 2013	11670	15,323,248	15,323,147
Series 2015	35170	18,436,750	18,437,500
<b>Total General Obligation Bonds</b>		79,352,698	61,887,897
<b>Severance Tax Bonds:</b>			
Series 2009A Refunding	10750	19,066,500	19,065,500
Series 2010A	10950	16,642,500	16,625,875
Series 2010B Supplemental	10960	12,223,675	11,989,675
Series 2010D Refunding	11280	31,757,875	15,093,125
Series 2011A-1 Refunding	30830	6,079,744	5,968,825
Series 2011A-2 Refunding	30820	17,080,000	17,062,125
Series 2012A	11480	8,163,750	8,166,125
Series 2013A	11770	17,650,500	15,876,875
Series 2014A	12160	13,095,625	13,108,000
Series 2015A	50180	9,384,750	11,184,750
Series 2015B	50170	6,802,250	8,484,750
Series 2016A & 2016B Refunding	43230	5,845,390	11,193,300
Series 2016C	50450	437,883	5,590,500
<b>Total Severance Tax Bonds</b>		164,230,442	159,409,425
<b>TOTAL DEBT SERVICE REQUIREMENTS</b>		<b>\$ 243,583,140</b>	<b>\$ 221,297,322</b>

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 17,466,750
25,882,500	-	-	-	77,642,750
2,244,200	2,244,400	2,246,400	-	11,227,950
15,327,747	15,326,848	15,325,447	30,647,608	107,274,045
18,433,500	18,433,500	18,435,750	73,740,750	165,917,750
<u>61,887,947</u>	<u>36,004,748</u>	<u>36,007,597</u>	<u>104,388,358</u>	<u>379,529,245</u>
19,067,375	19,065,000	-	-	76,264,375
16,610,125	16,593,500	16,574,250	-	83,046,250
11,781,175	11,586,425	11,469,900	-	59,050,850
-	-	-	-	46,851,000
3,955,600	3,705,325	3,697,725	3,689,525	27,096,744
17,040,625	-	-	-	51,182,750
8,163,000	8,163,625	8,162,125	16,326,750	57,145,375
15,856,750	-	-	-	49,384,125
14,093,625	16,072,000	-	-	56,369,250
16,765,250	18,648,875	18,657,625	93,299,375	167,940,625
9,360,500	9,826,750	9,121,500	45,612,375	89,208,125
11,193,300	23,173,800	46,023,500	234,146,400	331,575,690
10,444,500	14,604,500	11,578,200	1,711,950	44,367,533
<u>154,331,825</u>	<u>141,439,800</u>	<u>125,284,825</u>	<u>394,786,375</u>	<u>1,139,482,692</u>
<u>\$ 216,219,772</u>	<u>\$ 177,444,548</u>	<u>\$ 161,292,422</u>	<u>\$ 499,174,733</u>	<u>\$ 1,519,011,937</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 6 - SUMMARY OF LONG-TERM DEBT OBLIGATIONS (CONTINUED) -  
 ADDITIONAL INFORMATION  
 JUNE 30, 2016**

**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, 2016, including interest payments, are as follows (see details on Schedule 6):

Years Ending June 30:	Amount
2017	\$ 79,352,698
2018	61,887,897
2019	61,887,947
2020	36,004,748
2021	36,007,597
Thereafter	104,388,358
Total	\$ 379,529,245

**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, 2016, including interest payments, are as follows (see details on Schedule 6):

Years Ending June 30:	Amount
2017	\$ 164,230,442
2018	159,409,425
2019	154,331,825
2020	141,439,800
2021	125,284,825
Thereafter	394,786,375
Total	\$ 1,139,482,692

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<b>GENERAL FUND INVESTMENT POOL:</b>					
<b>Repurchase Agreements</b>	Various	Various	\$ 375,311,935	\$ 375,311,935	\$ -
<b>Cash in Banks</b>	Various	Various	338,585,062	338,585,062	-
<b>Certificates of Deposit</b>	Various	Various	52,750,066	52,750,066	-
<b>Cash Miscellaneous</b>	Various	Various	6,870,000	6,870,000	-
<b>Fiscal Agent Bank Account</b>	0.000%	N/A	42,002,853	42,002,853	-
<b>Mutual Funds (LGIP Participant)</b>	Various	Various	144,028	144,028	-
<b>Municipal Bonds:</b>					
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	4.000%	7/1/2016	500,000	500,050	50
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	5.000%	7/1/2016	1,000,000	1,000,129	129
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV RFDG	3.000%	7/1/2016	200,000	200,013	13
ALBUQUERQUE N MEX MUN SCH DIST NO 012 27/DEC/2007	4.000%	8/1/2016	200,575	200,618	43
BELEN N MEX CONS SCH DIST NO 2 FORMERLY BELEN N	2.000%	8/1/2016	500,523	500,685	162
CHOCTAW CNTY MISS HOSP REV TAXABLE-CHOCTAW COUNTY	7.500%	8/1/2028	256,456	256,533	77
ENERGY NORTHWEST WASH ELEC REV FORMERLY KNOWN AS	5.000%	7/1/2023	2,370,000	2,370,284	284
GADSDEN INDEPENDENT SCHOOL DISTRICT NO 16 BOND	0.600%	8/15/2016	2,000,000	2,000,000	-
GRANTS / CIBOLA CNTY N MEX SCH DIST NO 1	2.000%	10/1/2016	170,574	170,544	(30)
KNOX CNTY KY RFDG-KNOX CNTY HOSP PJ 01/DEC/2006	5.800%	12/1/2019	178,659	179,004	345
KNOX CNTY KY RFDG-KNOX CNTY HOSP PJ 01/DEC/2006	5.875%	12/1/2036	347,214	347,738	524
LAS CRUCES N MEX HOLD HARMLESS GROSS RCPTS TAX	4.000%	6/1/2018	157,060	158,415	1,355
LAS CRUCES N MEX JT UTIL REV RFDG & IMPT	2.000%	6/1/2017	1,092,312	1,094,386	2,074
LAS CRUCES SCHOOL DISTRICT NO 2 BOND 08/MAR/2016	4.000%	8/1/2016	501,446	501,545	99
NEW MEXICO EDL ASSISTANCE FNDTN ED LN-SR-SER B	4.000%	9/1/2016	477,749	477,860	111
NEW MEXICO ST SEVERANCE TAX RFDG-SER D 08/DEC/2010	5.000%	7/1/2016	100,000	100,013	13
NEW MEXICO ST SEVERANCE TAX SER A 21/JUN/2012	5.000%	7/1/2016	180,000	180,023	23
RIO RANCHO N MEX RFDG & IMPT 21/JUN/2016	5.000%	8/1/2016	838,043	838,282	239
RUIDOSO N MEX WASTERWATER REV RFDG 12/JUL/2013	2.000%	7/1/2016	200,000	200,008	8
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	1.000%	8/1/2017	300,806	300,786	(20)
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	1.000%	8/1/2018	224,998	225,819	821
SANDOVAL CNTY N MEX 07/MAY/2015 01/AUG/2016 2%	2.000%	8/1/2016	370,470	370,455	(15)
SANDOVAL CNTY N MEX RFDG 13/DEC/2013 01/AUG/2016	2.000%	8/1/2016	225,246	225,284	38
SILVER CITY N MEX JT UTIL SYS REV RFDG-SER B	2.000%	12/1/2017	258,579	259,511	932
STATE OF NEW MEXICO - SANTA FE PUBLIC	0.750%	8/1/2016	2,000,000	2,000,000	-
TEXAS A & M UNIV SYS BRD REGTS PERM UNIV FD RFDG	5.000%	7/1/2036	1,500,000	1,500,195	195
TRUTH OR CONSEQUENCES N MEX MUN SCH DIST NO 006	2.000%	8/1/2016	125,106	125,144	38
<b>Total Municipal Bonds</b>			<u>16,275,816</u>	<u>16,283,324</u>	<u>7,508</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<b>US Government Securities:</b>					
<b>US Treasury Notes:</b>					
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	5/31/2017	\$ 19,930,238	\$ 20,018,000	\$ 87,762
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	11/30/2017	19,873,830	20,016,400	142,570
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	4/30/2018	24,745,922	25,016,500	270,578
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	6/30/2017	19,944,884	20,046,200	101,316
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	7/31/2019	15,696,390	16,065,600	369,210
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	1/31/2018	4,966,105	5,023,250	57,145
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	7/15/2017	8,991,591	9,032,310	40,719
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	9/15/2017	9,993,080	10,052,700	59,620
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	8/31/2016	2,000,233	2,002,320	2,087
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	5/31/2018	24,892,436	25,193,250	300,814
UNITED STATES OF AMERICA NOTES FIXED 1.125%	1.125%	3/31/2020	33,428,099	34,092,900	664,801
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	1/31/2019	19,991,423	20,295,400	303,977
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	4/30/2020	13,436,691	13,754,205	317,514
UNITED STATES OF AMERICA NOTES FIXED 1.375%	1.375%	11/30/2018	19,986,410	20,346,200	359,790
UNITED STATES OF AMERICA NOTES FIXED 1.5%	1.500%	10/31/2019	24,451,588	25,070,360	618,772
UNITED STATES OF AMERICA NOTES FIXED 1.625%	1.625%	3/31/2019	34,888,316	35,877,800	989,484
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	12/31/2020	20,318,519	20,688,200	369,681
UNITED STATES OF AMERICA NOTES FIXED 1.75%	1.750%	10/31/2020	41,491,079	42,378,830	887,751
UNITED STATES OF AMERICA NOTES FIXED 2%	2.000%	11/30/2020	20,183,449	20,899,200	715,751
UNITED STATES OF AMERICA NOTES FIXED 2.125%	2.125%	8/31/2020	25,663,792	26,220,750	556,958
UNITED STATES OF AMERICA NOTES FIXED 2.375%	2.375%	7/31/2017	20,268,904	20,395,400	126,496
UNITED STATES OF AMERICA NOTES FIXED 4.25%	4.250%	11/15/2017	20,859,779	21,006,200	146,421
UNITED STATES OF AMERICA NOTES FIXED 4.75%	4.750%	8/15/2017	20,829,640	20,933,600	103,960
<b>Total US Treasury Notes</b>			<u>466,832,398</u>	<u>474,425,575</u>	<u>7,593,177</u>
<b>Federal Farm Credit Banks Cons Long:</b>					
FEDERAL AGRICULTURAL MORTGAGE CORP BOND FIXED 2%	2.000%	7/27/2016	7,808,779	7,809,750	971
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.150%	9/18/2017	4,498,895	4,528,530	29,635
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.900%	9/18/2019	12,991,925	13,432,770	440,845
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	3.020%	7/14/2017	9,181,630	9,221,310	39,680
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	1.100%	1/26/2017	25,000,000	25,081,500	81,500
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	0.980%	4/10/2017	8,997,571	9,027,720	30,149
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	0.930%	5/1/2017	7,997,348	8,022,320	24,972
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	0.440%	10/5/2016	14,999,338	15,000,300	962
FEDERAL FARM CREDIT BANK BOND FIXED 1.8%	1.800%	11/12/2019	8,000,978	8,224,880	223,902
<b>Total Federal Farm Credit Banks</b>			<u>99,476,464</u>	<u>100,349,080</u>	<u>872,616</u>



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<b>Federal Home Loan Banks:</b>					
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	2/18/2021	\$ 33,794,316	\$ 34,400,860	\$ 606,544
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.1%	1.100%	12/27/2018	499,998	504,580	4,582
<b>Total Federal Home Loan Banks</b>			<u>34,294,314</u>	<u>34,905,440</u>	<u>611,126</u>
<b>Federal Home Loan Mortgage Corporation</b>					
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED .875%	0.875%	10/14/2016	30,001,155	30,038,100	36,945
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 0.875%	0.875%	3/7/2018	14,855,997	15,027,600	171,603
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1%	1.000%	3/8/2017	39,994,817	40,131,200	136,383
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1.125%	1.125%	4/15/2019	19,993,990	20,170,000	176,010
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 3.75%	3.750%	3/27/2019	21,059,497	21,593,600	534,103
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 5.5%	5.500%	8/23/2017	10,503,119	10,557,100	53,981
<b>Total Federal Home Loan Mortgage Corporation</b>			<u>136,408,575</u>	<u>137,517,600</u>	<u>1,109,025</u>
<b>Federal National Mortgage Association</b>					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/9/2019	21,429,771	22,037,354	607,583
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.250%	1/30/2017	40,045,125	40,180,800	135,675
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.125%	4/27/2017	10,006,194	10,044,300	38,106
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	10/26/2017	24,905,622	25,087,000	181,378
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.875%	9/18/2018	20,189,963	20,511,000	321,037
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.625%	11/27/2018	14,957,034	15,319,350	362,316
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.875%	2/19/2019	20,101,123	20,553,400	452,277
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	9/27/2017	14,978,302	15,068,700	90,398
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	14,024,628	14,393,820	369,192
<b>Total Federal National Mortgage Corporation</b>			<u>180,637,762</u>	<u>183,195,724</u>	<u>2,557,962</u>
<b>Total US Government Securities</b>			<u>917,649,513</u>	<u>930,393,419</u>	<u>12,743,906</u>
<b>Total General Fund Investment Pool (State Funds Investment Pool)</b>			1,749,589,273	1,762,340,687	12,751,414

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<b>LOCAL GOVERNMENT INVESTMENT POOL:</b>					
<b>Repurchase Agreements</b>	Various	Various	\$ 235,000,000	\$ 235,000,000	\$ -
<b>Bank Accounts:</b>					
BANK OF THE WEST	Variable	12/31/2049	12,427,818	12,427,818	-
US BANK	Variable	12/31/2049	3,184,071	3,184,071	-
WELLS FARGO CHECKING	0.15%	12/31/2049	36,705,509	36,705,509	-
WELLS FARGO SAVINGS	Variable	12/31/2049	2,367,074	2,367,074	-
<b>Total Bank Accounts</b>			<u>54,684,472</u>	<u>54,684,472</u>	<u>-</u>
<b>Discounted Notes:</b>					
FEDERAL FARM CREDIT DISCOUNT NOTES DISCOUNT NOTES	0.000%	8/30/2016	24,976,873	24,979,578	2,705
FEDERAL FARM CREDIT DISCOUNT NOTES DISCOUNT NOTES	0.000%	11/22/2016	9,980,753	9,984,800	4,047
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	8/16/2016	19,988,832	19,993,620	4,788
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	9/16/2016	499,382	499,701	319
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	12/9/2016	19,955,246	19,964,220	8,974
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	12/12/2016	5,979,215	5,989,068	9,853
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	7/19/2016	4,998,493	4,999,600	1,107
FEDERAL HOME LOAN BANKS DISCOUNT NOTES ZERO CPN	0.000%	7/29/2016	4,997,917	4,999,340	1,423
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	8/5/2016	4,997,613	4,998,785	1,172
FEDERAL HOME LOAN MORTGAGE CORP DISCOUNT NOTES	0.000%	9/23/2016	19,977,226	19,986,940	9,714
<b>Total Discounted Notes</b>			<u>116,351,550</u>	<u>116,395,652</u>	<u>44,102</u>
<b>US Government Securities:</b>					
<b>US Treasury Notes:</b>					
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	8/31/2016	15,013,604	15,017,400	3,796
<b>Total US Treasury Notes</b>			<u>15,013,604</u>	<u>15,017,400</u>	<u>3,796</u>
<b>Federal National Mortgage Association:</b>					
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	4.875%	12/15/2016	4,876,189	4,880,939	4,750
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	5.250%	9/15/2016	4,290,963	4,291,905	942
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.250%	9/28/2016	5,010,122	5,009,900	(222)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.375%	11/15/2016	20,062,898	20,069,000	6,102
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.375%	7/5/2016	3,224,959	3,225,000	41
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.750%	4/20/2017	5,001,601	5,010,100	8,499
<b>Total Federal National Mortgage Association</b>			<u>42,466,732</u>	<u>42,486,844</u>	<u>20,112</u>
<b>Federal Farm Credit Bank:</b>					
FEDERAL FARM CREDIT BANK BOND FIXED .69%	0.690%	9/23/2016	2,001,373	2,001,380	7
FEDERAL FARM CREDIT BANK BOND VARIABLE 03/JAN/2017	0.500%	1/3/2017	7,001,117	7,000,000	(1,117)
FEDERAL FARM CREDIT BANK BOND VARIABLE 11/OCT/2016	0.467%	10/11/2016	10,001,980	10,001,400	(580)
FEDERAL FARM CREDIT BANK BOND VARIABLE 14/SEP/2016	0.467%	9/14/2016	1,374,928	1,375,206	278
FEDERAL FARM CREDIT BANK BOND VARIABLE 17/APR/2017	0.496%	4/17/2017	7,404,434	7,405,370	936
FEDERAL FARM CREDIT BANK BOND VARIABLE 17/JAN/2017	0.496%	1/17/2017	10,000,000	10,000,700	700
FEDERAL FARM CREDIT BANK BOND VARIABLE 20/APR/2017	0.480%	4/20/2017	5,397,150	5,397,138	(12)
FEDERAL FARM CREDIT BANK BOND VARIABLE 20/JUL/2016	0.530%	7/20/2016	24,001,362	24,002,400	1,038
FEDERAL FARM CREDIT BANK BOND VARIABLE 20/OCT/2016	0.530%	10/20/2016	25,375,856	25,380,329	4,473
FEDERAL FARM CREDIT BANK BOND VARIABLE 27/APR/2017	0.420%	4/27/2017	249,814	249,793	(21)
FEDERAL FARM CREDIT BANK BOND VARIABLE 30/MAY/2017	0.650%	5/30/2017	25,020,876	25,016,250	(4,626)
<b>Total Federal Farm Credit Bank</b>			<u>117,828,890</u>	<u>117,829,966</u>	<u>1,076</u>
<b>Federal Home Loan Bank:</b>					
FEDERAL HOME LOAN BANKS BOND FIXED .5% 28/SEP/2016	0.500%	9/28/2016	1,770,477	1,770,690	213
FEDERAL HOME LOAN BANKS BOND FIXED .5% 29/AUG/2016	0.500%	8/29/2016	9,999,784	10,002,900	3,116
FEDERAL HOME LOAN BANKS BOND FIXED .58%	0.580%	11/14/2016	7,999,607	8,004,000	4,393
FEDERAL HOME LOAN BANKS BOND FIXED .625%	0.625%	11/23/2016	20,012,553	20,010,800	(1,753)
FEDERAL HOME LOAN BANKS BOND FIXED .75%	0.750%	11/18/2016	9,002,361	9,010,350	7,989
FEDERAL HOME LOAN BANKS BOND FIXED 2% 09/SEP/2016	2.000%	9/9/2016	19,246,302	19,253,161	6,859
FEDERAL HOME LOAN BANKS BOND VARIABLE 01/AUG/2016	0.482%	8/1/2016	1,499,989	1,500,105	116
FEDERAL HOME LOAN BANKS BOND VARIABLE 02/AUG/2016	0.494%	8/2/2016	10,000,000	10,000,800	800
FEDERAL HOME LOAN BANKS BOND VARIABLE 16/NOV/2016	0.422%	11/16/2016	29,999,558	29,998,800	(758)
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED .51%	0.510%	9/9/2016	5,400,971	5,401,404	433
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED .75%	0.750%	5/25/2017	5,000,000	5,002,800	2,800
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED .85%	0.850%	4/17/2017	1,310,000	1,310,000	-
<b>Total Home Loan Bank</b>			<u>121,241,602</u>	<u>121,265,810</u>	<u>24,208</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<b>Federal Home Loan Mortgage Corp:</b>					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	0.650%	9/29/2016	\$ 3,001,522	\$ 3,001,830	\$ 308
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED .625%	0.625%	11/1/2016	450,154	450,270	116
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED .875%	0.875%	10/14/2016	15,014,308	15,019,050	4,742
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 2%	2.000%	8/25/2016	11,831,178	11,832,624	1,446
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 5.5%	5.500%	7/18/2016	6,851,171	6,851,951	780
FEDERAL HOME LOAN MORTGAGE CORP NOTES VARIABLE	0.493%	4/27/2017	9,996,736	9,999,200	2,464
<b>Total Federal Home Loan Mortgage Corp</b>			<u>47,145,069</u>	<u>47,154,925</u>	<u>9,856</u>
<b>Total Governmental Bonds</b>			<u>343,695,897</u>	<u>343,754,945</u>	<u>59,048</u>
<b>Total Local Government Investment Pool (Short-term Investment Pool)</b>			749,731,919	749,835,069	103,150

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<b>BOND PROCEEDS INVESTMENT POOL #2 (TAXABLE):</b>					
<b>Repurchase Agreements</b>	Various	Various	\$ 40,501,974	\$ 40,501,974	\$ -
<b>Certificates of Deposit</b>	Various	Various	10,200,000	10,200,000	-
<b>Mutual Funds (LGIP Pool Participant)</b>	Various	Various	110,343,936	110,343,936	-
<b>Asset Backed Bonds:</b>					
NCUA GUARANTEED NOTES OTHER SECURED LOANS FIXED	2.350%	6/12/2017	10,144,292	10,150,461	6,169
<b>Total Asset Backed Bonds</b>			10,144,292	10,150,461	6,169
<b>Municipal Bonds:</b>					
ALBUQUERQUE METROPOLITAN ARROYO FLOOD CONTROL	5.110%	7/1/2018	1,855,431	1,855,581	150
ALBUQUERQUE N MEX ARPT REV RFDG 11/MAR/2008	5.000%	7/1/2016	1,000,000	1,000,130	130
ALBUQUERQUE N MEX ARPT REV RFDG-SUB LIEN-SER A	4.000%	8/1/2016	310,344	306,855	(3,489)
ALBUQUERQUE N MEX MUN SCH DIST NO 012 SER B	4.500%	8/1/2019	501,680	501,745	65
BELEN N MEX 20/JUL/2016 01/AUG/2017 2%	2.000%	8/1/2017	278,322	278,570	248
BELEN N MEX 20/JUL/2016 01/AUG/2018 2%	2.000%	8/1/2018	291,002	291,846	844
BERNALILLO N MEX MUN SCH DIST NO 1 RFDG	3.000%	8/1/2016	160,347	160,331	(16)
CLOVIS NEW MEX GROSS RCPTS TAX REV RFDG & IMPT	2.000%	6/1/2017	682,386	683,087	701
COLFAX CNTY N MEX GROSS TAX RCPTS IMPT 24/FEB/2015	2.000%	8/1/2016	225,300	225,279	(21)
GALLUP MC KINLEY CNTY N MEX SCH DIST NO 001	2.000%	8/1/2016	250,274	250,330	56
JEMEZ VY N MEX PUB SCH DIST NO 031 25/NOV/2014	2.000%	8/1/2017	273,633	274,101	468
LAS CRUCES N MEX SCH DIST NO 002 SCH 23/DEC/2013	3.000%	8/1/2016	475,948	476,055	107
LOS LUNAS N MEX SCH DIST NO 1 SCH BLDG 28/OCT/2015	2.000%	7/15/2016	280,418	282,222	1,804
LOS LUNAS N MEX SCH DIST NO 1 SCH BLDG-SER A	2.000%	7/15/2018	195,116	195,115	(1)
NEW MEXICO EDL ASSISTANCE FNDTN ED LN-SR-SER B	4.000%	9/1/2016	301,765	301,806	41
NEW MEXICO ST SEVERANCE TAX TAXABLE-SER C	2.000%	7/1/2018	1,984,607	1,989,351	4,744
PHILADELPHIA PA 27/JUL/2006 01/AUG/2024 5%	5.000%	8/1/2024	572,166	572,200	34
RIO RANCHO N MEX PUB SCH DIST NO 94 RFDG-SCH BLDG	2.000%	8/1/2016	600,688	600,816	128
SAN JUAN CNTY N MEX CENT CONS INDPT SCH DIST NO	3.000%	8/1/2016	400,798	400,876	78
SANTA FE N MEX GROSS RCPTS TAX REV RFDG-SER A	4.000%	6/1/2017	267,767	268,154	387
SANTA FE N MEX PUB SCH DIST FORMERLY SANTA FE N	3.000%	8/1/2016	250,527	250,540	13
<b>Total Municipal Bonds</b>			11,158,519	11,164,990	6,471
<b>US Government Securities:</b>					
<b>US Treasury Notes:</b>					
UNITED STATES OF AMERICA NOTES FIXED .5%	0.500%	7/31/2017	4,978,190	4,998,450	20,260
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	12/15/2016	19,996,364	20,020,400	24,036
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	5/31/2017	24,933,736	25,022,500	88,764
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	8/31/2017	10,955,481	11,009,900	54,419
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	7/15/2016	15,000,544	15,002,550	2,006
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	6/30/2017	4,987,302	5,011,550	24,248
UNITED STATES OF AMERICA NOTES FIXED .75%	0.750%	2/28/2018	14,885,726	15,040,950	155,224
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	11/30/2016	20,010,225	20,041,000	30,775
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	1/31/2017	15,015,263	15,037,350	22,087
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	2/28/2017	5,002,874	5,012,900	10,026
UNITED STATES OF AMERICA NOTES FIXED .875%	0.875%	1/31/2018	19,896,955	20,093,000	196,045
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	3/15/2018	7,499,247	7,551,600	52,353
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	9/30/2016	15,012,007	15,024,150	12,143
UNITED STATES OF AMERICA NOTES FIXED 1%	1.000%	10/31/2016	15,018,268	15,032,850	14,582
UNITED STATES OF AMERICA NOTES FIXED 1.25%	1.250%	10/31/2018	15,105,494	15,208,050	102,556
UNITED STATES OF AMERICA NOTES FIXED 2.75%	2.750%	12/31/2017	20,481,473	20,643,000	161,527
UNITED STATES OF AMERICA NOTES FIXED 3.125%	3.125%	10/31/2016	20,168,051	20,182,800	14,749
<b>Total US Treasury Notes</b>			248,947,200	249,933,000	985,800

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<b>Federal Farm Credit Banks Cons Long:</b>					
FEDERAL FARM CREDIT BANK BOND FIXED 1.16%	1.160%	6/18/2018	\$ 502,405	\$ 504,205	\$ 1,800
<b>Total Federal Farm Credit Banks</b>			502,405	504,205	1,800
<b>Federal Home Loan Banks:</b>					
FEDERAL HOME LOAN BANKS BOND FIXED .75%	0.750%	9/8/2017	499,943	500,600	657
FEDERAL HOME LOAN BANKS BOND FIXED .82%	0.820%	7/6/2018	4,993,610	5,006,700	13,090
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	3/19/2018	12,511,184	12,544,000	32,816
FEDERAL HOME LOAN BANKS BOND FIXED 1% 09/JUN/2017	1.000%	6/9/2017	15,024,493	15,058,650	34,157
FEDERAL HOME LOAN BANKS BOND FIXED 2% 14/SEP/2018	2.000%	9/14/2018	25,554,699	25,708,750	154,051
<b>Total Federal Home Loan Banks</b>			58,583,929	58,818,700	234,771
<b>Federal Home Loan Mortgage Corporation</b>					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.150%	4/27/2018	6,003,417	6,001,020	(2,397)
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.240%	3/29/2019	12,500,000	12,503,750	3,750
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1%	1.000%	3/8/2017	30,071,239	30,098,400	27,161
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 2%	2.000%	8/25/2016	25,027,196	25,058,500	31,304
<b>Total Federal Home Loan Mortgage Corporation</b>			73,601,852	73,661,670	59,818
<b>Federal National Mortgage Association</b>					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/9/2019	14,359,931	14,409,150	49,219
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.000%	12/19/2017	2,002,756	2,008,940	6,184
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	11/22/2017	350,356	350,074	(282)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.200%	12/30/2019	5,000,000	5,012,400	12,400
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	5.000%	5/11/2017	10,364,822	10,378,600	13,778
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.125%	7/20/2018	14,975,758	15,132,000	156,242
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	3/28/2018	9,983,111	10,034,400	51,289
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	8/28/2017	4,991,645	5,013,800	22,155
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	5/21/2018	9,946,971	10,039,600	92,629
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	9/12/2019	20,057,226	20,553,800	496,574
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.750%	11/26/2019	20,015,415	20,562,600	547,185
<b>Total Federal National Mortgage Corporation</b>			112,047,991	113,495,364	1,447,373
<b>Total US Government Securities</b>			493,683,377	496,412,939	2,729,562
<b>Total Bond Proceeds Investment Pool #2 (Tax Exempt) (Part 1 of the Consolidated Investment Pool)</b>			676,032,098	678,774,300	2,742,202

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<b>BOND PROCEEDS INVESTMENT POOL #1 (TAX EXEMPT):</b>					
<b>Certificates of Deposit</b>	Various	Various	\$ 3,000,000	\$ 3,000,000	\$ -
<b>Repurchase Agreements</b>	Various	Various	157,186,091	157,186,091	-
<b>Mutual Funds (LGIP Pool Participant)</b>	Various	Various	61,066,669	61,066,669	-
<b>Asset Backed Bonds:</b>					
NCUA GUARANTEED NOTES OTHER SECURED LOANS FIXED	2.350%	6/12/2017	10,144,292	10,150,461	6,169
<b>Total Asset Backed Bonds</b>			10,144,292	10,150,461	6,169
<b>Municipal Bonds:</b>					
ALAMOGORDO N MEX TAXABLE-SER A 24/DEC/2014	4.000%	8/1/2016	45,112	45,123	11
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	5.000%	7/1/2026	1,500,000	1,500,195	195
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	5.250%	7/1/2016	665,000	665,086	86
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	4.000%	7/1/2016	100,000	100,010	10
ALBUQUERQUE BERNALILLO CNTY WTR UTIL AUTH N MEX JT	3.000%	7/1/2016	540,000	540,038	38
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV	3.000%	7/1/2016	450,000	450,032	32
ALBUQUERQUE N MEX GROSS RCPTS LODGERS TAX REV	3.000%	7/1/2018	191,563	192,657	1,094
ALBUQUERQUE N MEX GROSS RCPTS TAX REV	0.550%	7/1/2016	1,120,000	1,120,000	-
ALBUQUERQUE N MEX GROSS RCPTS TAX REV	1.050%	7/1/2017	600,000	602,214	2,214
ALBUQUERQUE N MEX MET ARROYO FLOOD CTL AUTH	2.000%	8/1/2017	304,036	304,737	701
ALBUQUERQUE N MEX MUN SCH DIST NO 012 SCH BLDG-SER	3.000%	8/1/2016	601,261	601,332	71
ALBUQUERQUE N MEX MUN SCH DIST NO 012 SCH BLDG-SER	3.000%	8/1/2016	721,444	721,598	154
ARTESIA N MEX GROSS RCPTS TAX REV RFDG 15/SEP/2015	2.000%	6/1/2017	1,512,062	1,513,374	1,312
ARTESIA N MEX GROSS RCPTS TAX REV RFDG 15/SEP/2015	2.000%	6/1/2018	264,926	266,633	1,707
BEAUMONT TEX WTRWKS & SWR SYS REV SER A	5.000%	9/1/2024	2,060,629	2,060,767	138
BELEN N MEX CONS SCH DIST NO 2 FORMERLY BELEN N	2.000%	8/1/2016	1,001,312	1,001,290	(22)
GADSDEN N MEX INDPT SCH DIST NO 016 29/OCT/2014	2.000%	8/15/2016	475,790	475,831	41
GRANT CNTY N MEX RFDG 11/DEC/2014 01/SEP/2016 2%	2.000%	9/1/2016	315,742	315,680	(62)
HOBBS N MEX MUN SCH DIST NO 16 26/MAY/2015	3.000%	9/15/2016	391,983	391,888	(95)
LAS CRUCES N MEX SCH DIST NO 002 RFDG-SER B	2.000%	8/1/2017	253,502	253,683	181
NEW JERSEY ECONOMIC DEV AUTH RETIREMENT CMNTY REV	5.250%	11/15/2026	3,560,489	3,561,565	1,076
NEW MEXICO ST SEVERANCE TAX TAXABLE-SER C	2.000%	7/1/2017	4,852,891	4,863,696	10,805
ROSWELL N MEX INDPT SCH DIST SCH BLDG-SER A	2.000%	8/1/2017	252,956	253,518	562
RUIDOSO N MEX GROSS RCPTS TAX REV RFDG & IMPT	2.000%	6/1/2018	157,638	158,630	992
SAN JUAN CNTY N MEX GROSS RCPTS TAX REV RFDG-SER A	4.000%	6/15/2017	720,787	721,546	759
SAN JUAN CNTY N MEX JR COLLEGE DIST 10/NOV/2015	2.000%	8/15/2016	2,229,286	2,229,072	(214)
SANDOVAL CNTY N MEX 07/MAY/2015 01/AUG/2017 3%	3.000%	8/1/2017	383,795	384,285	490
SANDOVAL CNTY N MEX INCENTIVE PAYMENT REV	1.952%	6/1/2018	100,926	101,499	573
SANTA FE N MEX PUB SCH DIST FORMERLY SANTA FE N	5.000%	8/1/2017	2,610,324	2,620,100	9,776
TORRANCE ETC CNTYS N MEX MUN SCH DIST NO 8	1.500%	9/1/2016	200,336	200,304	(32)
UNIVERSITY N MEX UNIV REVS TAXABLE-RFDG & IMPT-SUB	0.970%	6/1/2017	55,000	55,134	134
UNIVERSITY N MEX UNIV REVS TAXABLE-RFDG & IMPT-SUB	1.220%	6/1/2018	250,000	250,663	663
UNIVERSITY N MEX UNIV REVS RFDG-TAXABLE-GNMA	1.438%	6/20/2018	1,007,351	1,009,070	1,719
UNIVERSITY N MEX VALENCIA CNTY BRANCH CMNTY	2.000%	8/1/2016	620,762	620,775	13
<b>Total Municipal Bonds</b>			30,116,903	30,152,025	35,122
<b>US Government Securities:</b>					
<b>US Treasury Notes/Securities:</b>					
UNITED STATES OF AMERICA NOTES FIXED .5%	0.500%	7/31/2017	4,978,190	4,998,450	20,260
UNITED STATES OF AMERICA NOTES FIXED .625%	0.625%	12/15/2016	14,993,029	15,015,300	22,271

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Interest Rate	Maturity Date	Book Value	Market Value	Unrealized Gain (Loss)
<b>US Government Securities (Continued):</b>					
<b>Federal National Mortgage Association:</b>					
FEDERAL NATIONAL MORTGAGE ASSOCIATION BOND ZERO	0.000%	10/9/2019	\$ 14,353,327	\$ 14,409,150	\$ 55,823
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.000%	9/20/2017	5,010,299	5,023,550	13,251
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	0.750%	3/14/2017	24,020,990	24,035,040	14,050
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	2.200%	10/27/2017	1,020,370	1,020,210	(160)
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.350%	7/11/2018	1,312,652	1,315,808	3,156
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.220%	10/25/2018	10,000,000	10,000,800	800
FEDERAL NATIONAL MORTGAGE ASSOCIATION CALLABLE	1.750%	8/24/2018	5,041,272	5,010,250	(31,022)
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	5.000%	5/11/2017	15,547,713	15,567,900	20,187
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.375%	11/15/2016	5,003,058	5,017,250	14,192
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	2/26/2019	9,982,469	10,049,200	66,731
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	0.875%	5/21/2018	14,933,065	15,059,400	126,335
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES FIXED	1.000%	9/27/2017	4,992,767	5,022,900	30,133
FEDERAL NATIONAL MORTGAGE ASSOCIATION NOTES ZERO	0.000%	6/1/2017	6,053,375	6,054,780	1,405
<b>Total Federal National Mortgage Association</b>			<b>117,271,357</b>	<b>117,586,238</b>	<b>314,881</b>
<b>Federal Farm Credit Bank:</b>					
FEDERAL AGRICULTURAL MORTGAGE CORP MEDIUM TERM	0.650%	7/10/2017	4,989,221	5,000,900	11,679
FEDERAL FARM CREDIT BANK BOND FIXED .85%	0.850%	12/6/2017	5,009,930	5,015,600	5,670
FEDERAL FARM CREDIT BANK BOND FIXED 1% 25/SEP/2017	1.000%	9/25/2017	15,025,713	15,059,700	33,987
FEDERAL FARM CREDIT BANK BOND FIXED 1.06%	1.060%	7/24/2018	1,003,777	1,006,850	3,073
FEDERAL FARM CREDIT BANK BOND FIXED 1.1%	1.100%	6/28/2017	1,003,945	1,004,700	755
FEDERAL FARM CREDIT BANK BOND FIXED 1.95%	1.950%	9/17/2018	2,045,656	2,051,000	5,344
FEDERAL FARM CREDIT BANK CALLABLE BOND FIXED 1.65%	1.650%	7/29/2019	10,000,000	10,008,700	8,700
<b>Total Federal Farm Credit Bank</b>			<b>39,078,242</b>	<b>39,147,450</b>	<b>69,208</b>
<b>Federal Home Loan Bank:</b>					
FEDERAL HOME LOAN BANKS BOND FIXED .625%	0.625%	10/26/2017	4,992,947	5,001,800	8,853
FEDERAL HOME LOAN BANKS BOND FIXED .875%	0.875%	3/19/2018	12,511,167	12,544,000	32,833
FEDERAL HOME LOAN BANKS BOND FIXED 1% 27/OCT/2017	1.000%	10/27/2017	1,002,808	1,004,570	1,762
FEDERAL HOME LOAN BANKS BOND FIXED 1.23%	1.230%	10/20/2017	2,011,502	2,015,900	4,398
FEDERAL HOME LOAN BANKS BOND FIXED 1.25%	1.250%	6/8/2018	1,008,014	1,011,290	3,276
FEDERAL HOME LOAN BANKS BOND FIXED 1.25%	1.250%	6/9/2017	2,010,270	2,013,180	2,910
FEDERAL HOME LOAN BANKS BOND FIXED 1.375%	1.375%	3/9/2018	13,677,826	13,743,401	65,575
FEDERAL HOME LOAN BANKS BOND FIXED 1.5%	1.500%	3/8/2019	10,098,541	10,181,600	83,059
FEDERAL HOME LOAN BANKS CALLABLE BOND FIXED 1.1%	1.100%	2/12/2018	7,486,798	7,486,807	9
<b>Total Home Loan Bank</b>			<b>54,799,873</b>	<b>55,002,548</b>	<b>202,675</b>
<b>Federal Home Loan Mortgage Corp:</b>					
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.200%	9/24/2018	1,257,092	1,263,513	6,421
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.500%	7/18/2019	2,014,967	2,037,800	22,833
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.050%	10/30/2018	2,509,894	2,511,825	1,931
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.240%	3/29/2019	12,500,000	12,503,750	3,750
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.070%	10/26/2018	7,219,325	7,223,682	4,357
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE MEDIUM	1.000%	12/28/2018	5,000,000	5,009,550	9,550
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.100%	5/7/2018	1,000,000	1,000,170	170
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.050%	5/10/2018	5,000,000	5,004,900	4,900
FEDERAL HOME LOAN MORTGAGE CORP CALLABLE NOTES	1.000%	8/10/2018	4,995,216	5,004,950	9,734
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED .75%	0.750%	1/12/2018	23,943,985	24,041,040	97,055
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED .75%	0.750%	7/14/2017	24,002,401	24,035,760	33,359
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 0.875%	0.875%	3/7/2018	19,982,364	20,036,800	54,436
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1%	1.000%	3/8/2017	10,016,718	10,032,800	16,082
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1%	1.000%	7/28/2017	5,011,140	5,021,400	10,260
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 1%	1.000%	12/15/2017	10,041,775	10,053,200	11,425
FEDERAL HOME LOAN MORTGAGE CORP NOTES FIXED 2%	2.000%	8/25/2016	20,025,781	20,046,800	21,019
<b>Total Federal Home Loan Mortgage Corp</b>			<b>154,520,658</b>	<b>154,827,940</b>	<b>307,282</b>
<b>Miscellaneous Government Securities:</b>					
TENNESSEE VALLEY AUTHORITY BOND FIXED 6.25%	6.250%	12/15/2017	6,457,376	6,477,834	20,458
UNITED STATES DEPARTMENT OF HOUSING AND URBAN	5.450%	8/1/2019	1,453,083	1,406,342	(46,741)
<b>Total Miscellaneous Government Securities</b>			<b>7,910,459</b>	<b>7,884,176</b>	<b>(26,283)</b>
<b>Total Governmental Bonds</b>			<b>557,724,651</b>	<b>559,437,542</b>	<b>1,712,891</b>
<b>Total Bond Proceeds Investment Pool #1 (Tax Exempt) (Part 2 of the Consolidated Investment Pool)</b>			<b>819,238,606</b>	<b>820,992,788</b>	<b>1,754,182</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 7 - SCHEDULE OF INVESTMENTS - FIDUCIARY FUNDS (CONTINUED)  
JUNE 30, 2016**

Security Description	Book Value	Market Value	Unrealized Gain (Loss)
Local Government Investment Pool (Short-term Investment Pool)	\$ 749,731,919	\$ 749,835,069	\$ 103,150
General Fund Investment Pool (State Funds Investment Pool)	1,749,589,273	1,762,340,687	12,751,414
Bond Proceeds Taxable (Consolidated Investment Pool)	676,032,098	678,774,300	2,742,202
Bond Proceeds Tax Exempt (Consolidated Investment Pool)	<u>819,238,606</u>	<u>820,992,788</u>	<u>1,754,182</u>
<b>Grand Total of All Funds</b>	<b><u><u>\$ 3,994,591,896</u></u></b>	<b><u><u>\$ 4,011,942,844</u></u></b>	<b><u><u>\$ 17,350,948</u></u></b>

Reconciliation to Financial Statements:

Per Schedule of Investments	\$ 4,011,942,844
Less: Interfund Investments in Local Government Investment Pool, General Fund Investment Pool*	(144,028)
Bond Proceeds Taxable*	(110,343,936)
Bond Proceeds Tax Exempt*	<u>(61,066,669)</u>
Total Interfund Investments	<u>(171,554,633)</u>
Total Cash and Investments, Statement of Fiduciary Net Position	<b><u><u>\$ 3,840,388,211</u></u></b>

\* Amounts are deducted from respective pools.



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 8 - COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

	Investment Trust Funds			Total
	LGIP Short-term Investment Pool	Consolidated Investment Pool BPIP #1 and #2	General Fund Investment Pool	
<b>ASSETS</b>				
Cash and Investments:				
Fiscal Agent Bank Account	\$ -	\$ -	\$ 42,002,853	\$ 42,002,853
Cash in Banks	54,684,472	-	338,585,062	393,269,534
Certificates of Deposit	-	13,200,000	52,750,066	65,950,066
U.S. Government Securities	343,754,945	1,055,850,481	930,393,419	2,329,998,845
Municipal Bonds	-	41,317,015	16,283,324	57,600,339
Interfund Investments	(171,554,633)	171,410,605	144,028	-
Repurchase Agreements	235,000,000	197,688,065	375,311,935	808,000,000
Miscellaneous Cash	-	-	6,870,000	6,870,000
Asset Backed Bonds	-	20,300,922	-	20,300,922
Discounted Notes	116,395,652	-	-	116,395,652
Total Cash and Investments	578,280,436	1,499,767,088	1,762,340,687	3,840,388,211
Due from Broker	-	3,911	-	3,911
Accrued Interest Receivable	763,883	3,299,194	3,809,139	7,872,216
<b>TOTAL ASSETS</b>	<b>\$ 579,044,319</b>	<b>\$ 1,503,070,193</b>	<b>\$ 1,766,149,826</b>	<b>\$ 3,848,264,338</b>
<b>LIABILITIES</b>				
Due to Broker	\$ -	\$ 1,593,605	\$ 37,702,000	\$ 39,295,605
Other Liabilities	-	-	28,307	28,307
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,593,605</b>	<b>37,730,307</b>	<b>39,323,912</b>
<b>NET POSITION - HELD IN TRUST</b>	<b>579,044,319</b>	<b>1,501,476,588</b>	<b>1,728,419,519</b>	<b>3,808,940,426</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 579,044,319</b>	<b>\$ 1,503,070,193</b>	<b>\$ 1,766,149,826</b>	<b>\$ 3,848,264,338</b>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 9 - COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2016**

	Investment Trust Fund			Total
	LGIP Short-term Investment Pool	Consolidated Investment Pool BPIP #1 and #2	General Fund Investment Pool	
<b>Additions:</b>				
Investment Income	\$ 2,150,467	\$ 12,016,211	\$ 23,940,722	\$ 38,107,400
Deposits	8,660,784,342	1,019,799,700	43,685,804,944	53,366,388,986
<b>Deductions:</b>				
Expenses - Management Fees	(341,045)	-	-	(341,045)
Withdrawals	<u>(8,760,506,941)</u>	<u>(987,601,357)</u>	<u>(44,239,063,209)</u>	<u>(53,987,171,507)</u>
Subtotal of Change in Net Position	(97,913,177)	44,214,554	(529,317,543)	(583,016,166)
Net Position, Held in Trust for Pool Participants, June 30, 2015	<u>676,957,496</u>	<u>1,457,262,034</u>	<u>2,257,737,062</u>	<u>4,391,956,592</u>
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>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
JUNE 30, 2016**

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)
					Surety Bond Letter of Credit	Securities	
<b>BANKS:</b>							
Alamogordo							
(FHLB)	First National Bank	\$ 98,398	\$ 98,398	\$ -	\$ -	\$ 1,240,442	\$ 1,240,442
(FHLB)	Western Bank	3,612,864	250,000	1,681,432	-	3,000,495	1,319,063
<b>Albuquerque</b>							
(WFB)	Bank of America	161,117	161,117	-	-	292,998	292,998
(WFB)	Bank of the West	314,267,861	250,000	157,008,931	-	164,798,348	7,789,418
(WFB)	Compass Bank	2,060,374	250,000	1,846,581	3,000,000	-	1,153,419
(FHLB)	U.S. Bank N.A.	4,271,275	250,000	2,010,638	40,000,000	-	37,989,363
(WFB)	New Mexico Bank & Trust	280,331	250,000	15,166	-	273,478	258,313
(USB)	Wells Fargo Bank, N.A.	100,919,301	250,000	50,334,651	-	128,340,991	78,006,341
<b>Artesia</b>							
(FHLB)	First American Bank	50,588	50,588	-	-	-	-
<b>Belen</b>							
(USB)	My Bank	350,331	250,000	50,166	250,000	-	199,835
<b>Carlsbad</b>							
(FHLB)	Carlsbad National Bank	600	600	-	-	-	-
(FHLB)	Western Commerce Bank	4,101,378	250,000	1,925,689	-	3,354,995	1,429,306
<b>Clayton</b>							
(FHLB)	Farmers & Stockmens Bank	10,032,975	250,000	4,891,488	5,100,000	-	208,513
(FHLB)	First National Bank of NM	3,204,984	250,000	1,477,492	-	2,814,790	1,337,298
<b>Clovis</b>							
(TIB)	Bank of Clovis	528,846	250,000	139,423	-	848,577	709,154
	Citizens Bank	11,848	11,848	-	-	250,000	250,000
(FHLB)	Western Bank	3,100,000	250,000	1,425,000	-	2,381,507	956,507
<b>Hobbs</b>							
(TIB)	Lea County State Bank	139,225	139,225	-	-	-	-
<b>Las Vegas</b>							
(FHLB)	Southwest Capital Bank	10,723,316	250,000	5,236,658	-	5,543,992	307,334
(FHLB)	Community First Bank LV	322,769	250,000	74,224	-	556,543	482,319
<b>SUBTOTAL</b>		458,238,381	3,961,776	228,117,537	48,350,000	313,697,156	133,929,619

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY (CONTINUED)  
JUNE 30, 2016**

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)
					Surety Bond Letter of Credit	Securities	
<b>BANKS (Continued)</b>							
<b>Lordsburg</b>							
(FHLB)	Western Bank	\$ 111,271	\$ 111,271	\$ -	\$ -	\$ -	\$ -
<b>Los Alamos</b>							
(FHLB)	Los Alamos National Bank	39,182	39,182	-	-	-	-
<b>Raton</b>							
(TIB)	International State Bank	58,948	58,948	-	-	150,178	150,178
<b>Roswell</b>							
(FHLB)	Bank of the Southwest	658,959	250,000	204,480	300,000	142,551	238,072
(TIB)	Valley Bank of Commerce	90,835	90,835	-	-	-	-
<b>Santa Fe</b>							
(FHLB)	Century Bank	3,001,190	250,000	1,375,595	-	1,360,912	(14,683)
(WFB)	First National Bank	30,086,307	250,000	30,433,033	-	42,565,443	12,132,410
<b>Socorro</b>							
(BA)	First State Bank	71,577	71,577	-	-	-	-
<b>Taos</b>							
(TIB)	Centinel Bank	49,342	49,342	-	-	-	-
<b>SAVINGS AND LOANS:</b>							
<b>Alamogordo</b>							
(FHLB)	BANK'34	2,001,987	250,000	1,787,027	-	2,054,780	267,753
<b>Roswell</b>							
(FHLB)	Washington Federal	30,905	30,905	-	-	-	-
<b>CREDIT UNION:</b>							
<b>Santa Fe</b>							
	Guadalupe Credit Union	250,000	250,000	-	-	-	-
<b>SUBTOTAL</b>		36,450,503	1,702,060	33,800,134	300,000	46,273,864	12,773,730

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

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY (CONTINUED)  
JUNE 30, 2016**

Location of Depository	Name of Institution	Deposits	FDIC	Collateral Required	Collateral Pledged		Excess (Under)
					Letter of Credit	Securities	
<b>ANCILLARY RECEIVERSHIP ACCOUNTS:</b>							
<b>Santa Fe</b>							
(WFB)	Century Bank	\$ 1,607,556	\$ 250,000	\$ 678,778	\$ -	\$ 1,275,991	\$ 597,213
<b>FISCAL AGENT BANK:</b>							
(USB)	Wells Fargo Bank N.A.	39,068,549	-	19,534,275	-	64,317,921	44,783,647
<b>SUBTOTAL</b>		<u>40,676,105</u>	<u>250,000</u>	<u>20,213,053</u>	<u>-</u>	<u>65,593,912</u>	<u>45,380,860</u>
<b>TOTAL</b>		<u>\$ 535,364,989</u>	<u>\$ 5,913,836</u>	<u>\$ 282,130,724</u>	<u>\$ 48,650,000</u>	<u>\$ 425,564,932</u>	<u>\$ 192,084,208</u>
<b>Reconciliation to Note 6:</b>							
	Fiscal Agent Account	\$ 39,068,549	\$ -	\$ 19,534,275	\$ -	\$ 64,317,921	\$ 44,783,647
	Certificates of Deposit	65,950,066	1,809,687	48,485,126	5,000,000	48,964,751	5,479,625
		<u>105,018,615</u>	<u>1,809,687</u>	<u>68,019,401</u>	<u>5,000,000</u>	<u>113,282,672</u>	<u>50,263,272</u>
<b>Add:</b>							
	Agency Deposits	428,001,830	3,854,149	213,052,824	38,650,000	305,756,239	131,353,415
	Ancillary Receivership Accounts	1,607,556	250,000	678,778	-	1,275,991	597,213
		<u>429,609,386</u>	<u>4,104,149</u>	<u>213,731,602</u>	<u>38,650,000</u>	<u>307,032,230</u>	<u>131,950,628</u>
		<u>\$ 534,628,001</u>	<u>\$ 5,913,836</u>	<u>\$ 281,751,003</u>	<u>\$ 43,650,000</u>	<u>\$ 420,314,902</u>	<u>\$ 182,213,900</u>
<b>Custodial Banks:</b>							
(USB)	US Bank						
(FHLB)	Fed. Home Loan Bank Dallas						
(WFB)	Wells Fargo Bank						
(TIB)	The Independent Bankers Bank						

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

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 10 - SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY (CONTINUED)  
JUNE 30, 2016**

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	\$ 205,332,000	\$ 209,438,640	\$ 212,043,570	FNMA	31418B6K7	\$ 2,604,930.00
JP Morgan Chase	New York, NY	48,877,000	49,854,540	50,277,124	FNMA	3138ELCS0	422,584
JP Morgan Chase	New York, NY	168,791,000	172,166,820	174,363,472	FNMA	3138ETM29	2,196,652
JP Morgan Chase	New York, NY	185,000,000	188,700,000	188,678,690	GOVT	912828XE5	(21,310)
JP Morgan Chase	New York, NY	50,000,000	51,000,000	50,595,720	GOVT	912828XE5	(404,280)
JP Morgan Chase	New York, NY	50,000,000	51,000,000	50,880,584	GOVT	912828XE5	(119,416)
JP Morgan Chase	New York, NY	50,000,000	51,000,000	50,693,883	GOVT	912828XE5	(306,117)
JP Morgan Chase	New York, NY	50,000,000	51,000,000	50,980,467	GOVT	912828XE5	(19,533)
<b>Total</b>		<u>\$ 808,000,000</u>	<u>\$ 824,160,000</u>	<u>\$ 828,513,510</u>			<u>\$ 4,353,510</u>

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

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER**  
**SCHEDULE 11 - SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND**  
**GAMING SUSPENSE FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2016</u>
<b>ASSETS</b>				
Investment in State General Fund				
Investment Pool	\$ -	\$ 66,004,680	\$ 66,004,680	\$ -
Other Receivables	-	15,203,938	-	15,203,938
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 81,208,618</u>	<u>\$ 66,004,680</u>	<u>\$ 15,203,938</u>
<b>LIABILITIES</b>				
Due to State General Fund	\$ -	\$ 81,208,618	\$ 66,004,680	\$ 15,203,938
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>\$ 81,208,618</u>	<u>\$ 66,004,680</u>	<u>\$ 15,203,938</u>

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
 SCHEDULE 12 - SCHEDULE OF VENDOR INFORMATION FOR PURCHASES  
 EXCEEDING \$60,000 (EXCLUDING GRT) - UNAUDITED  
 YEAR ENDED JUNE 30, 2016**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address, Per the Procurement Documentation, of <u>ALL</u> Vendor(s) That Responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the Vendor In-State and Chose Veteran's Preference (Y or N) For Federal Funds, Answer N/A</i>	<i>Brief Description of the Scope of Work</i>
No purchases exceeding \$60,000								



**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SCHEDULE 13 - SCHEDULE OF ARBITRAGE ON TAX EXEMPT BONDS - UNAUDITED  
YEAR ENDED JUNE 30, 2016**

	First Computation Date	First Payment Due to IRS	First Computation of Arbitrage Completed	Last / Next Payment Due to IRS
General Obligation Bonds Series 2007	3/1/2012	4/30/2012	X	3/1/2017
General Obligation Bonds Series 2009	5/28/2014	7/28/2014	X	3/1/2019
General Obligation Bonds Series 2011	5/26/2016	7/25/2016	X	3/1/2021
General Obligation Bonds Series 2013	4/23/2018	6/22/2018	X	3/1/2023
General Obligation Bonds Series 2015	3/25/2020	5/26/2020	X	3/1/2025
Severance Tax Bonds Series 2009A	7/30/2014	9/29/2014	X	7/1/2019
Severance Tax Bonds Series 2010A	3/24/2015	5/26/2015	X	3/24/2020
Supplemental Severance Tax Bonds Series 2010B	3/24/2015	5/26/2015	X	3/24/2020
Severance Tax Bonds Refunding Series 2010D	12/8/2015	2/8/2016	X	7/1/2017
Severance Tax Bonds Series 2011A-1	12/6/2016	2/6/2017	X	7/1/2021
Severance Tax Bonds Refunding Series 2011A-2	12/6/2016	2/6/2017	X	7/1/2021
Severance Tax Bonds Series 2012A	6/21/2017	8/21/2017	X	6/21/2022
Severance Tax Bonds Series 2013A	7/23/2018	9/24/2018	X	7/1/2023
Severance Tax Bonds Series 2014A	6/24/2019	8/23/2019	X	6/24/2024



**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  
State of 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, 2016, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated December 1, 2016.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, of which are provided in the summary of audit findings and responses as 2016-001 and 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
December 1, 2016

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2016**

**SECTION I – FINANCIAL STATEMENT FINDINGS**

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

**Condition:** The 2016 New Mexico State Auditor Rule, 2.2.2 NMAC Section M (3)(f) states that auditors of state agencies are required to obtain a cash confirmation from the New Mexico State Treasurer's Office (STO). During our review to document the compliance and process of this requirement we noted the following; only one person within STO, at this time, has the knowledge to perform the confirmation process and the cash confirmation process only occurs at year end. Additionally we noted that the same individual performs the monthly investment reconciliation process, and prepares the audit schedules at year end. During our audit we were made aware that this person is retiring from the State.

**Criteria:** Per the Committee of Sponsoring Organization (COSO) report which defines internal control for organizations, under the control environment, management should have employees that are competent to perform functions that have a direct alignment with their financial reporting objectives. The duties noted above are imperative to the financial reporting for STO both internally and externally.

**Cause:** STO has limited resources and there are already time constraints on employees that would have the knowledge to perform the functions noted above, which makes cross training difficult.

**Effect:** Possible delay in performing these critical tasks when, or if the current employee retires, which could result in a delay of financial reporting and the cash confirmation requirement as outlined in the New Mexico State Auditor Rule.

**Recommendation:** We recommend that Management hire another competent employee or start training a current employee as a back up to perform these functions. In addition we recommend that the cash confirmation process be performed on a monthly or quarterly basis.

**State Treasurer's Office Response:** The State Treasurer's Office understands this finding. FY16 was the first year that the Cash Confirmation process had been required so procedures were developed and implemented. Now additional staff can be cross-trained or hired to learn these newly developed procedures and to provide redundancy. Budgetary constraints could create challenges in achieving compliance.

- Responsible party: Leo Marquez, Chief Financial Officer
- Date to implement corrective action: June 30, 2017

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2016**

**SECTION I – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Finding 2016-002 Debt Activity - Transfer (Compliance and Other Control Deficiency Matters)**

**Condition:** CLA became aware of a transfer that was made in error from the STO Investment Trust Bank account to the New Mexico State Board of Finance's bank account. The transfer was for the Good Faith Deposit, of \$6,655,700, for the Severance Tax Bond Series 2016A and 2016C bonds issued during fiscal year 2016. The Good Faith Deposit had been paid but was then transferred by the Treasurer's Office to the State Board of finance.

**Criteria:** Per 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:** Per review of the statement sent to STO to make the transfer to the State Board of Finance the amount requested noted the gross amount. STO has an internal review process prior to amounts being transferred to the State Board of Finance but they do not confirm with the State Board of Finance that the amounts they are transferring are accurate.

**Effect:** There was no effect on the cash at the State-wide level, however the State Board of Finance's bank account at year end was overstated by \$6,655,700. In addition there was a reconciling item for the state's cash reconciliation process performed by the Department of Finance and Administration.

**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 State Board of Finance the amounts being transferred are correct. These amounts are large and can be more complex in nature.

**State Treasurer's Office Response:** The State Treasurer's Office concurs with this finding. STO's corrective action plan includes increasing communication as needed with Board of Finance and their contractors to ensure:

1. Transfer amounts are correct.
  2. Transactions comply with the closing memo documentation.
- Responsible party: Stephen Vigil, Investment Accounting Bureau Chief
  - Date to implement corrective action: December 31, 2016

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2016**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2015-001 Accounts Payable (Significant Deficiency) Resolved**

**Condition:** During our search for unrecorded liabilities, we encountered a payment to the Department of Information and Technology (DOIT) in the amount of \$11.5K that related to the Public Education Retirement Association (PERA) rather than the New Mexico State Treasurer's Office (the Office). The amount was approved for payment by the CFO of the Office.

**Finding 2007-04 Reporting of Agency Interest in the State General Fund Investment Pool (Material Weakness) – Resolved**

**Condition:** On July 1, 2006, the State of New Mexico implemented the SHARE accounting system requiring changes to business processes at the State Treasurer's Office, DFA and other State Agencies. The State Treasurer's Office was not allowed to maintain the TRACS subsidiary system that provided for reporting of each State Agency's interest in the State General Fund Investment Pool (SGFIP) when the transition to the SHARE system occurred due to lack of funding for redundant systems.

In June 2012, the State Controller of the Financial Control Division at the DFA commissioned a diagnostic report with the purpose of assessing the current state of cash reconciliation and determining recommendations for remediating the system configuration and business process issues pertaining to the book to bank processes. Some key observations revealed by the diagnostic report relating to the Treasury application are summarized below:

1. Complete functionality available in the SHARE Treasury application was not implemented. The premise of the reconciliation functionality in PeopleSoft is that all system transactions have an accounting entry on the GL and that each bank transaction reconciles to the system transaction. This is not the case for the current implementation of SHARE.

**STATE OF NEW MEXICO OFFICE OF THE STATE TREASURER  
EXIT CONFERENCE  
June 30, 2016**

An exit conference was held with the State Treasurer's Office on November 28, 2016. 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, Chief Financial Officer, Budget and Finance Division Director  
Christina Baca, Budget and Finance Bureau Chief  
Steve Vigil, Investment Accounting Bureau Chief

**CLIFTONLARSONALLEN LLP**

Georgie Ortiz, CPA, CGFM, Principal  
Christopher W. Gregory, CPA, Senior Associate

**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.